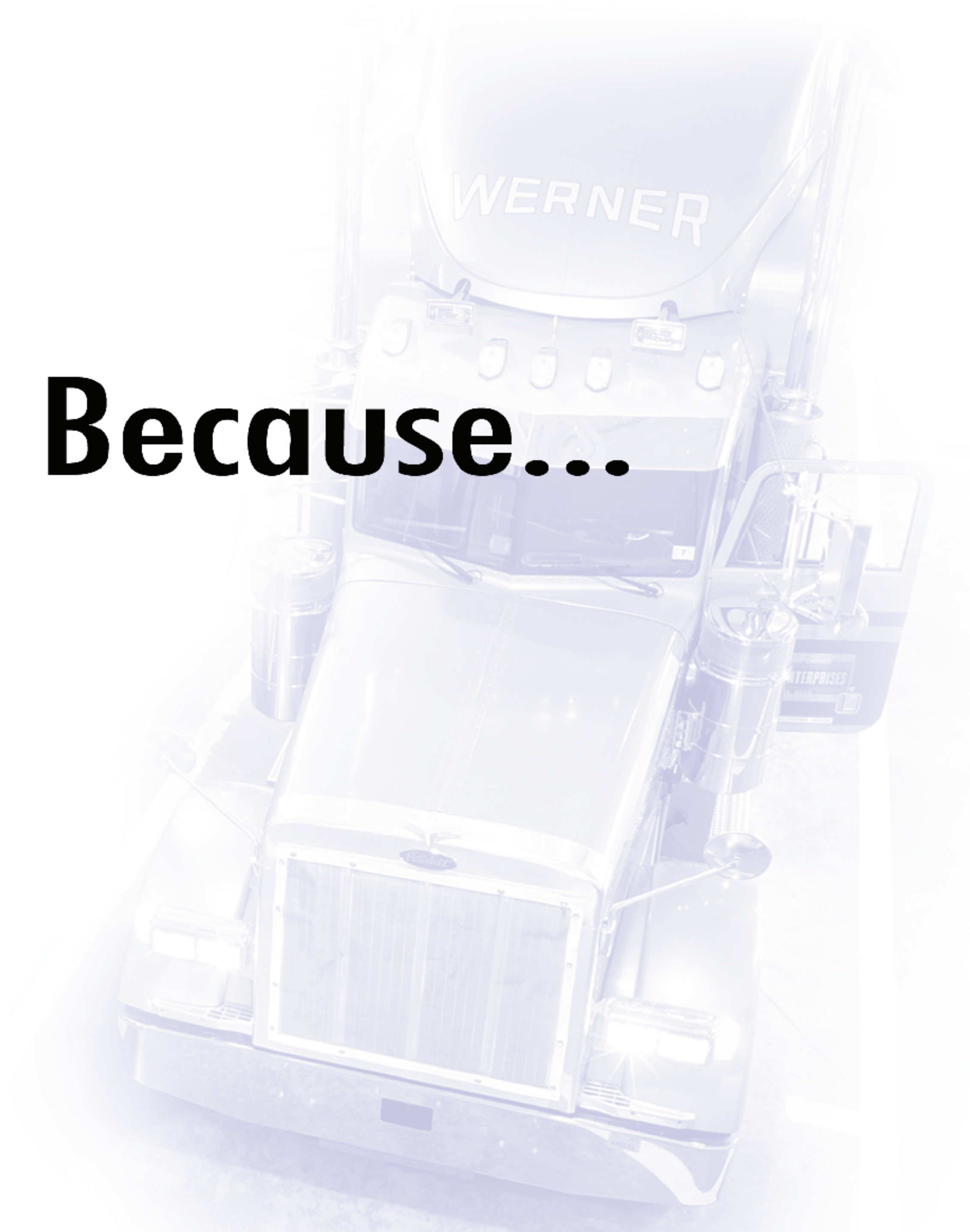
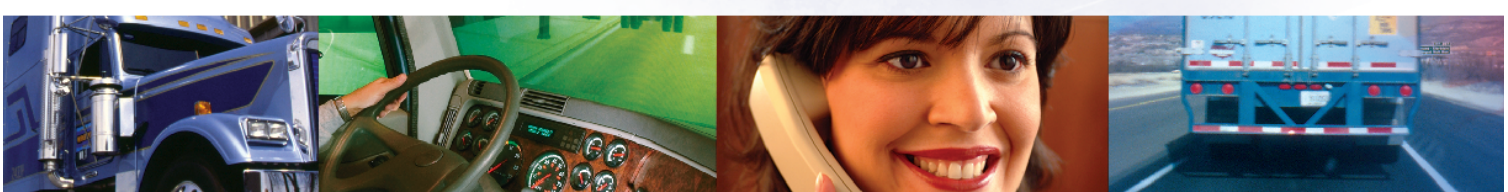


Because...



WE ARE MAKING SIGNIFICANT PROGRESS ▪ OUR TECHNOLOGY IS INNOVATIVE ▪ OUR PEOPLE ARE SECOND TO NONE ▪ THE FUTURE HOLDS NO BOUNDARIES ▪ WE ARE RAISING THE STANDARD ▪ WE ARE MAKING SIGN

Werner Enterprises | 2003 Annual Report


...we are raising the
standard
service
safety
on-time performance
VISION
To be recognized as the premier provider of truckload transportation services.
WE ARE RAISING THE STANDARD ■ WE ARE MAKING SIGNIFICANT PROGRESS ■ OUR TECHNOLOGY IS INNOVATIVE ■ OUR PEOPLE ARE SECOND TO NONE ■ THE FUTURE HOLDS NO BOUNDARIES ■ WE ARE RAISING
Werner entered 2003 in an enviable financial position.

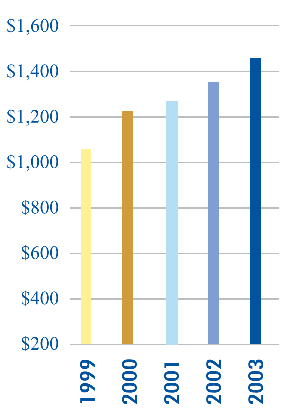
financial highlights

(Dollars in thousands, except per share amounts)

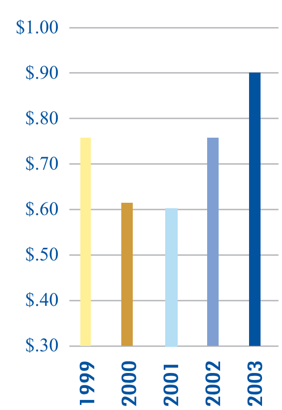
	2003	2002	2001	2000	1999
Operating revenues	$1,457,766	$1,341,456	$1,270,519	$1,214,628	$1,052,333
Net income	73,727	61,627	47,744	48,023	60,011
Diluted earnings per share*	0.90	0.76	0.60	0.61	0.76
Cash flow from operations	207,474	226,271	226,920	170,147	131,977
Cash dividends declared per share*	.090	.064	.060	.060	.060
Return on average stockholders' equity	10.9%	10.0%	8.5%	9.3%	12.8%
Operating ratio	91.9%	92.6%	93.8%	93.2%	90.3%
Book value per share*	8.90	8.12	7.42	6.84	6.29
Total assets	1,121,527	1,062,878	964,014	927,207	896,879
Total debt (current and long-term)	0	20,000	50,000	105,000	145,000
Stockholders' equity	709,111	647,643	590,049	536,084	494,772

*After giving retroactive effect for the September 2003 five-for-four stock split (all years presented).

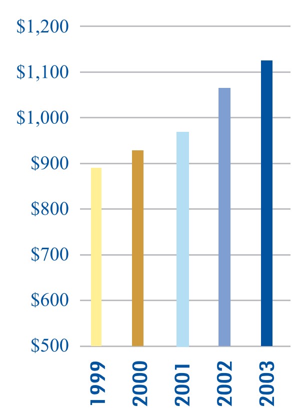
Operating Revenues
(in Millions of Dollars)



Earnings Per Share
(in Dollars)



Total Assets
(in Millions of Dollars)



letter to stockholders

past
present
future

...we are making significant progress

2003 highlighted another year of sustained, measurable improvement at Werner Enterprises. Our Werner team successfully executed its ongoing plan to increase our operating margin and control fleet growth. We made tremendous progress raising rates and strengthening our high service levels.

Financial milestones

- For the year, revenues increased 9% to $1.5 billion, net income rose 20% to $73.7 million, and earnings grew 19% to $.90 per share.
- We raised rates over four cents a mile, or 3.4%.
- Werner Enterprises became debt-free for the first time in our history.

Operational milestones

- Werner's commitment to outstanding on-time service and value was validated by our number one ranking in the August 2003 Quest for Quality survey of truckload shippers.
- We successfully penetrated our growth markets: Dedicated, Regional, and International.
- Our professional drivers surpassed 1 billion annual miles for the first time in 2003.
- We continued to develop our people and useful technology applications.

Truckload Market Conditions

Trucking controls a growing 80% share of the U.S. transportation market. Within trucking, there are two distinct market segments: truckload and less-than-truckload. The much larger truckload segment, which includes Werner, has an annual freight bill of about $400 billion. Werner manages a 1% share of the fragmented dry van, convertible private fleet, and specialty truckload markets we have targeted. Werner is the fourth largest truckload carrier in the U.S.

During the last three years, the number of trucking company failures substantially exceeded prior levels. During this same period, the largest truckload carriers slowed their annual truck growth rate from 15% per year in the late 1990s to 3% per year. This diminished the supply of trucks available to haul freight and helped a previously depressed rate environment. In addition, truckload barriers to entry increased in recent years due to limited liability insurance coverage at a much higher cost, stricter equipment financing standards, sophisticated customer technology requirements, and customer fleet size requirements.

The Werner Model

Werner emphasizes transporting consumer, nondurable products that are purchased in all types of economies and seasons of the year. This creates less volatility in our freight base relative to the economy and provides our drivers with more consistent miles. We deliver products that are essential to the consumer's everyday lifestyle. Retail store merchandise, grocery products, consumer products, and manufactured products are our specialty.

With superior on-time delivery performance, Werner provides its customers with highly

Werner has grown to become one of the five largest U.S. truckload carriers with business into and out of Mexico.

reliable, predictable service. This enables Werner customers to reduce their inventory levels, knowing their shipments will arrive when they are scheduled to arrive. Thus, the Werner value proposition enables customers to squeeze cost out of their supply chain.

Planning and Payoff

Our industry knowledge and financial flexibility produced significant benefits this past year.

- By purchasing 1,000 additional trucks in advance of the new engine emission regulations that became effective in the fourth quarter 2002, Werner delayed the impact of cost increases, kept the average age of our truck fleet low, and allowed additional time for testing the new engines.
- We modified our proprietary Paperless Log System (PLS) for the new hours of service regulations. Our PLS provides us with a continuing competitive advantage by proactively optimizing the assignment of shipments to drivers using real-time hours data. With three months of testing and training, we were fully prepared for the hours of service changes in January 2004.
- When fuel prices reached a twenty-year high in first quarter 2003 due to the war, our industry-leading fuel surcharge recovery program minimized the impact to our earnings.

Challenges

Adapting our Company and our customers to the new hours of service rules is an ongoing challenge. This has been a major project within Werner for the past several months, and I am pleased with our preparation and progress.

The improved economy, the decline in the national unemployment rate, the new hours of service, and competitive factors recently made it more difficult to attract drivers. I am confident our experienced management team will make the correct decisions as this issue develops.

Opportunities

We are making meaningful progress, but more progress is needed.

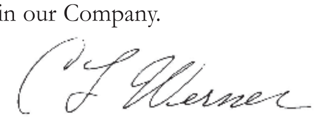
During 2004, our goal is to further improve our earnings by raising rates and becoming more efficient in our operations. We plan to grow in the truckload markets that offer the most attractive margins and returns, including the potential for transferring trucks from less attractive to more attractive markets. Our continuing goal is to improve our annual operating margin to 10% or better before increasing the Company's fleet growth rate.

We have also added senior management and systems infrastructure to support growth in the brokerage and intermodal segments of our Value Added Services division.

2004 and Beyond

I am extremely optimistic for our future. Our balance sheet has never been stronger. Our record of on-time service is among the best in the industry. The Werner customer base is very diversified. Our truck fleet is among the newest in the industry. We have a superior, professional driver workforce. Our Company has an enviable record of consistent and credible financial results, and I believe we have the best management team in the business.

I am pleased with the progress we made in 2003. We are looking forward to a very successful 2004 for Werner Enterprises. Thank you for your continued support and investment in our Company.



Chairman and Chief Executive Officer
February 26, 2004

In 2003 we stayed the course and executed our plan.

