WERNER ENTERPRISES INC
Form 10-K
February 14, 2007

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

FORM 10-K

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
--- SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

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

14507 FRONTIER ROAD POST OFFICE BOX 45308 OMAHA, NEBRASKA (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:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 Par Value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

Title of Class

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES X NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES NO X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate by check mark 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer X Accelerated filer ___ Non-accelerated filer ___

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

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, 2006, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $1.025 billion (based on the closing sale price of the Registrant's Common Stock on that date as reported by Nasdaq).

As of February 9, 2007, 75,350,132 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 8, 2007, 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 and logistics company engaged primarily in hauling truckload shipments of general commodities in both interstate and intrastate commerce as well as providing logistics services through its Value Added Services ("VAS") division. Werner is one of the five largest truckload carriers in the United States based on total operating revenues and maintains its headquarters in Omaha, Nebraska, near the geographic center of its truckload service area. Werner was founded in 1956 by Chairman, Clarence L. Werner, who started the business with one truck at the age of 19 and was incorporated in the state of Nebraska on September 14, 1982. Werner completed its initial public offering in June 1986 with a fleet of 632 trucks as of February 28, 1986. Werner ended 2006 with a fleet of 9,000 trucks, of which 8,180 were owned by the Company and 820 were owned and operated by owner-operators (independent contractors).

The Company has two reportable segments - Truckload Transportation Services and Value Added Services. Financial information regarding these segments and the Company's geographic areas can be found in the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K. The Company's truckload fleets operate 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 and throughout changes in the economy.

The Company's VAS division is a non-asset based transportation and logistics provider. VAS includes freight management (single-source logistics), truck brokerage, intermodal, and international freight forwarding. In July 2006, the Company formed Werner Global Logistics U.S., LLC ("WGL"), a separate company that operates within the VAS segment, and through its subsidiaries established its Wholly Owned Foreign Entity ("WOFE") headquartered in Shanghai, China. WGL and its subsidiaries obtained business licenses to operate as an Ocean Transport Intermediary (NVOCC and Ocean Freight Forwarder), U.S. Customs Broker, Class A Freight Forwarder in China, and an Indirect Air Carrier.

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, diversified truck and logistics service offerings, 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), time-sensitive nature of shipments (expedited), or conversion of their private fleet to Werner (dedicated). Trucking revenues accounted for 86% of total revenues, and non-trucking and other operating revenues, primarily brokerage revenues, accounted for 14% of total revenues

in 2006. Werner's VAS division manages the transportation and logistics requirements for individual customers, providing customers with additional sources of capacity and access to alternative modes of transportation. The VAS portfolio includes freight management, truck brokerage, intermodal, load/mode and network optimization, transloading, and other services. The new product offering in China includes site selection analysis, vendor and purchase order management, full container load consolidation and warehousing, as well as door-to-door freight forwarding and customs brokerage. Value Added Services is a non-asset-based business that is highly dependent on qualified employees, information systems, and the services of qualified third-party capacity providers. Compared to trucking operations which require a significant capital equipment investment, VAS's operating income percentage is lower and return on assets is

substantially higher. Revenues generated by services accounting for more than 10% of consolidated revenues, consisting of Truckload Transportation Services and Value Added Services, for the last three years can be found under Item 7 of this Form 10-K.

Werner has a diversified freight base but is dependent on a small group of customers for a significant portion of its freight. During 2006, the Company's largest 5, 10, 25, and 50 customers comprised 26%, 37%, 58%, and 72% of the Company's revenues, respectively. The Company's largest customer, Dollar General, accounted for 11% of the Company's revenues in 2006, of which approximately two-thirds is dedicated fleet business and the remainder is primarily VAS. No other customer exceeded 5% of revenues in 2006. By industry group, the Company's top 50 customers consist of 46% retail and consumer products, 25% grocery products, 20% manufacturing/industrial, and 9% logistics and other. Many of our non-dedicated customer contracts are cancelable on 30 days notice, which is standard in the trucking industry. Most dedicated customer contracts are one to three years in length, and are cancelable on 90 days notice following the expiration of the initial term of the contract.