Financial Stability

...our technology is innovative.

sophisticated
dynamic
functional

The highly sophisticated and realistic features of our interactive driver simulator help train our drivers in a variety of driving conditions.

▪ WE ARE RAISING THE STANDARD ▪ WE ARE MAKING SIGNIFICANT PROGRESS ▪ OUR TECHNOLOGY IS INNOVATIVE ▪ OUR PEOPLE ARE SECOND TO NONE ▪ THE FUTURE HOLDS NO BOUNDARIES ▪ WE ARE RAISING THE STA

More than ten years have passed since we installed the first satellite communications units in our trucks.

productive assets

Truckload transportation is a capital-intensive business. Werner invests over $120,000 in each tractor and the trailers required to support our customers and drivers. Drivers are paid for each mile they drive and depend on Werner for a fair paycheck. To ensure our drivers are satisfied and to ensure we earn a commensurate return on our assets, we must be productive.

In 1992, Werner installed global satellite positioning technology on our trucks. This technology enables us to know where our trucks are at all times. With this technology, we also have two-way messaging communication with our drivers. Many other carriers have this technology, but there is a significant difference in how it is used by Werner compared to our competition.

Werner has developed numerous proprietary software applications to monitor and control driver safety, improve driver training, maximize mileage productivity, and improve on-time service.

Werner is the only carrier with a Paperless Log System that allows us to proactively manage the assignment of shipments to our drivers based on their real-time available driving hours. This accomplishes two key objectives: safer drivers and optimal use of our human resources. Our real-time load monitoring system automatically keeps track of all shipments in transit and enables our people to take preventive action to avoid late deliveries. Our traveling technology trailers display our unique operating systems at the doorsteps of our customers and vendors.

One of the best measurements of productivity in the truckload industry is revenue per truck per week. This key measurement combines miles per truck with the revenue per mile generated from customers. For 2003, Werner's revenue per truck per week was 8% higher than the average of its four largest public truckload competitors.

Productive assets translate into superior bottom line results.

The interactive features of our E-trainer software continually train our drivers on numerous safety topics.

Technology Trailer

engaged
inspired
dedicated

...our people
are second to none.

Our dedicated team of experienced professionals enables Werner to maintain one of the most productive fleets in the industry.

■ WE ARE RAISING THE STANDARD ■ WE ARE MAKING SIGNIFICANT PROGRESS ■ OUR TECHNOLOGY IS INNOVATIVE ■ OUR PEOPLE ARE SECOND TO NONE ■ THE FUTURE HOLDS NO BOUNDARIES ■ WE ARE RAISING THE STA

Leadership to accomplish more.

Relentless in our desire to succeed.

talent to achieve more

Success in our business is earned each and every day. It takes an unwavering commitment from the entire Werner team to surpass the increasing expectations of our customers.

The backbone of our workforce is our company drivers and owner-operators. They deliver superior service to exacting standards with utmost professionalism. Providing our drivers with frequent, comprehensive training along with equipping them with every technological advantage allows our drivers to focus their efforts on the safe and timely delivery of our customers' products.

These talented men and women are backed by our maintenance staff who take considerable care to ensure our trucks and trailers operate with minimal disruption. Werner management and office staff direct and execute our business plan with a strong work ethic and a high level of integrity. Their dedication is evident at every level of our organization. Our employees combine knowledge gained from years of experience at many different positions within the Company to provide the best transportation solutions on a daily basis.

We were extremely proud that Werner Enterprises was recognized this past August as the highest rated truckload carrier in the United States. The Quest for Quality survey of thousands of shippers is conducted annually by Logistics Management magazine. This award is based on shipper opinions ranking on-time performance, value, information technology, customer service, and equipment/ operations. Our people deserve the credit for this significant achievement.

The road ahead will undoubtedly provide our people with many challenges. We look forward to the future with confidence and optimism. Our Werner team provides us with what we believe is a significant competitive advantage. With the best people in the business, Werner is uniquely positioned for future success.

Talent to achieve goals.

Our people make the difference.

...the future
holds no boundaries

solid
focused
determined

Building Momentum

■ WE ARE RAISING THE STANDARD ■ WE ARE MAKING SIGNIFICANT PROGRESS ■ OUR TECHNOLOGY IS INNOVATIVE ■ OUR PEOPLE ARE SECOND TO NONE ■ THE FUTURE HOLDS NO BOUNDARIES ■ WE ARE RAISING THE STANDA

Our diverse range of services offer shipping solutions for every customer in the U.S., Canada, and Mexico.

Driven to Succeed

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2003**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to __________

Commission File Number 0-14690

WERNER ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA (State or other jurisdiction of incorporation or organization)	**47-0648386** (I.R.S. employer identification no.)
14507 FRONTIER ROAD **POST OFFICE BOX 45308** **OMAHA, NEBRASKA** (Address of principal executive offices)	**68145-0308** (Zip code)

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

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 this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES ☒ NO ☐

The aggregate market value of the common equity held by non-affiliates of the Registrant (assuming for these purposes that all executive officers and Directors are "affiliates" of the Registrant) as of June 30, 2003, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $826 million (based on the closing sale price of the Registrant's Common Stock on that date as reported by Nasdaq).

As of February 29, 2004, 79,544,652 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Registrant for the Annual Meeting of Stockholders to be held May 11, 2004, are incorporated in Part III of this report.

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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 as well as providing logistics services. Werner is one of 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 2003 with a fleet of 8,350 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 (DOT) 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 retail store merchandise, consumer products, manufactured products, and grocery products. The Company's emphasis is to transport consumer nondurable products that ship more consistently throughout the year. The Company has one reportable segment – Truckload Transportation Services. Financial information regarding this segment can be found in the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

Marketing and Operations

Werner's business philosophy is to provide superior on-time service to its customers at a competitive 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 developed 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, Mexico, and Canada; regional), or conversion of their private fleet to Werner (dedicated). During the latter part of 2003 and continuing into 2004, the Company expanded its brokerage and intermodal service offerings by adding senior management and developing new computer systems. Trucking revenues accounted for 92% of total revenues, and non-trucking revenues, primarily brokerage revenues, accounted for 8% of total revenues in 2003. Werner's Value Added Services division manages the transportation and logistics requirements for individual customers. This includes truck brokerage, transportation routing, transportation mode selection, intermodal, transloading, and other services. Value Added Services is a non-asset-based business that is highly dependent on information systems and qualified employees. Compared to trucking operations which require a significant capital equipment investment, its operating margins are generally lower and returns on assets are generally higher. The growth in brokerage and intermodal is expected to increase the Company's non-trucking revenues in 2004.

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 2003, the Company's largest 5, 10, 25, and 50 customers comprised 24%, 34%, 51%, and 64% of the Company's revenues, respectively. The Company's largest customer, Dollar General, accounted for 9% of the Company's revenues in 2003. No other customer exceeded 5% of revenues in

2003. By industry group, the Company's top 50 customers consist of 48% retail and consumer products, 22% grocery products, 23% manufacturing/industrial, and 7% logistics and other. Many of our customer contracts are cancelable on 30 days notice.

Virtually all of Werner's company and owner-operator tractors are equipped with satellite communications devices manufactured by Qualcomm that enable the Company and drivers to conduct two-way communication using standardized and freeform messages. This satellite technology, installed in all trucks beginning in 1992, 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) the Company's proprietary Paperless Log System to electronically preplan the assignment of shipments to drivers based on real-time available driving hours and to automatically keep track of truck movement and drivers' hours of service, (2) software which preplans shipments that can be swapped by drivers enroute to meet driver home time needs, without compromising on-time delivery schedules, (3) automated "possible late load" tracking which informs the operations department of trucks that may be operating behind schedule, thereby allowing the Company to take preventive measures to avoid a late delivery, and (4) automated engine diagnostics to continually monitor mechanical fault tolerances. In June 1998, Werner became the first, and only, trucking company in the United States to receive authorization from the DOT, under a continuing 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 DOT published its proposal to grant an exemption to Werner on December 11, 2003. The public comment period ended on January 12, 2004.

The Federal Motor Carrier Safety Administration (FMCSA) of the U.S. Department of Transportation issued a final rule on April 24, 2003 that made several changes to the regulations which govern truck drivers' hours of service (HOS). For all non-local trucking companies, this was the most significant change to the hours-of-service rules in over 60 years. Previously, drivers were allowed to drive 10 hours after 8 hours off-duty. The new rules allow drivers to drive 11 hours after 10 hours off-duty. In addition to this, drivers may not drive after 14 consecutive hours on-duty, following 10 hours off-duty as opposed to 15 hours on-duty, following 8 hours off-duty. There have been no changes in the rules that limit a driver to a maximum of 70 hours in eight consecutive days. A new rule allows a driver who takes at least 34 consecutive hours off duty to restart his or her on-duty cycle for the 70 hour rule. A driver's 15 hour daily work cycle in the old system is considered cumulative, not consecutive, and does not take into account off-duty time during the 15 hour period. Under the new rules, a driver's 14 hour daily work cycle is considered consecutive, and off-duty time counts against the 14 hour period. Therefore, loading/unloading delays, shipments that require multiple stop deliveries, and other non-driving activities may limit drivers' available hours. On January 4, 2004, the new federal regulations that govern driver HOS became effective. Beginning October 2003, Werner Enterprises started testing the HOS with its drivers using its proprietary Paperless Log System software, modified for the new HOS rules. This testing, combined with a comprehensive driver-training program, helped to prepare the Company for the HOS changes. Measuring the overall impact of the HOS changes is preliminary at this time since the new regulations have been effective for only eight weeks. The Company's initial data suggests that the average miles per truck for the first eight weeks of 2004 compared to the same eight weeks a year ago may be slightly lower due to the HOS changes. A stronger freight market in the 2004 period compared to the 2003 period is helping to minimize the negative impact on miles per truck. The Company believes it is minimizing the impact on miles per truck through proactive planning using its Paperless Log System and by working closely with customers to reduce delay time. However, the Company is unable to predict the ultimate impact of the new hours of service rules. These changes could have an adverse effect on the operations and profitability of the Company. Effective January 2004, the Company increased its accessorial charges to customers for multiple stop shipments and its rates for equipment detention. Werner also raised its driver stop pay and is implementing pay changes to drivers for delay time due to equipment detention.

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, 2003, the Company employed 10,003 drivers, 714 mechanics and maintenance personnel, 1,406 office personnel for the trucking operation, and 246 personnel for the non-trucking operations. The Company also had 920 contracts with independent contractors (owner-operators) for services that provide both a tractor and a qualified driver or drivers. None of the Company's U.S. or Canadian employees are 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. For company-employed drivers, 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).

At times, there are shortages of drivers in the trucking industry. In prior years, the number of qualified drivers in the industry was reduced because of the elimination of federal funding for driving schools, changes in the demographic composition of the workforce, and individual drivers' desire to be home more often. The market for recruiting drivers became more difficult in fourth quarter 2003. In recent months, the market for recruiting qualified drivers tightened. However, the Company continues to have success recruiting drivers from driver training schools. The Company anticipates that the competition for qualified drivers will continue to be high and cannot predict whether it will experience shortages in the future. If such a shortage was to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

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 continued to be difficult for the Company and the industry to recruit and retain owner-operators over the past few years due to several factors including high fuel prices, tightening of equipment financing standards, and declining values for older used trucks.

Revenue Equipment

As of December 31, 2003, Werner operated 7,430 company tractors and had contracts for 920 tractors owned by owner-operators. A majority of the company tractors are manufactured by Freightliner, a subsidiary of DaimlerChrysler. Most of the remaining company tractors are manufactured by either Peterbilt or Kenworth, divisions of PACCAR. 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. Owner-operator tractors are inspected prior to acceptance by the Company for compliance with operational and safety requirements of the Company and the DOT. These tractors are then periodically inspected, similar to company tractors, to monitor continued compliance. The vehicle speed of company-owned trucks is regulated to improve safety and fuel efficiency.

The Company operated 22,800 trailers at December 31, 2003: 21,231 dry vans; 677 flatbeds; 827 temperature-controlled; and 65 other specialized trailers. Most of the Company's trailers are manufactured by Wabash National Corporation. As of December 31, 2003, 98% of the Company's fleet of dry van trailers consisted of 53-foot trailers, and 97% consisted of aluminum plate or composite (duraplate) trailers. Other trailer lengths such as 48-foot and 57-foot are also provided by the Company to meet the specialized needs of customers.

Effective October 1, 2002, all newly manufactured truck engines must comply with new engine emission standards mandated by the Environmental Protection Agency (EPA). All truck engines manufactured prior to October 1, 2002 are not subject to these new standards. To delay the business risk of buying these new truck engines with inadequate testing time prior to the October 1, 2002 effective date, the Company significantly increased the purchase of trucks with pre-October 2002 engines. During 2003, the Company placed these new trucks with pre-October 2002 engines into service to replace trucks that were reaching the Company's normal three-year trade/sale age. As of December 31, 2003, approximately 10% of the Company's fleet consisted of trucks with the new engines. The Company is continuing ongoing testing of the new truck engines, in particular, the Caterpillar ACERT engines and the Detroit Diesel EGR engines. To date, the Company's testing indicates that the fuel mile per gallon (mpg) degradation is a reduction of approximately 0.3 mpg to 0.5 mpg. Depreciation expense is increasing due to the higher cost of the new engines. The average age of the Company's truck fleet at December 31, 2003 is 1.6 years. To allow time for continued testing of the new trucks with EPA-compliant engines, the Company has decided to extend the age of a portion of its trucks scheduled to be sold or traded during 2004.

Fuel

The Company purchases approximately 90% of its fuel through a network of 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.

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's customer fuel surcharge reimbursement programs have historically enabled the Company to recover from its customers a significant portion of the higher fuel prices compared to normalized average fuel prices. These fuel surcharges, which automatically adjust depending on the cost of fuel, enable the Company to recoup much of the higher cost of fuel when prices increase except for miles not billable to customers, out-of-route miles, and truck engine idling. Conversely, when fuel prices decrease, fuel surcharges decrease. The Company cannot predict whether high fuel prices will continue to increase or will decrease in the future or the extent to which fuel surcharges will be collected to offset such increases. As of December 31, 2003, 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 most 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 DOT and the Federal and Provincial Transportation Departments in Canada. 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 has authority to carry freight on an intrastate basis in 43 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 intrastate commerce 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 does not believe that compliance with these regulations has a material effect on its capital expenditures, earnings, and competitive position.

The implementation of various provisions of the North American Free Trade Agreement (NAFTA) will alter the competitive environment for shipping into and out of Mexico. It is not possible at this time to predict when and to what extent that impact will be felt by companies transporting goods into and out of Mexico. The Company does a substantial amount of business in international freight shipments to and from the United States and Mexico (see Note 8 "Segment Information" in the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K) and is continuing to prepare for the various scenarios that may finally result. The Company believes it is one of the five largest truckload carriers transporting freight shipments to and from the United States and Mexico.

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 approximately $600 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 much 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 is one of the five largest carriers in the truckload transportation industry.

Industry-wide truck capacity in the truckload sector is being limited due to a number of factors. There are continuing cost issues and concerns with the new EPA-compliant diesel engines and the new hours of service regulations. Trucking company failures in the last four years are continuing at a pace higher than the previous fifteen years. Some truckload carriers are having difficulty obtaining adequate trucking insurance coverage at a reasonable price. Equipment lenders have tightened their credit policies for truck financing. Many truckload carriers, including Werner, slowed their fleet growth in the last three years, and some carriers have downsized their fleets to improve their operating margins and returns.

Internet Web Site

The Company maintains a web site where additional information concerning its business can be found. The address of that web site is www.werner.com. The Company makes available free of charge on its Internet web site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after it electronically files or furnishes such materials to the SEC.

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 nearby Interstate 80 just west of Omaha, Nebraska, on approximately 197 acres, 147 of which are held for future expansion. The Company's headquarters office building includes a computer center, drivers' lounge areas, a drivers' orientation section, a cafeteria, and a Company store. The Omaha headquarters also consists of a driver training facility and equipment 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. The Company's headquarters facilities have suitable space available to accommodate planned needs for the next 3 to 5 years.

The Company also has several terminals throughout the United States, as described below:

Location	Owned or Leased	Description
Omaha, Nebraska	Owned	Corporate headquarters, maintenance
Omaha, Nebraska	Owned	Disaster recovery, warehouse
Phoenix, Arizona	Owned	Office, maintenance
Fontana, California	Owned	Office, maintenance
Denver, Colorado	Owned	Office, maintenance
Atlanta, Georgia	Owned	Office, maintenance
Indianapolis, Indiana	Leased	Office, maintenance
Springfield, Ohio	Owned	Office, maintenance
Allentown, Pennsylvania	Leased	Office, maintenance
Dallas, Texas	Owned	Office, maintenance
Laredo, Texas	Owned	Office, maintenance, transloading
Lakeland, Florida	Leased	Office
Portland, Oregon	Leased	Office
Ardmore, Oklahoma	Leased	Maintenance
Indianola, Mississippi	Leased	Maintenance
Scottsville, Kentucky	Leased	Maintenance
Fulton, Missouri	Leased	Maintenance
Tomah, Wisconsin	Leased	Maintenance
Newbern, Tennessee	Leased	Maintenance

The Company leases approximately 60 small sales offices and trailer parking yards in various locations throughout the country, owns a 96-room motel located near the Company's headquarters, owns four low-income housing apartment complexes in the Omaha area, and has 50% ownership in a 125,000 square-foot warehouse located near the Company's headquarters. Currently the Company has 15 locations in its Fleet Truck Sales network. Fleet Truck Sales, a wholly-owned subsidiary, is one of the largest class 8 truck sales entities in the U.S. and sells the Company's used trucks and trailers. During first quarter 2004, the Company is expanding its Fleet Truck Sales network from 15 locations to 16 locations.

ITEM 3. *LEGAL PROCEEDINGS*

The Company is a party to routine litigation incidental to its business, primarily involving claims for personal injury, property damage, and workers' compensation incurred in the transportation of freight. The Company has maintained a self-insurance program with a qualified department of Risk Management professionals since 1988. These employees manage the Company's property damage, cargo, liability, and workers' compensation claims. The Company has assumed liability for claims up to $500,000, plus administrative expenses, for each occurrence involving personal injury or property damage. The Company is also responsible for varying annual aggregate amounts of liability for claims above $500,000 and below $4,000,000. For the policy year ended August 1, 2003, these annual aggregate amounts totaled $2,500,000. For the policy year which began August 2003, the Company is self-insured for claims in excess of $3.0 million and less than $5.0 million, subject to an annual maximum aggregate of $6.0 million if several claims were to occur in this layer. For claims in excess of $5.0 million and less than $10.0 million, the Company is responsible for the first $5.0 million of claims in this layer. Liability claims in excess of $10.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies to coverage levels that management considers adequate. The Company's primary liability insurance policies for coverage ranging from $500,000 per claim to $10,000,000 per claim renew on August 1, 2004. Based on current insurance market conditions, the Company expects the annual premium cost for renewing the insurance coverage for the $500,000 - $3,000,000 layer it has maintained for the last six years (which is currently less than 5% of total insurance and claims expense) will be substantially higher. As a result, the Company may elect to increase its self-insurance retention amount from $500,000 per claim to a higher amount per claim in August 2004. 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 2003, no matters were submitted to a vote of security holders.

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, 2002, through December 31, 2003, after giving retroactive effect for the September 2003 stock split discussed below.

	High	Low	Dividends Declared Per Common Share
2003			
Quarter ended:			
March 31	$ 17.50	$ 13.98	$.016
June 30	18.98	15.26	.024
September 30	21.93	16.73	.025
December 31	21.00	16.98	.025

	High	Low	Dividends Declared Per Common Share
2002			
Quarter ended:			
March 31	$ 17.74	$ 14.17	$.016
June 30	17.40	13.36	.016
September 30	17.04	13.88	.016
December 31	18.21	13.85	.016

As of February 23, 2004, the Company's common stock was held by 226 stockholders of record and approximately 7,300 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.

Common Stock Split

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

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

Equity Compensation Plan Information

For information on the Company's equity compensation plans, please refer to Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters".

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.

(In thousands, except per share amounts)

	2003	2002	2001	2000	1999
Operating revenues	$ 1,457,766	$ 1,341,456	$ 1,270,519	$ 1,214,628	$ 1,052,333
Net income	73,727	61,627	47,744	48,023	60,011
Diluted earnings per share*	0.90	0.76	0.60	0.61	0.76
Cash flow from operations	207,474	226,271	226,920	170,147	131,977
Cash dividends declared per share*	.090	.064	.060	.060	.060
Return on average stockholders' equity	10.9%	10.0%	8.5%	9.3%	12.8%
Operating ratio	91.9%	92.6%	93.8%	93.2%	90.3%
Book value per share*	8.90	8.12	7.42	6.84	6.29
Total assets	1,121,527	1,062,878	964,014	927,207	896,879
Total debt (current and long-term)	-	20,000	50,000	105,000	145,000
Stockholders' equity	709,111	647,643	590,049	536,084	494,772

*After giving retroactive effect for the September 2003 five-for-four stock split (all years presented).

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

Critical Accounting Policies

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 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.

The Company's greatest resource requirements include qualified drivers, 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. The Company's financial results are also affected by availability of drivers and the market for new and used trucks. Because the Company is self-insured for cargo, personal injury, and property damage claims on its trucks 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, the weather, the legal and regulatory environment, and the costs of insurance coverage to protect against catastrophic losses.

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.
- 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 at least annually.

Management periodically re-evaluates these estimates as events and circumstances change. Together with the effects of the matters discussed above, these factors may significantly impact the Company's results of operations from period-to-period.

Results of Operations

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

	2003	2002	2001
Operating revenues	100.0%	100.0%	100.0%
Operating expenses			
Salaries, wages and benefits	35.2	36.3	36.0
Fuel	11.0	9.3	10.3
Supplies and maintenance	8.5	8.9	9.3
Taxes and licenses	7.2	7.4	7.4
Insurance and claims	5.0	3.8	3.3
Depreciation	9.3	9.1	9.2
Rent and purchased transportation	14.8	16.6	16.9
Communications and utilities	1.1	1.1	1.1
Other	(0.2)	0.1	0.3
Total operating expenses	91.9	92.6	93.8
Operating income	8.1	7.4	6.2
Net interest expense and other	0.0	0.0	0.2
Income before income taxes	8.1	7.4	6.0
Income taxes	3.0	2.8	2.2
Net income	5.1%	4.6%	3.8%

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

	2003	2002	2001	2000	1999
Operating ratio	91.9%	92.6%	93.8%	93.2%	90.3%
Average revenues per tractor per week (1)	$ 2,988	$ 2,932	$ 2,874	$ 2,889	$ 2,813
Average annual miles per tractor	121,716	123,480	123,660	125,568	125,856
Average annual trips per tractor	173	166	166	168	171
Average total miles per trip	703	746	744	746	734
Average loaded miles per trip	627	674	670	672	663
Average revenues per total mile (1)	$ 1.277	$ 1.235	$ 1.208	$ 1.197	$ 1.162
Average revenues per loaded mile (1)	$ 1.431	$ 1.366	$ 1.342	$ 1.328	$ 1.287
Average percentage of empty miles	10.8%	9.6%	10.0%	9.9%	9.7%
Non-trucking revenues (in thousands)	$ 109,521	$ 97,130	$ 74,001	$ 65,977	$ 60,379
Average tractors in service	8,282	7,971	7,698	7,303	6,769
Total tractors (at year end):					
Company	7,430	7,180	6,640	6,300	5,895
Owner-operator	920	1,020	1,135	1,175	1,230
Total tractors	8,350	8,200	7,775	7,475	7,125
Total trailers (at year end)	22,800	20,880	19,775	19,770	18,900

(1) Net of fuel surcharge revenues

2003 Compared to 2002

Operating revenues increased 8.7% over 2002, due primarily to a 3.9% increase in the average number of tractors in service. Additionally, revenue per total mile, excluding fuel surcharges, increased 3.4% primarily due to customer rate increases and better freight mix. A better freight market and tightening truck capacity contributed to the improvement, compared to the weaker freight market of 2002. Both truckload industry and Company margins, while improving, are below levels management considers acceptable for the investment and risk of operating in this industry. Effective January 2004, in response to changes in the driver hours of service regulations, the Company increased its accessorial charges to customers for multiple stop shipments and its rates for equipment detention. Increases in operating expenses for driver stop pay and driver pay for delay time due to equipment detention are expected to offset this additional revenue in 2004. Revenue per total mile, including fuel surcharges, increased 5.9% compared to 2002. Fuel surcharges, which represent collections from customers for the higher cost of fuel, increased from $29.1 million in 2002 to $61.6 million in 2003 due to higher average fuel prices during 2003 (see fuel explanation below). Excluding fuel surcharge revenues, trucking revenues increased 5.9% over 2002.