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 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 used 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 pilot program, to use a global positioning system based paperless log system in place of the paper logbooks traditionally used by truck drivers to track their daily work activities. On September 21, 2004, the DOT's Federal Motor Carrier Safety Administration ("FMCSA") agency approved the Company's exemption for its paperless log system that moves this exemption from the FMCSA-approved pilot program to permanent status. The exemption is to be renewed every two years. On September 7, 2006, the FMCSA announced in the Federal Register its decision to renew for two additional years the Company's exemption from the FMCSA's requirement that drivers of commercial motor vehicles operating in interstate commerce prepare handwritten records of duty status (logs).

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, 2006, the Company employed 11,198 drivers, 1,038 mechanics and maintenance personnel, 1,796 office personnel for the trucking operation, and 294 personnel for the VAS and other non-trucking operations. The Company also had 820 contracts with 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 all of 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 generally increases with the drivers' length of service. Additional compensation may be earned through 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. The number of qualified drivers in the industry has not kept pace with freight growth because of changes in the demographic composition of the workforce, alternative jobs to truck driving which become available in an improving economy, and individual drivers' desire to be home more often. In recent months, the driver recruiting and retention market remained challenging, but was less difficult than the extremely challenging driver market experienced earlier in the year. The Company anticipates that the competition for drivers will continue to be very high and cannot predict whether it will experience shortages in the future. If such a shortage were 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. Also, owner-

operators provide the Company with another source of drivers to support its fleet. The Company intends to continue its emphasis on recruiting owner-operators, as well as company drivers. However, it has continued to be difficult for the Company and the industry to recruit and retain owner-operators over the past several years due to factors including high fuel prices, tightening of equipment financing standards, and declining values for older used trucks.

Revenue Equipment

As of December 31, 2006, Werner operated 8,180 company tractors and had contracts for 820 tractors owned by owner-operators. The company tractors were manufactured by Freightliner, a subsidiary of DaimlerChrysler, and Peterbilt and 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 a maximum of 65 miles per hour to improve safety and fuel efficiency.

The Company operated 25,200 trailers at December 31, 2006: 23,340 dry vans; 599 flatbeds; and 1,261 temperature-controlled. Most of the Company's trailers were manufactured by Wabash National Corporation. As of December 31, 2006, 98% of the

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Company's fleet of dry van trailers consisted of 53-foot trailers, and 99% 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 certain customers.

Beginning in January 2007, all newly manufactured truck engines must comply with a new set of more stringent engine emission standards mandated by the Environmental Protection Agency ("EPA"). Trucks manufactured with these new engines are expected to cost $5,000-$10,000 more per truck, have slightly lower mpg, and higher maintenance costs. To delay the cost impact of these new emission standards, the Company kept its truck fleet new relative to historical company and industry standards. The average age of the Company's truck fleet at December 31, 2006 is 1.34 years. A new set of more stringent emissions standards mandated by the EPA will become effective for newly manufactured trucks beginning in January 2010. The Company's capital expenditures for new trucks are expected to be much lower in 2007.

Fuel

The Company purchases approximately 95% 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 seven of the Company's terminals and four dedicated

fleet locations.

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 Department of Energy ("DOE") weekly retail on-highway diesel fuel prices, 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. During 2006, the Company's fuel expense and reimbursements to owner-operator drivers for the higher cost of fuel resulted in an additional cost of $54.2 million, while the Company collected an additional $51.2 million in fuel surcharge revenues to offset most of the fuel cost increase. The Company cannot predict whether fuel prices will 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, 2006, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

During third quarter 2006, truckload carriers transitioned a substantial portion of their diesel fuel consumption from low sulfur diesel fuel to ultra-low sulfur diesel fuel ("ULSD") fuel, as fuel refiners were required to meet the EPA-mandated 80% ULSD threshold by the transition date of October 15, 2006. Preliminary estimates were that ULSD would result in a 1-3% degradation in miles per gallon ("mpg") for all trucks, due to the lower energy content (btu) of ULSD. Based on the Company's fuel mpg experience to date, these preliminary mpg degradation estimates appear to be accurate.