The revenue increases described above were offset by a 1.4% decline in average miles per tractor and a shorter average length of haul due to growth in the Company's regional and dedicated fleets from 37% of the fleet at December 2002 to 46% of the fleet at December 2003. The new hours of service regulations may further reduce average miles per tractor in 2004. Initial data compiled during the first eight weeks that the rules have been effective in 2004 compared to the same eight weeks of 2003 suggests a slight reduction in average miles per tractor due to the rule changes. A stronger freight market in 2004 compared to the same period in 2003 is helping to offset the negative impact of the hours of service rule changes. The Company believes it is minimizing the impact on miles per tractor through proactive planning using its Paperless Log System and by working with customers to reduce delay time.

Revenue from non-trucking services increased $12.4 million to $109.5 million compared to 2002. During the latter part of 2003 and continuing into 2004, the Company expanded its brokerage and intermodal service offerings by adding senior management and developing new computer systems. The growth in brokerage and intermodal is expected to help increase the Company's non-trucking revenues in 2004. These less asset-intensive businesses are expected to have a lower operating margin and a higher return on assets than the Company's truckload business.

Freight demand began to improve in March of 2003 as compared to the same period in 2002, and continued to be consistently better for most of the last ten months of 2003 compared to the corresponding period in 2002. The Company believes much of the improvement was achieved by execution of the Company's plan of limited fleet growth, maintenance of a diversified freight base that emphasizes consumer nondurable goods, and the shift from non-dedicated to dedicated trucks discussed below. The Company's empty mile percentage increased from 9.6% to 10.8%, which is due in part to a shorter length of haul and a change in the mix of trucks to the dedicated fleet from the medium-to-long haul van fleet.

Werner's Dedicated Services fleet provides truckload services required for a specific company, their plants, or their distribution centers. Werner grew its dedicated fleet from about one-quarter of its total truck fleet at the end of 2002 to about one-third of its total truck fleet at the end of 2003, with much of this growth occurring in the fourth quarter of 2003. Since the Company's overall truck fleet grew 150 trucks, the 800 truck growth in the dedicated fleet was offset by a reduction in the Company's medium-to-long haul van fleet. Dedicated fleet business tends to have lower miles per trip, a higher empty mile percentage, a higher rate per loaded mile, and lower miles per truck per month. The growth in dedicated business has had a corresponding effect on these same operating statistics for the entire Company.

The Company's operating ratio (operating expenses expressed as a percentage of operating revenues) improved from 92.6% in 2002 to 91.9% in 2003. Conversely, the Company's operating margin improved 9% from 7.4% in 2002 to 8.1% in 2003. Operating expenses, when expressed as a percentage of total revenues, are lower in 2003 versus 2002 because of the higher revenue per mile and fuel surcharge revenue per mile. Owner-operator miles as a percentage of total miles were 12.6% in 2003 compared to 15.4% in 2002. This decrease contributed to a shift in costs from the rent and purchased transportation expense category as described on the following pages. Owner-operators are independent contractors who supply their own tractor and driver and are responsible for their operating expenses including fuel, supplies and maintenance, and fuel taxes. Over the past year, it has continued to be difficult to attract and retain owner-operator drivers due to challenging operating conditions.

Salaries, wages and benefits decreased from 36.3% to 35.2% of revenues due primarily to the effect of the increase in revenue per mile, including fuel surcharge, offset by the growth in the percentage of company-owned trucks to total trucks from 87.6% at the end of 2002 to 89.0% at the end of 2003 and an increase in the number of salaried drivers. On a cost per total mile basis, total salaries, wages and benefits (including driver and non-driver costs) increased from 49.4 cents per mile to 50.9 cents per mile. The market for attracting and retaining company drivers continues to be challenging and became even more difficult in the fourth quarter of 2003. While the market for recruiting qualified drivers has tightened, the Company continues to have success recruiting drivers from driver training schools. The Company anticipates that the competition for qualified drivers will continue to be high and cannot predict whether it will experience shortages in the future. If such a shortage was to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained. Salaries, wages and benefits includes expenses for workers' compensation benefits. The related accrued claims for workers compensation are reflected in Insurance and Claims Accruals in the accompanying Consolidated Balance Sheets.

Effective July 2003, the Company changed its monthly mileage bonus pay program for Van solo company drivers, which represents approximately one-third of the Company's total drivers. The goal was to increase driver miles per truck by rewarding higher production from Van solo drivers with higher pay. The monthly mileage bonus pay increased by an average of $93,000 per month during the last six months of 2003. Additionally, as described above, the Company raised its driver stop pay in January 2004 in response to the new hours of service regulations and is implementing pay changes to drivers for delay time due to equipment detention.

Fuel increased from 9.3% to 11.0% of revenues due to higher fuel prices. The average price per gallon of diesel fuel, excluding fuel taxes, was approximately $.17 per gallon, or 23%, higher in 2003 versus 2002. The Company's customer fuel surcharge reimbursement programs have historically enabled the Company to recover from its customers much of the higher fuel prices compared to normalized average fuel prices. These fuel surcharges automatically adjust weekly through fuel surcharge price brackets. Conversely, when fuel prices decrease, fuel surcharges decrease. After considering the amounts collected from customers through fuel surcharge programs, net of Company reimbursements to owner-operators, 2003 earnings per share were not impacted by the higher fuel expense. Earnings per share were negatively impacted by $.03 per share in first quarter 2003, positively impacted by $.02 and $.01 per share in the second and third quarters 2003, respectively, and not impacted in fourth quarter 2003. To date, the Company's ongoing testing of the EPA-compliant truck engines indicates that the fuel mile per gallon (mpg) degradation is a reduction of approximately 0.3 mpg to 0.5 mpg. Approximately 10% of the Company's fleet consists of EPA-compliant engines as of December 31, 2003. As the Company adds more trucks with EPA-compliant engines to its fleet, fuel cost per mile is expected to increase. 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 prices will continue to increase or will decrease in the future or the extent to which fuel surcharges will be collected from customers. As of December 31, 2003, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance decreased from 8.9% to 8.5% of revenues due primarily to the effect of the increase in revenue per mile, including fuel surcharges, and improved management of maintenance expenses, offset slightly by the growth in the percentage of company-owned trucks to total trucks.

Insurance and claims increased from 3.8% to 5.0% of revenues due to an increase in the frequency and severity of claims, increased retention levels for claims, a higher cost per claim, and higher premiums for catastrophic liability coverage. The Company's premium rate for liability coverage up to $3.0 million per claim is fixed through August 1, 2004, while coverage levels above $3.0 million per claim were renewed effective August 1, 2003 for a one-year period. For the policy year beginning August 2003, the Company's total premiums for liability insurance increased by approximately $1.3 million. This increase includes premiums for terrorism coverage. For the policy year beginning August 2003, the Company is self-insured for claims in excess of $3.0 million and less than $5.0 million, subject to an annual maximum aggregate of $6.0 million if several claims were to occur in this layer. For claims in excess of $5.0 million and less than $10.0 million, the Company is responsible for the first $5.0 million of claims in this layer. Liability claims in excess of $10.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies to coverage levels that management considers adequate. The Company is unable to predict whether the three-year trend of increasing insurance and claims expense as a percentage of revenues will continue in the future.

Rent and purchased transportation decreased from 16.6% to 14.8% of revenues due to a decrease in payments to owner-operators (9.8% of revenues in 2002 compared to 7.9% in 2003), offset by an increase in purchased transportation for non-trucking services. The decrease in payments to owner-operators resulted from the decrease in owner-operator miles as a percentage of total Company miles as discussed previously, offset by higher fuel surcharge reimbursements paid to owner-operators due to higher average fuel prices. The Company has experienced difficulty recruiting and retaining owner-operators because of challenging operating conditions. This has resulted in a reduction in the number of owner-operator tractors from 1,020 as of December 31, 2002, to 920 as of December 31, 2003. The Company reimburses owner-operators for the higher cost of fuel based on fuel surcharge reimbursements collected from customers. The increase in purchased transportation for non-trucking services corresponded to the higher non-trucking revenues. If the Company grows its brokerage and intermodal services in 2004, rent and purchased transportation costs for payments to third party providers are expected to rise accordingly.

Other operating expenses decreased from 0.1% to (0.2)% of revenues due primarily to an increase in the resale value of the Company's used trucks. Because of truckload carrier concerns with new truck engines and lower industry production of new trucks, the resale value of the Company's premium used trucks improved. In 2002, the Company traded about one-half of its used trucks and sold about one-half of its used trucks and realized gains of $2.3 million. In 2003, the Company traded about one-third of its used trucks and sold about two-thirds to third parties. In 2003, due to a higher average sales price, and gain, per truck, the Company realized gains of $7.6 million. The Company's used truck retail network, Fleet Truck Sales, is one of the largest class 8 truck sales entities in the United States and has been in operation since 1992. During first quarter 2004, the Company is expanding its network from 15 locations to 16 locations. Fleet Truck Sales continues to be a resource for the Company to remarket its used trucks. As discussed earlier, the Company plans to extend the age of a portion of its trucks scheduled to be sold or traded during 2004 to allow for continued testing of the new trucks with EPA-compliant engines. To the extent the Company has fewer trucks available for sale, gains realized in 2004 could be lower than 2003 levels. For trucks traded, the excess of the trade price over the net book value of the trucks reduces the cost basis of new trucks, and therefore results in lower depreciation expense over the life of the asset. Other operating expenses also include bad debt expense and professional service fees.

Interest expense decreased to 0.1% from 0.2% of revenues due to a reduction in the Company's borrowings. Average debt outstanding in 2002 was $35.0 million. In 2003, outstanding debt totaled $20.0 million throughout most of the year, until the Company repaid its only remaining debt in December.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 37.5% in 2003 and 2002, respectively, as described in Note 5 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K. The Company expects the income tax rate to increase in 2004 to 38.5% due to an increase in non-deductible expenses for tax purposes related to the implementation of a per diem pay program for student drivers in fourth quarter 2003.

2002 Compared to 2001

Operating revenues increased 5.6% over 2001, due primarily to a 3.5% increase in the average number of tractors in service. Revenue per total mile, excluding fuel surcharges, increased 2.2% primarily due to customer rate increases and better freight mix. A better freight market and tightening truck capacity contributed to the improvement, compared to the weaker freight market of 2001. Revenue per total mile, including fuel surcharges, increased 0.6% compared to 2001. Fuel surcharges, which represent collections from customers for the higher cost of fuel, decreased from $46.2 million in 2001 to $29.1 million in 2002 due to lower average fuel prices during 2002 (see fuel explanation below). Excluding fuel surcharge revenues, trucking revenues increased 5.6% over 2001. Revenue from non-trucking services increased $23.1 million compared to 2001.

Freight demand began to improve in mid-April of 2002 as compared to the same date in 2001, and continued to be consistently better for the last eight and one half months of 2002 compared to the corresponding period in 2001. The Company’s empty mile percentage decreased from 10.0% to 9.6%. The Company believes much of the improvement was achieved by execution of the Company’s plan of limited fleet growth and maintenance of a diversified freight base that emphasizes consumer nondurable goods.

The Company’s operating ratio improved from 93.8% in 2001 to 92.6% in 2002. Conversely, the Company’s operating margin improved 19% from 6.2% in 2001 to 7.4% in 2002.

Owner-operator miles as a percentage of total miles were 15.4% in 2002 compared to 16.6% in 2001. This decrease contributed to a shift in costs from the rent and purchased transportation expense category as described on the following pages.

Salaries, wages and benefits increased from 36.0% to 36.3% of revenues due in part to an increase in the cost of workers’ compensation claims, higher workers’ compensation excess insurance premiums, and higher weekly state workers' compensation payments. The Company renewed its workers' compensation insurance coverage, and for the policy year beginning April 2002, the Company increased its self-insurance retention from $0.5 million to $1.0 million per claim and has premium-based coverage with a reputable insurance company for claims above this amount. The Company's premiums for this reduced coverage increased by approximately $1.3 million over the premiums from the prior policy year. In addition, the Company added about 100 employees in its maintenance department to reduce the higher cost of over-the-road repairs (which are reflected in Supplies and Maintenance expenses). These increases were partially offset by an improvement in health insurance expense.

Fuel decreased from 10.3% to 9.3% of revenues due to lower fuel prices. The average price per gallon of diesel fuel, excluding fuel taxes, was approximately $.07 per gallon, or 9%, lower in 2002 versus 2001. However, as diesel fuel prices gradually declined during fourth quarter 2001, prices rose during fourth quarter 2002 and averaged about $.20 per gallon, or 33%, higher. After considering the amounts collected from customers through fuel surcharge programs, net of Company reimbursements to owner-operators, 2002 earnings per share decreased by approximately $.03 compared to 2001, with most of the decrease occurring in fourth quarter 2002. As of December 31, 2002, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance decreased from 9.3% to 8.9% of revenues due to improved management of maintenance expenses, including performing more maintenance at company facilities versus higher-cost over-the-road maintenance. The increase in the amount of maintenance being performed at company facilities required the hiring of additional maintenance personnel, resulting in a slight shift in expenses from the supplies and maintenance expense category to salaries, wages and benefits (see salaries, wages and benefits explanation above).

Insurance and claims increased from 3.3% to 3.8% of revenues due to less favorable claims experience in 2002 and higher excess insurance premiums. The Company renewed its annual liability insurance coverage for coverage in excess of $0.5 million per claim effective August 1, 2002. For the policy year beginning August 1, 2002, the Company's total premiums for liability insurance remained almost the same as the prior policy year while the Company assumed liability for claims above $3.0 million and below $5.0 million per claim. Liability claims in excess of $5.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies to coverage levels that management considers adequate.

Rent and purchased transportation expense decreased from 16.9% to 16.6% of revenues due to a decrease in payments to owner-operators (9.8% of revenues in 2002 compared to 11.0% in 2001), offset by an increase in purchased transportation for non-trucking services. The decrease in payments to owner-operators resulted from the decrease in owner-operator miles as a percentage of total Company miles as discussed previously and lower fuel surcharge reimbursements paid to owner-operators due to lower average fuel prices. The Company has experienced difficulty recruiting and retaining owner-operators because of challenging operating conditions. This has resulted in a reduction in the number of owner-operator tractors from 1,135 as of December 31, 2001, to 1,020 as of December 31, 2002.

Other operating expenses decreased from 0.3% to 0.1% of revenues due primarily to an increase in the resale value of the Company's used trucks. Because of truckload carrier concerns with new truck engines and lower industry production of new trucks, the resale value of the Company's premium used trucks has improved. In 2002, the Company traded about half of its used trucks and sold about half of its used trucks and realized gains of $2.3 million. In 2001, the Company traded about two-thirds of its used trucks and sold about one-third to third parties. In 2001, due to a lower average sale price per truck, the Company realized losses of $0.7 million. For trucks traded, the excess of the trade price over the net book value of the trucks reduced the cost basis of new trucks, and therefore resulted in lower depreciation expense over the life of the asset. Other operating expenses also include bad debt expenses and professional service fees.

Net interest expense and other decreased from 0.2% to 0.0% of revenues due primarily to the Company's gain on sale of a portion of its ownership in Transplace in fourth quarter 2002. On December 31, 2002, the

Company finalized the sale, which reduced the Company's ownership stake in Transplace from 15% to 5%. The Company realized earnings of approximately $.01 per share during fourth quarter 2002, representing the Company's gain on sale of a portion of its ownership in Transplace, net of losses recorded on its investment in Transplace during the quarter. Werner relinquished its seat on the Transplace Board of Directors. Transplace agreed to release Werner from certain restrictions on competition within the transportation logistics marketplace. The Company's gain on sale of a portion of its ownership in Transplace, net of losses recorded on its investment in Transplace, is recorded as non-operating income in the Company's income statement. Interest expense decreased to 0.2% from 0.3% of revenues due to a reduction in the Company's borrowings. Average debt outstanding in 2002 was $35.0 million versus $77.5 million in 2001.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 37.5% in 2002 and 2001, respectively, 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 $207.5 million in 2003, $226.3 million in 2002, and $226.9 million in 2001. Cash flow from operations decreased $18.8 million in 2003 over 2002, or 8.3%. This decrease was due to lower truck purchases in 2003. This caused higher tax payments due to lower 2003 tax depreciation and a smaller payable for trucks received at year-end. These two items related to lower truck purchases reduced cash flow from operations by $64.4 million in 2003 compared to 2002. 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 $101.5 million in 2003, $235.5 million in 2002, and $126.9 million in 2001. The 86% increase ($108.6 million) from 2001 to 2002 and 57% decrease ($134.0 million) from 2002 to 2003 were due primarily to the Company's accelerated purchases of tractors with pre-October 2002 engines in the latter part of 2002 and purchasing fewer tractors in 2003. The engine emission standards that became effective October 1, 2002 did not allow the Company sufficient time to test a significant sample of the new engines. This prompted the Company to purchase a large number of trucks with engines manufactured prior to October 2002, which are not subject to the new engine emission standards, in addition to the normal number of new trucks required for the Company's three-year replacement cycle. This enabled the Company to delay the impact of using trucks with new engines in its fleet by approximately one year and allow additional time for testing. The pre-buy trucks were gradually placed in service throughout 2003, with the last group of these trucks being placed into service during the third quarter. As of December 31, 2003, approximately 10% of the Company's fleet consisted of trucks with the new engines. To allow time for continued testing of the new trucks with EPA-compliant engines, the Company has decided to extend the age of a portion of its trucks scheduled to be sold or traded during 2004.

As of December 31, 2003, the Company has committed to approximately $40.3 million of net capital expenditures. The Company intends to fund these commitments through existing cash on hand and cash flow from operations.

Net financing activities used $33.8 million in 2003, $35.2 million in 2002, and $51.1 million in 2001. In 2003, 2002, and 2001, the Company made net repayments of debt of $20.0 million, $30.0 million, and $55.0 million, respectively. The Company paid dividends of $6.5 million in 2003, $5.0 million in 2002, and $4.7 million in 2001. Financing activities also included common stock repurchases of $13.5 million in 2003 and $3.8 million in 2002. 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. The Company's Board of Directors has authorized the repurchase of up to 8,132,504 shares. On November 24, 2003, the Company announced that its Board of Directors approved an increase to its authorization for common stock repurchases of 3,965,838 shares. The previous authorization announced on December 29, 1997, authorized the Company to repurchase 4,166,666 shares. As of December 31, 2003, the Company had purchased 3,162,504 shares pursuant to this authorization and had 4,970,000 shares remaining available for repurchase.

Management believes the Company's financial position at December 31, 2003 is strong. As of December 31, 2003, the Company had $101.4 million of cash and cash equivalents, no debt, and $709.1 million of stockholders' equity. As of December 31, 2003, the Company had no equipment operating leases, and therefore, had no off-balance sheet equipment debt. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary.

Contractual Obligations and Commercial Commitments

The following table sets forth the Company's contractual obligations and commercial commitments as of December 31, 2003. As of December 31, 2003, the Company had no debt outstanding. Below is a table of credit facilities and purchase commitments as of December 31, 2003.

Amount of Commitment Expiration Per Period
(in millions)

Other Commercial Commitments	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
Unused lines of credit	$ 45.9	$ -	$ 45.9	$ -	$ -
Standby letters of credit	29.1	29.1	-	-	-
Other commercial commitments	40.3	40.3	-	-	-
Total commercial commitments	$ 115.3	$ 69.4	$ 45.9	$ -	$ -

The Company has two credit facilities with banks totaling $75 million on which no borrowings were outstanding. The credit available under these facilities is reduced by the amount of standby letters of credit the Company maintains. The unused lines of credit are available to the Company in the event the Company needs financing for the growth of its fleet. With the Company's strong financial position, the Company expects it could obtain additional financing, if necessary, at favorable terms. The standby letters of credit are primarily required for insurance policies. The other commercial commitments relate to committed equipment expenditures.

Off-balance Sheet Arrangements

The Company does not have any arrangements which meet the definition of an off-balance sheet arrangement.

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.

Forward-Looking Statements and Risk Factors

This discussion and analysis contains historical and forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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. Those risks include, but are not limited to, the following:

The Company's business is modestly seasonal with peak freight demand occurring generally in the months of September, October, and November. During the winter months, the Company's freight volumes are typically lower as some customers have lower shipment levels after the Christmas holiday season. The Company's operating expenses have historically been higher in winter months primarily due 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 by seeking additional freight from certain customers during traditionally slower shipping periods. Bad weather, holidays, and the number of business days during the period can also affect revenue, since revenue is directly related to available working days of shippers.

The trucking industry is highly competitive and includes thousands of trucking companies. The Company estimates the ten largest truckload carriers have less than ten percent of the approximate $150 billion market targeted by the Company. This competition could limit the Company's growth opportunities and reduce its profitability. The Company competes primarily with other truckload carriers. Railroads, less-than-truckload carriers, and private carriers also provide competition, but to a much 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.

The Company is sensitive to changes in overall economic conditions that impact customer shipping volumes. The general slowdown in the economy since 2001 had a negative effect on freight volumes for truckload carriers, including the Company. During 2003, freight demand for the Company during the last ten months was consistently better than 2002. As the unemployment rate increased during 2001 and 2002, driver availability improved for the Company and the industry but became more difficult in fourth quarter 2003. Fuel prices increased beginning in fourth quarter 1999 and were high through 2000 and 2001 before decreasing in the latter part of 2001. Due to pending concerns in the Middle East and other factors, fuel prices began to rise in the second quarter of 2002, continued to increase throughout the second half of 2002, and increased further in the first part of 2003. In the last nine months of 2003, prices decreased again, ending 2003 at prices slightly higher than at the end of 2002. Shortages of fuel, increases in fuel prices, or rationing of petroleum products can have a materially adverse impact on the operations and profitability of the Company. To the extent that the Company cannot recover the higher cost of fuel through customer fuel surcharges, the Company's results would be negatively impacted. Future economic conditions that may affect the Company include employment levels, business conditions, fuel and energy costs, interest rates, and tax rates.

The Company is regulated by the DOT and the Federal and Provincial Transportation Departments in Canada. These regulatory authorities establish broad powers, generally governing activities such as authorization to engage in motor carrier operations, safety, financial reporting, and other matters. The Company may become subject to new or more comprehensive regulations relating to fuel emissions, driver hours of service, or other issues mandated by the DOT, EPA, or the Federal and Provincial Transportation Departments in Canada. For example, new engine emissions standards became effective for truck engine manufacturers in October 2002 and new hours of service regulations became effective on January 4, 2004. The Company believes it is minimizing the impact of the new hours of service regulations on miles per truck through proactive planning using its Paperless Log System and by working closely with customers to reduce delay time. However, the Company is unable to predict the ultimate impact of the new hours of service rules. These changes could have an adverse effect on the operations and profitability of the Company.

At times, there have been shortages of drivers in the trucking industry. The market for recruiting drivers became more difficult in fourth quarter 2003. The Company anticipates that the competition for company drivers will continue to be high. During 2001, 2002, and 2003, it was more difficult to recruit and retain owner-operator drivers due to challenging operating conditions, including high fuel prices. The Company anticipates that the competition for company drivers and owner-operator drivers will continue to be high and cannot predict whether it will experience shortages in the future.

The Company is highly dependent on the services of key personnel including Clarence L. Werner and other executive officers. Although the Company believes it has an experienced and highly qualified management group, the loss of the services of these executive officers could have a material adverse impact on the Company and its future profitability.

The Company is dependent on its vendors and suppliers. The Company believes it has good relationships with its vendors and that it is generally able to obtain attractive pricing and other terms from vendors and suppliers. If the Company fails to maintain good relationships with its vendors and suppliers or if its vendors and suppliers experience significant financial problems, the Company could face difficulty in obtaining needed goods and services because of interruptions of production or for other reasons, which could adversely affect the Company's business.

The efficient operation of the Company's business is highly dependent on its information systems. Much of the Company's software has been developed internally or by adapting purchased software applications to the Company's needs. The Company has purchased redundant computer hardware systems and has its own off-site disaster recovery facility approximately ten miles from the Company's offices to use in the event of a disaster. The Company has taken these steps to reduce the risk of disruption to its business operation if a disaster were to occur.

The Company self-insures for liability resulting from cargo loss, personal injury, and property damage as well as workers' compensation. This is supplemented by premium insurance with licensed insurance companies above the Company's self-insurance level for each type of coverage. To the extent that the Company was to experience a significant increase in the number of claims or the cost per claim, the Company's operating results would be negatively affected.

Effective October 1, 2002, all newly manufactured truck engines must comply with the engine emission standards mandated by the Environmental Protection Agency (EPA). All truck engines manufactured prior to October 1, 2002 were not subject to these new standards. The Company is continuing ongoing testing of the EPA-compliant truck engines, in particular the Caterpillar ACERT engines and the Detroit Diesel EGR engines. Approximately 10% of the Company's fleet consisted of trucks with post-October 2002 engines at December 31, 2003. To date, the Company's testing indicates that the fuel mile per gallon (mpg) degradation is a reduction of approximately 0.3 mpg to 0.5 mpg with either engine type. Depreciation expense is increasing due to the higher cost of the new engines. The average age of the Company's truck fleet is 1.6 years as of December 31, 2003. To allow time for continued testing of the new trucks with EPA-compliant engines, the Company has decided to extend the age of a portion of its trucks scheduled to be sold or traded during 2004.

Because of truckload carrier concerns with new truck engines and lower industry production of new trucks over the last three years, the resale value of Werner's premium used trucks has improved from the historically low values of 2001. Gains on sales of equipment are reflected as a reduction of other operating expenses in the Company's income statement and amounted to gains of $7.6 million in 2003 and $2.3 million in 2002, compared to a loss of $0.7 million in 2001. Extending the ages of a portion of the Company's truck fleet in 2004 may reduce the number of trucks available for sales to third parties or trades to the manufacturers. Thus, the extent of the Company's sales of used trucks in 2004 will depend on the ongoing testing of the new engines, freight demand, driver availability, and used truck pricing.

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.

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 no debt outstanding at December 31, 2003. Interest rates on the Company's unused credit facilities are based on the London Interbank Offered Rate (LIBOR). Increases in interest rates could impact the Company's annual interest expense on future borrowings.

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 continue in the future or the extent to which fuel surcharges could be collected to offset such increases. As of December 31, 2003, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

The Company conducts business in Mexico and Canada. Foreign currency transaction gains and losses were not material to the Company's results of operations for 2003 and prior years. 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. To date, the Company receives payment for freight services performed in Mexico and Canada primarily in U.S. dollars to reduce foreign currency risk.

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, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2003. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule for each of the years in the three-year period ended December 31, 2003, listed in Item 15(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 audits.

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 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, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, 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 set forth therein.

KPMG LLP

Omaha, Nebraska
January 22, 2004

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	2003	2002	2001
Operating revenues	$ 1,457,766	$ 1,341,456	$ 1,270,519
Operating expenses:			
Salaries, wages and benefits	513,551	486,315	457,433
Fuel	160,465	125,189	131,498
Supplies and maintenance	123,680	119,972	117,882
Taxes and licenses	104,392	98,741	93,628
Insurance and claims	73,032	51,192	41,946
Depreciation	135,168	121,702	116,043
Rent and purchased transportation	215,463	222,571	214,336
Communications and utilities	16,480	14,808	14,365
Other	(1,969)	1,512	4,059
Total operating expenses	1,340,262	1,242,002	1,191,190
Operating income	117,504	99,454	79,329
Other expense (income):			
Interest expense	1,099	2,857	3,775
Interest income	(1,699)	(2,340)	(2,628)
Other	128	333	1,791
Total other expense (income)	(472)	850	2,938
Income before income taxes	117,976	98,604	76,391
Income taxes	44,249	36,977	28,647
Net income	$ 73,727	$ 61,627	$ 47,744
Average common shares outstanding	79,828	79,705	78,933
Basic earnings per share	$ 0.92	$ 0.77	$ 0.60
Diluted shares outstanding	81,668	81,522	80,183
Diluted earnings per share	$ 0.90	$ 0.76	$ 0.60

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	
ASSETS	**2003**	**2002**
Current assets:		
Cash and cash equivalents	$ 101,409	$ 29,885
Accounts receivable, trade, less allowance of $6,043 and $4,459, respectively	152,461	131,889
Other receivables	8,892	10,335
Inventories and supplies	9,877	9,777
Prepaid taxes, licenses, and permits	14,957	13,535
Income taxes receivable	-	9,811
Other current assets	17,691	14,317
Total current assets	305,287	219,549
Property and equipment, at cost:		
Land	21,423	19,357
Buildings and improvements	96,787	89,231
Revenue equipment	1,013,645	996,694
Service equipment and other	129,397	107,206
Total property and equipment	1,261,252	1,212,488
Less – accumulated depreciation	455,565	380,221
Property and equipment, net	805,687	832,267
Other non-current assets	10,553	11,062
	$ 1,121,527	$ 1,062,878
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 40,903	$ 50,546
Current portion of long-term debt	-	20,000
Insurance and claims accruals	55,201	47,358
Accrued payroll	15,828	18,374
Current deferred income taxes	15,151	17,710
Other current liabilities	15,392	11,885
Total current liabilities	142,475	165,873
Deferred income taxes	198,640	201,561
Insurance and claims accruals, net of current portion	71,301	47,801
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 79,714,271 and 79,726,180 shares outstanding, respectively	805	805
Paid-in capital	108,706	107,366
Retained earnings	614,011	547,467
Accumulated other comprehensive loss	(837)	(216)
Treasury stock, at cost; 819,265 and 807,356 shares, respectively	(13,574)	(7,779)
Total stockholders' equity	709,111	647,643
	$ 1,121,527	$ 1,062,878

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

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 73,727	$ 61,627	$ 47,744
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	135,168	121,702	116,043
Deferred income taxes	(5,480)	35,891	42,529
(Gain) loss on disposal of operating equipment	(7,557)	(2,257)	740
Gain on sale of unconsolidated affiliate	-	(1,809)	-
Equity in loss of unconsolidated affiliate	-	2,105	1,664
Tax benefit from exercise of stock options	2,863	1,450	2,384
Other long-term assets	1,023	248	938
Insurance, claims and other long-term accruals	23,500	9,000	6,500
Changes in certain working capital items:			
Accounts receivable, net	(20,572)	(10,535)	2,164
Prepaid expenses and other current assets	6,358	(17,428)	5,875
Accounts payable	(9,643)	17,358	2,478
Accrued and other current liabilities	8,087	8,919	(2,139)
Net cash provided by operating activities	207,474	226,271	226,920
Cash flows from investing activities:			
Additions to property and equipment	(158,351)	(309,672)	(170,862)
Retirements of property and equipment	54,754	71,882	44,710
Sale of unconsolidated affiliate	-	3,364	-
(Increase) decrease in notes receivable	2,052	(1,099)	(750)
Net cash used in investing activities	(101,545)	(235,525)	(126,902)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	-	10,000	5,000
Repayments of long-term debt	(20,000)	(40,000)	(60,000)
Dividends on common stock	(6,466)	(5,019)	(4,728)
Payment of stock split fractional shares	(9)	(12)	-
Repurchases of common stock	(13,476)	(3,766)	-
Stock options exercised	6,167	3,570	8,591
Net cash used in financing activities	(33,784)	(35,227)	(51,137)
Effect of exchange rate fluctuations on cash	(621)	-	-
Net (decrease) increase in cash and cash equivalents:	71,524	(44,481)	48,881
Cash and cash equivalents, beginning of year	29,885	74,366	25,485
Cash and cash equivalents, end of year	$ 101,409	$ 29,885	$ 74,366
Supplemental disclosures of cash flow information:			
Cash paid (received) during year for:			
Interest	$ 1,148	$ 3,080	$ 4,315
Income taxes	34,401	10,422	(9,540)
Supplemental disclosures of non-cash investing activities:			
Notes receivable issued upon sale of revenue equipment	$ 2,566	$ 2,686	$ 238
Notes receivable canceled upon return of revenue equipment	-	(1,279)	-
Warehouse assets contributed to LLC	-	-	1,446

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

WERNER ENTERPRISES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(In thousands, except share and per share amounts)

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
BALANCE, December 31, 2000	$ 805	$ 105,522	$ 447,943	$ (34)	$ (18,152)	$ 536,084
Dividends on common stock ($.060 per share)	-	-	(4,745)	-	-	(4,745)
Exercise of stock options, 1,147,213 shares, including tax benefits	-	375	-	-	10,600	10,975
Comprehensive income (loss):						
Net income	-	-	47,744	-	-	47,744
Foreign currency translation adjustments	-	-	-	(9)	-	(9)
Total comprehensive income	-	-	47,744	(9)	-	47,735
BALANCE, December 31, 2001	805	105,897	490,942	(43)	(7,552)	590,049
Purchases of 267,125 shares of common stock	-	-	-	-	(3,766)	(3,766)
Dividends on common stock ($.064 per share)	-	-	(5,102)	-	-	(5,102)
Payment of stock split fractional shares	-	(12)	-	-	-	(12)
Exercise of stock options, 448,508 shares, including tax benefits	-	1,481	-	-	3,539	5,020
Comprehensive income (loss):						
Net income	-	-	61,627	-	-	61,627
Foreign currency translation adjustments	-	-	-	(173)	-	(173)
Total comprehensive income	-	-	61,627	(173)	-	61,454
BALANCE, December 31, 2002	805	107,366	547,467	(216)	(7,779)	647,643
Purchases of 764,500 shares of common stock	-	-	-	-	(13,476)	(13,476)
Dividends on common stock ($.090 per share)	-	-	(7,183)	-	-	(7,183)
Payment of stock split fractional shares	-	(9)	-	-	-	(9)
Exercise of stock options, 752,591 shares, including tax benefits	-	1,349	-	-	7,681	9,030
Comprehensive income (loss):						
Net income	-	-	73,727	-	-	73,727
Foreign currency translation adjustments	-	-	-	(621)	-	(621)
Total comprehensive income	-	-	73,727	(621)	-	73,106
BALANCE, December 31, 2003	$ 805	$ 108,706	$ 614,011	$ (837)	$ (13,574)	$ 709,111

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Werner Enterprises, Inc. (the Company) is a truckload transportation and logistics company operating under the jurisdiction of the U.S. Department of Transportation, the Federal and Provincial Transportation Departments in Canada, 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. The largest single customer generated 9% of revenues for 2003, 2002, and 2001.

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. Through December 31, 2002, the Company recorded its investment in Transplace using the equity method of accounting until the Company reduced its ownership percentage (see Note 2). On January 1, 2003, the Company began accounting for this investment using the cost method.

Use of Management Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amounts, net of an allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The financial condition of customers is reviewed by the Company prior to granting credit. The Company determines the allowance based on historical write-off experience and national economic data. The Company reviews the adequacy of its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Inventories and Supplies

Inventories and supplies consist primarily of revenue equipment parts, tires, fuel, supplies, and company store merchandise 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 using the following estimated useful lives and salvage values:

	Lives	Salvage Values
Building and improvements	30 years	0%
Tractors	5 years	25%
Trailers	12 years	0%
Service and other equipment	3-10 years	0%

Long-Lived Assets

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. Long-lived assets classified as held for sale are reported at the lower of its carrying amount or fair value less costs to sell.

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 insurance and claims 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 insurance and claims accruals are recorded at the estimated ultimate payment amounts and are based upon individual case estimates and estimates of incurred-but-not-reported losses based upon past experience. The Company's insurance and claims accruals are reviewed by an actuary at least annually.

The Company has been responsible for liability claims up to $500,000, plus administrative expenses, for each occurrence involving personal injury or property damage since August 1, 1992. The Company is also responsible for varying annual aggregate amounts of liability for claims above $500,000 and below $10,000,000. For the policy year beginning August 1, 2003, these annual aggregate amounts total $13,500,000. For the policy year beginning August 1, 2003, the Company is self-insured for claims in excess of $3.0 million and less than $5.0 million, subject to an annual maximum aggregate of $6.0 million if several claims were to occur in this layer. For claims in excess of $5.0 million and less than $10.0 million, the Company is responsible for the first $5.0 million of claims in this layer. Liability claims in excess of $10.0 million per claim, if they occur, are covered under premium-based policies with reputable insurance companies to coverage levels that management considers adequate. The Company's premium rates for liability coverage are fixed through August 1, 2004.

The Company has assumed responsibility for workers' compensation, maintains a $26,500,000 bond, and has obtained insurance for individual claims above $1,000,000.

Under these insurance arrangements, the Company maintains $29,100,000 in letters of credit, as of December 31, 2003.

Revenue Recognition

The Consolidated Statements of Income reflect recognition of operating revenues and related direct costs when the shipment is delivered. For shipments where a third party is utilized to provide some or all of the service, the Company records revenue for the shipment for the dollar value of the services billed by the Company to the customer when the shipment is delivered. The costs of transportation paid by the Company to the third party is recorded as rent and purchased transportation expense.

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. Foreign currency translation adjustments reflect the changes in foreign currency exchange rates applicable to the net assets of the Mexican and Canadian operations for the years ended December 31, 2003, 2002, and 2001. The amounts of such translation adjustments were not significant for all years presented (see the Consolidated Statements of Stockholders' Equity and Comprehensive Income).

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.

Stock Based Compensation

At December 31, 2003, the Company has a nonqualified stock option plan, as described more fully in Note 6. The Company applies the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its stock option plan. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company's pro forma net income and earnings per share would have been as indicated below had the fair value of option grants been charged to salaries, wages, and benefits in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*:

	Year Ended December 31		
	2003	2002	2001
Net income (in thousands), as reported	$ 73,727	$ 61,627	$ 47,744
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	2,516	3,456	3,155
Pro forma net income	$ 71,211	$ 58,171	$ 44,589
Earnings per share:			
Basic – as reported	$ 0.92	$ 0.77	$ 0.60
Basic – pro forma	$ 0.89	$ 0.73	$ 0.56
Diluted – as reported	$ 0.90	$ 0.76	$ 0.60
Diluted – pro forma	$ 0.87	$ 0.71	$ 0.56

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (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 years ended December 31, 2003, 2002, and 2001, comprehensive income consists of net income and foreign currency translation adjustments.

Accounting Standards

During June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143 (SFAS 143), *Accounting for Asset Retirement Obligations*. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. Management has determined that adoption of this statement as of January 1, 2003 did not have any effect on the financial position, results of operations, and cash flows of the Company during 2003.

In June 2002, the FASB issued SFAS No. 146 (SFAS 146), *Accounting for Costs Associated with Exit or Disposal Activities*. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. Management has determined that adoption of this statement as of January 1, 2003 did not have any effect on the financial position, results of operations, and cash flows of the Company during 2003.

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

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

In December 2003, the Financial Accounting Standards Board (FASB) revised SFAS No. 132 (SFAS 132) *Employers' Disclosures about Pensions and Other Postretirement Benefits—an amendment of FASB Statements No. 87, 88, and 106*. This statement revises employers' disclosures about pension plans and other postretirement benefit plans. The provisions of this statement are effective for financial statements with fiscal years ending after December 15, 2003. As of December 31, 2003, management has determined that adoption of this statement did not have any effect on the financial position, results of operations, and cash flows of the Company.

The Financial Accounting Standards Board (FASB) is working on a project related to the accounting for equity-based compensation. The objective of this project is to make one accounting standard available for equity-based compensation. The new standard is expected to require companies to expense the fair value of stock options as of the beginning of the first fiscal year beginning after December 15, 2004. The FASB is expected to issue an Exposure Draft in the first quarter of 2004, after which management can begin to evaluate the impact on the financial position, results of operations, and cash flows of the Company.

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

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

(2) INVESTMENT IN UNCONSOLIDATED AFFILIATE

Effective June 30, 2000, the Company contributed its non-asset based logistics business to Transplace (TPC), a joint venture of six large transportation companies, in exchange for an equity interest in TPC of approximately 15%. Through December 31, 2002, the Company accounted for its investment in TPC using the equity method. Management believes this method was appropriate because the Company had the ability to exercise significant influence over operating and financial policies of TPC through its representation on the TPC Board of Directors. On December 31, 2002, the Company sold a portion of its ownership interest in TPC, reducing the Company's ownership stake in TPC from 15% to 5%. The Company relinquished its seat on the TPC Board of Directors, and TPC agreed to release the Company from certain restrictions on competition within the transportation logistics marketplace. The Company realized net losses of less than one cent per share during 2002, consisting of the Company's gain on sale of a portion of its ownership in TPC in fourth quarter 2002, net of the Company's equity in net losses of TPC during the year. These items are recorded as non-operating expense in the Company's Consolidated Statements of Income. Beginning January 1, 2003, the Company began accounting for its investment on the cost method and no longer accrues its percentage share of TPC's earnings or losses. The Company is not responsible for the debt of Transplace.

In October 2000, the Company provided funds (in thousands) of $3,200 to TPC in the form of a short-term note with an interest rate of eight percent per annum. The Company recorded interest income on the note from TPC (in thousands) of approximately $26 during 2001. The note was repaid in full in February 2001.

The Company and TPC enter into transactions with each other for certain of their purchased transportation needs. The Company recorded operating revenue (in thousands) from TPC of approximately $16,800, $25,000, and $30,600 in 2003, 2002, and 2001, respectively, and recorded purchased transportation expense (in thousands) to TPC of approximately $711, $13,300, and $10,500, during 2003, 2002, and 2001, respectively.

During 2002 and 2001, the Company also provided certain administrative functions to TPC as well as providing office space, supplies, and communications. The allocation from the Company for these services (in thousands) was approximately $123 and $407 during 2002 and 2001, respectively. The allocations for rent are recorded in the Consolidated Statements of Income as miscellaneous revenue, and the remaining amounts are recorded as a reduction of the respective operating expenses. The Company stopped providing these services in 2003.

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 consisted of the following at December 31 (in thousands):

	2003	2002
5.52% Series C Senior Notes, due December 2003	$ -	$ 20,000
	-	20,000
Less current portion	-	20,000
Long-term debt, net	$ -	$ -

As of December 31, 2003, the Company has two credit facilities with banks totaling $75 million which expire May 16, 2005 and October 22, 2005 and bear variable interest based on LIBOR, on which no borrowings were outstanding at December 31, 2003. As of December 31, 2003, the credit available pursuant to these bank credit facilities is reduced by $29.1 million in letters of credit the Company maintains. Each of the debt agreements require, among other things, that the Company maintain a minimum consolidated tangible net worth and not exceed a maximum ratio of total funded debt to earnings before interest, income taxes, depreciation, amortization and rentals payable (EBITDAR) as defined in the credit facility. While the Company had no borrowings pursuant to these credit facilities as of December 31, 2003, the Company was in compliance with these covenants at December 31, 2003.

The carrying amount of the Company's long-term debt as of December 31, 2002 approximates fair value due to the duration of the notes and their interest rates.

(4) NOTES RECEIVABLE

Notes receivable are included in other current assets and other non-current assets in the Consolidated Balance Sheets. At December 31, notes receivable consisted of the following (in thousands):

	2003	2002
Owner-operator notes receivable	$ 4,866	$ 3,890
TDR Transportes, S.A. de C.V.	3,758	3,600
Warehouse One, LLC	1,525	1,602
	10,149	9,092
Less current portion	1,722	1,179
Notes receivable – non-current	$ 8,427	$ 7,913

The Company provides financing to some independent contractors who want to become owner-operators by purchasing a tractor from the Company and leasing their truck to the Company. At December 31, 2003 and 2002, the Company had 153 and 112 notes receivable totaling $4,866 and $3,890 (in thousands), respectively, from these owner-operators. See Note (8) for information regarding notes from related parties. The Company maintains a first security interest in the tractor until the owner-operator has paid the note balance in full.

During 2002, the Company loaned $3,600 (in thousands) to TDR Transportes, S.A. de C.V. (TDR), a truckload carrier in the Republic of Mexico. The loan has a nine-year term with principal payable at the end of the term, is subject to acceleration if certain conditions are met, bears interest at a rate of five percent per annum which is payable quarterly, contains certain financial and other covenants, and is collateralized by the assets of TDR. As of December 31, 2003, the Company had a receivable for interest on this note of $31. During 2003, the Company loaned an additional $158 to TDR for the purchase of revenue equipment. The Company and TDR transact business with each other for certain of their purchased transportation needs. During 2003 and 2002, the Company recorded operating revenues from TDR of approximately $206 and $416, respectively, and recorded purchased transportation expense to TDR of approximately $1,099 and $1,087, respectively. In addition, during 2003 and 2002, the Company recorded operating revenues from TDR of approximately $1,495 and $72, respectively, related to the leasing of revenue equipment.

The Company has a 50% ownership interest in a 125,000 square-foot warehouse (Warehouse One, LLC) located near the Company's headquarters. The Company has a note receivable from the owner of the other 50% interest in the warehouse with a principal balance (in thousands) of $1,525 and $1,602 as of December 31, 2003 and 2002, respectively. The note bears interest at a variable rate based on the prime rate and is adjusted annually. The note is secured by the borrower's 50% ownership interest in the warehouse. The Company's 50% ownership interest in the warehouse of $1,364 and $1,401 as of December 31, 2003 and 2002, respectively, is included in other non-current assets.

(5) INCOME TAXES

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

	2003	2002	2001
Current:			
Federal	$ 46,072	$ 959	$ (12,194)
State	3,657	127	(1,688)
	49,729	1,086	(13,882)
Deferred:			
Federal	(6,159)	31,692	37,358
State	679	4,199	5,171
	(5,480)	35,891	42,529
Total income tax expense	$ 44,249	$ 36,977	$ 28,647

The effective income tax rate differs from the federal corporate tax rate of 35% in 2003, 2002 and 2001 as follows (in thousands):

	2003	2002	2001
Tax at statutory rate	$ 41,292	$ 34,511	$ 26,737
State income taxes, net of federal tax benefits	2,818	2,812	2,264
Income tax credits	(900)	(638)	(638)
Other, net	1,039	292	284
	$ 44,249	$ 36,977	$ 28,647

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

	2003	2002
Deferred tax assets:		
Insurance and claims accruals	$ 48,081	$ 34,914
Allowance for uncollectible accounts	3,078	2,364
Other	3,743	3,358
Gross deferred tax assets	54,902	40,636
Deferred tax liabilities:		
Property and equipment	219,849	211,135
Prepaid expenses	42,174	38,763
Other	6,670	10,009
Gross deferred tax liabilities	268,693	259,907
Net deferred tax liability	$ 213,791	$ 219,271

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

	2003	2002
Current deferred tax liability	$ 15,151	$ 17,710
Noncurrent deferred tax liability	198,640	201,561
Net deferred tax liability	$ 213,791	$ 219,271

The Company has not recorded a valuation allowance as it believes that all deferred tax assets are likely to be realized as a result of the Company's history of profitability, taxable income and reversal of deferred tax liabilities.

(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 14,583,334 shares. The Board of Directors has unanimously approved and recommended that the stockholders consider and approve an amendment to increase the maximum number of shares that may be optioned or sold under the Stock Option Plan by 5,416,666 shares. If a quorum exists at the May 11, 2004 Annual Meeting of Stockholders, and if the votes cast favoring the Plan Amendment exceed the votes cast opposing the Plan Amendment, the maximum number of shares that may be optioned or sold under the Stock Option Plan will be increased to 20,000,000.

At December 31, 2003, 4,150,268 shares were available for granting additional options. At December 31, 2003, 2002, and 2001, options for 2,183,597, 1,598,594, and 1,036,064 shares with weighted average exercise prices of $8.45, $8.18, and $8.25 were exercisable, respectively.

The following table summarizes Stock Option Plan activity for the three years ended December 31, 2003:

	Options Outstanding	
	Shares	Weighted-Average Exercise Price
Balance, December 31, 2000	5,983,230	$ 7.82
Options granted	1,997,500	9.78
Options exercised	(1,147,213)	7.49
Options canceled	(119,441)	7.68
Balance, December 31, 2001	6,714,076	8.46
Options granted	8,333	13.94
Options exercised	(448,508)	7.96
Options canceled	(136,441)	7.47
Balance, December 31, 2002	6,137,460	8.52
Options granted	-	-
Options exercised	(752,591)	8.19
Options canceled	(110,022)	7.84
Balance, December 31, 2003	5,274,847	8.58

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 6.28 to $ 7.95	2,841,241	6.3 years	$ 7.56	1,269,600	$ 7.52
$ 8.96 to $ 9.77	2,370,606	7.1 years	9.74	868,083	9.70
$ 10.43 to $ 13.94	63,000	5.3 years	11.12	45,914	10.60
	5,274,847	6.6 years	8.58	2,183,597	8.45

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 2002 and 2001 was estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 4.0 percent in 2002 and 5.0 percent in 2001; dividend yield of 0.4 percent in 2002 and 2001; expected life of 7.0 years in 2002 and 8.0 years in 2001; and volatility of 38 percent in 2002 and 2001. The weighted-average fair value of options granted during 2002 and 2001 was $6.28 and $4.90 per share, respectively. The table in Note 1 illustrates the effect on net income and earnings per share had the fair value of option grants been charged to salaries, wages, and benefits expense in the Consolidated Statements of Income.

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 (in thousands) were $102, $106, and $108 for 2003, 2002, and 2001, 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 2 1/2 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 (in thousands) of $1,711, $1,599, and $1,574 for 2003, 2002, and 2001, respectively.

(7) COMMITMENTS AND CONTINGENCIES

The Company has committed to approximately $40 million of net 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 consolidated financial statements of the Company.

(8) RELATED PARTY TRANSACTIONS

The Company leases land from a trust in which the Company's principal stockholder is the sole trustee, with annual rent payments of $1 per year. The Company has made leasehold improvements to the land totaling approximately $6.1 million for facilities used for business meetings and customer promotion.

The Company's principal stockholder is the sole trustee of a trust that owns a one-third interest in an entity that operates a motel located nearby one of the Company's terminals with which the Company has committed to rent a guaranteed number of rooms. During 2003, 2002, and 2001, the Company paid $732,000, $542,000, and $145,000 for lodging services for its drivers at this motel.

In 2003, the Company purchased 2.6 acres of land located adjacent to the Company's disaster recovery center in Omaha, Nebraska for $500,000 from a partnership in which the principal stockholder of the Company is the general partner.

The brother and sister-in-law of the Company's principal stockholder own an entity with a fleet of tractors that operates as an owner-operator for the Company. During 2003, 2002, and 2001, the Company paid $5,888,000, $3,587,000, and $1,901,000 to this owner-operator for purchased transportation services. This fleet is compensated using the same owner-operator pay package as the Company's other third-party owner-operators. The Company also sells used revenue equipment to this entity. During 2003, 2002, and 2001, these sales totaled $292,000, $1,328,000, and $206,000, respectively, and the Company recognized gains of $55,000 and $6,000 in 2003 and 2002, respectively, and no gains or losses in 2001. The Company had 46 and 45 notes receivable from this entity related to the revenue equipment sales totaling $1,030,000 and $1,303,000 at December 31, 2003 and 2002, respectively.

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

(9) SEGMENT INFORMATION

The Company has one reportable segment – Truckload Transportation Services. This segment consists of five operating fleets that have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131. The Medium- to Long-Haul Van fleet transports a variety of consumer, nondurable products and other commodities in truckload quantities over irregular routes using dry van trailers. The Dedicated Services fleet provides truckload services required for a specific company, their plant, or their distribution center. 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 Company generates non-trucking revenues related to freight brokerage, freight transportation management, third-party equipment maintenance, and other business activities. None of these operations meet the quantitative threshold reporting requirements of SFAS No. 131. As a result, these operations are grouped in "Non-trucking" in the table below. The Company does not prepare separate balance sheets by segments and, as a result, assets are not separately identifiable by segment. The Company has no significant intersegment sales or expense transactions that would result in adjustments necessary to eliminate amounts between the Company's segments.

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

	Revenues		
	2003	2002	2001
Truckload Transportation Services	$ 1,348,245	$ 1,244,326	$ 1,196,518
Non-trucking	109,521	97,130	74,001
Total	$ 1,457,766	$ 1,341,456	$ 1,270,519

	Operating Income		
	2003	2002	2001
Truckload Transportation Services	$ 117,848	$ 98,058	$ 78,807
Non-trucking	1,691	2,392	580
Corporate and other	(2,035)	(996)	(58)
Total	$ 117,504	$ 99,454	$ 79,329

Information as to the Company's operations by geographic area is summarized below (in thousands). Operating revenues for Mexico and Canada include revenues for shipments with an origin or destination in that country and services provided in that country.

	Operating Revenues		
	2003	2002	2001
United States	$ 1,349,153	$ 1,260,957	$ 1,224,942
Canada	30,886	19,725	5,637
Mexico	77,727	60,774	39,940
Total	$ 1,457,766	$ 1,341,456	$ 1,270,519

	Long-lived Assets		
	2003	2002	2001
United States	$ 796,627	$ 829,506	$ 715,321
Canada	142	49	53
Mexico	8,918	2,712	109
Total	$ 805,687	$ 832,267	$ 715,483

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.

(10) COMMON STOCK SPLITS

On September 2, 2003, the Company announced that its Board of Directors declared a five-for-four split of the Company's common stock effected in the form of a 25 percent stock dividend. The stock dividend was paid on September 30, 2003, to stockholders of record at the close of business on September 16, 2003. On February 11, 2002, the Company announced that its Board of Directors declared a four-for-three split of the Company's common stock effected in the form of a 33 1/3 percent stock dividend. The stock dividend was paid on March 14, 2002, to stockholders of record at the close of business on February 25, 2002. No fractional shares of common stock were issued in connection with the 2003 and 2002 stock splits. Stockholders entitled to fractional shares received a proportional cash payment based on the closing price of a share of common stock on the record dates.

All share and per-share information included in the accompanying consolidated financial statements for all periods presented have been adjusted to retroactively reflect the 2003 and 2002 stock splits.

(11) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003:				
Operating revenues	$ 347,208	$ 362,290	$ 368,034	$ 380,234
Operating income	18,983	31,576	32,728	34,217
Net income	11,839	19,859	20,516	21,513
Basic earnings per share	.15	.25	.26	.27
Diluted earnings per share	.15	.24	.25	.26

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002:				
Operating revenues	$ 312,575	$ 340,405	$ 336,096	$ 352,380
Operating income	17,285	27,138	27,156	27,875
Net income	10,618	16,575	16,795	17,639
Basic earnings per share	.13	.21	.21	.22
Diluted earnings per share	.13	.20	.21	.22

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

No reports on Form 8-K have been required to be filed within the twenty-four months prior to December 31, 2003, involving a change of accountants or disagreements on accounting and financial disclosure.

ITEM 9A. *CONTROLS AND PROCEDURES*

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 15d-15(e). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in enabling the Company to record, process, summarize and report information required to be included in the Company's periodic SEC filings within the required time period. There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART 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, with the exception of the Code of Ethics discussed below, is incorporated herein by reference to the Company's Proxy Statement.

Code of Ethics

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer/controller. The code of ethics is available on the Company's website, www.werner.com. The Company intends to post on its website any material changes to, or waiver from, its code of ethics, if any, within five business days of any such event.

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 AND RELATED STOCKHOLDER MATTERS*

The information required by this Item, with the exception of the equity compensation plan information presented below, is incorporated herein by reference to the Company's Proxy Statement.

Equity Compensation Plan Information

The following table summarizes, as of December 31, 2003, information about compensation plans under which equity securities of the Company are authorized for issuance:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders	5,274,847	$8.58	4,150,268

The Company does not have any equity compensation plans that were not approved by security holders.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

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

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

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

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K*

(a) Financial Statements and Schedules.

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

	Page
Report of Independent Public Accountants	21
Consolidated Statements of Income	22
Consolidated Balance Sheets	23
Consolidated Statements of Cash Flows	24
Consolidated Statements of Stockholders' Equity and Comprehensive Income	25
Notes to Consolidated Financial Statements	26

(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.

	Page
Schedule II - Valuation and Qualifying Accounts	42

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 15 is submitted as a separate section of this report on Form 10-K (see Exhibit Index on page 43).

(b) Reports on Form 8-K:

A report on Form 8-K, filed October 16, 2003, regarding a news release on October 15, 2003, announcing the Company's operating revenues and earnings for the third quarter ended September 30, 2003.

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 1st day of March, 2004.

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 1, 2004
/s/ Gary L. Werner Gary L. Werner	Vice Chairman and Director	March 1, 2004
/s/ Curtis G. Werner Curtis G. Werner	Vice Chairman - Corporate Development and Director	March 1, 2004
/s/ Gregory L. Werner Gregory L. Werner	President, Chief Operating Officer and Director	March 1, 2004
/s/ John J. Steele John J. Steele	Vice President, Treasurer and Chief Financial Officer	March 1, 2004
/s/ James L. Johnson James L. Johnson	Vice President, Controller and Corporate Secretary	March 1, 2004
/s/ Jeffrey G. Doll Jeffrey G. Doll	Lead Outside Director	March 1, 2004
/s/ Gerald H. Timmerman Gerald H. Timmerman	Director	March 1, 2004
/s/ Michael L. Steinbach Michael L. Steinbach	Director	March 1, 2004
/s/ Kenneth M. Bird Kenneth M. Bird	Director	March 1, 2004
/s/ Patrick J. Jung	Director	March 1, 2004

Patrick J. Jung

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, 2003:				
Allowance for doubtful accounts	$ 4,459	$ 1,914	$ 330	$ 6,043
Year ended December 31, 2002:				
Allowance for doubtful accounts	$ 4,966	$ 1,175	$ 1,682	$ 4,459
Year ended December 31, 2001:				
Allowance for doubtful accounts	$ 3,994	$ 2,057	$ 1,085	$ 4,966

See independent auditors' report.

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	Amended and Restated Stock Option Plan	Exhibit 4.3 to Registration Statement on Form S-8, Registration No. 333-103467
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
31.1	Rule 13a-14(a)/15d-14(a) Certification	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification	Filed herewith
32.1	Section 1350 Certification	Filed herewith
32.2	Section 1350 Certification	Filed herewith

EXHIBIT 11

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(In thousands, except per share amounts)

	2003	2002	2001
Net income	$ 73,727	$ 61,627	$ 47,744
Average common shares outstanding	79,828	79,705	78,933
Common stock equivalents (1)	1,840	1,817	1,250
Diluted shares outstanding	81,668	81,522	80,183
Basic earnings per share	$ 0.92	$ 0.77	$ 0.60
Diluted earnings per share	$ 0.90	$ 0.76	$ 0.60

(1) Common stock equivalents represent the dilutive effect of outstanding stock options for all periods presented.

There were no options to purchase shares of common stock which were outstanding during the periods indicated above, but excluded from the computation of diluted earnings per share because the option purchase price was greater than the average market price of the common shares.

EXHIBIT 21

SUBSIDIARIES OF WERNER ENTERPRISES, INC.

	SUBSIDIARY	JURISDICTION OF ORGANIZATION
1.	Werner Leasing, Inc.	Nebraska
2.	Werner Aire, Inc.	Nebraska
3.	Gra-Gar, LLC	Delaware
4.	Drivers Management, LLC	Delaware
5.	Werner Management, Inc.	Nebraska
6.	Drivers Management Holding, Inc.	Nebraska
7.	Frontier Clinic, Inc.	Nebraska
8.	Fleet Truck Sales, Inc.	Nebraska
9.	Professional Truck Drivers School, Inc.	Nebraska
10.	Werner Transportation, Inc.	Nebraska
11.	Werner de Mexico, S. de R.L. de C.V.	Mexico
12.	Werner Enterprises Canada Corporation	Canada
13.	Werner Cycle Works, Inc.	Nebraska
14.	Werner Leasing de Mexico, S. de R.L. de C.V.	Mexico

EXHIBIT 23.1

ACCOUNTANTS' CONSENT

We consent to incorporation by reference in the registration statements (File No. 333-103467, 33-15894, and No. 33-15895) on Form S-8 of Werner Enterprises, Inc. of our report dated January 22, 2004, relating to the consolidated balance sheets as of December 31, 2003 and 2002, of Werner Enterprises, Inc. and subsidiaries and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years ended December 31, 2003, 2002, and 2001, and related schedule, which report appears in the December 31, 2003, annual report on Form 10-K of Werner Enterprises, Inc.

KPMG LLP

Omaha, Nebraska
March 1, 2004

EXHIBIT 31.1

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

I, Clarence L Werner, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 1, 2004

/s/ Clarence L Werner
Clarence L Werner
Chairman and Chief Executive Officer

EXHIBIT 31.2

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

I, John J. Steele, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 1, 2004

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

EXHIBIT 32.1

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

In connection with the Annual Report of Werner Enterprises, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2003, (the “Report”) filed with the Securities and Exchange Commission, I, Clarence LWerner, Chairman and Chief Executie Officer of the Compan y, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

March 1, 2004

/s/ Clarence LWerner
Clarence LWerner
Chairman and Chief Executie Officer

EXHIBIT 32.2

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

In connection with the Annual Report of Werner Enterprises, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003, (the "Report") filed with the Securities and Exchange Commission, I, John J. Steele, Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

March 1, 2004

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

corporate information

Board of Directors

Clarence L. Werner, 66. Chairman of the Board and Chief Executive Officer. Founder of the Company. Served on Board since inception in 1986. (3)

Gary L. Werner, 46. Vice Chairman. Served on Board since inception in 1986.

Gregory L. Werner, 44. President and Chief Operating Officer. Served on Board since 1994.

Curtis G. Werner, 39. Vice Chairman - Corporate Development. Served on Board since 1991.

Jeffrey G. Doll, 49. President and Chief Executive Officer - Doll Distributing, Inc. Lead Outside Director. Served on Board since 1997. (1), (2), (3)

Gerald H. Timmerman, 64. President - Timmerman and Sons. Served on Board since 1988. (1), (2), (3)

Michael L. Steinbach, 49. Owner - Steinbach Farms and Equipment Sales. Served on Board since 2002. (1), (2), (3)

Kenneth M. Bird, 56. Superintendent of Westside Community Schools. Served on Board since 2002. (1), (2), (3)

Patrick J. Jung, 56. Executive Vice President of Meridian, Inc. Formerly partner with KPMG LLP. Chairman of Audit Committee. Served on Board since 2003. (1), (2), (3)

(1) Serves on audit committee
(2) Serves on option committee
(3) Serves on executive compensation committee

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 11, 2004 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, N.A.
Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
Telephone: (800) 468-9716

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

WE ARE RAISING THE STANDARD ■ WE ARE MAKING SIGNIFICANT PROGRESS ■ OUR TECHNOLOGY IS INNOVATIVE ■ OUR PEOPLE ARE SECOND TO NONE ■ THE FUTURE HOLDS NO BOUNDARIES ■ WE ARE RAISING THE STANDAR

WERNER ENTERPRISES
SPECIALIZED CARRIER ®