The Company maintains aboveground and underground fuel storage tanks at many 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, the Federal and Provincial Transportation Departments in Canada, and the Secretary of Communication and Transportation ("SCT") in Mexico. 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.

Effective October 1, 2005, all truckload carriers became subject to revised hours of service ("HOS") regulations. The most significant change for the Company from the previous regulations is that drivers using the sleeper berth provision must take at least eight consecutive hours in the sleeper berth during their ten hours off-duty. Previously, drivers were allowed to split their ten hour off-duty time in the sleeper berth into two periods, provided neither period was less than two hours. This more restrictive sleeper berth provision is requiring some drivers to plan their time better and had a negative impact on mileage productivity. The greatest impact of these HOS changes was lower mileage productivity for those customers with multiple-stop shipments or those shipments with pickup or delivery delays. The Owner-Operator Independent Drivers Association ("OOIDA") filed a petition for review of the current HOS regulations with the U.S. Court of Appeals on January 23, 2006. On December 4, 2006, a three-judge panel heard arguments from the OOIDA. The appeals court is expected to issue its ruling in February or March of 2007.

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

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.

Over the course of 2006, WGL and its subsidiaries obtained business licenses to operate as an Ocean Transport Intermediary (NVOCC and Ocean Freight Forwarder), U.S. Customs Broker, and Class A Freight Forwarder in China. In addition, WGL recently entered into the air freight forwarding business as a Transportation Safety Administration ("TSA") approved Indirect Air Carrier.

With respect to the Company's planned activities in the air transportation industry in the United States, it is subject to

regulation by the TSA of the Department of Homeland Security as an indirect air carrier. WGL has made application for a license as an air freight forwarder by the International Air Transport Association ("IATA") and each office in a foreign location will be applying for an IATA license in their respective countries. IATA is a voluntary association of airlines which prescribes certain operating procedures for air freight forwarders acting as agents for its members. The majority of the Company's air freight forwarding business is expected to be conducted with airlines which are IATA members.

The Company is licensed as a customs broker by Customs and Border Protection ("CBP") of the Department of Homeland Security in each U.S. customs district in which it does business. All United States customs brokers are required to maintain prescribed records and are subject to periodic audits by CBP. In other jurisdictions in which the Company performs clearance services, the Company is licensed by the appropriate governmental authority.

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The Company is registered as an Ocean Transportation Intermediary by the Federal Maritime Commission ("FMC"). The FMC has established certain qualifications for shipping agents, including certain surety bonding requirements. The FMC also is responsible for the economic regulation of Non-vessel Operating Common Carrier ("NVOCC") activity originating or terminating in the United States. To comply with these economic regulations, vessel operators and NVOCCs are required to file tariffs electronically which establish the rates to be charged for the movement of specified commodities into and out of the United States. The FMC has the power to enforce these regulations by assessing penalties.

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") may 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 could 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 in terms of the volume of 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. Logistics companies, railroads, less-than-truckload carriers, and private carriers also provide competition, but to a lesser degree.

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

The significant industry-wide accelerated purchase of new trucks in advance of the new 2007 emissions standards contributed to excess truck capacity that partially disrupted the supply and demand balance in the second half of 2006. The recent softness in the housing and automotive sectors not principally served by the Company caused carriers that depend on these freight markets to more aggressively compete in other freight markets served by the Company. Other demand-related factors that may have contributed to lower freight demand in 2006 were inventory tightening by some large retailers, some shippers shifting to more intermodal intact container shipments for lower value freight, and moderating economic growth. The softer freight market and the softer truck sales market are making it more difficult for marginal carriers to remain in business. As these marginal carriers are facing significant funding requirements for truck licensing in first quarter 2007, some trucks may not be licensed which would tighten capacity. As a result of these factors, the Company currently anticipates that the recent excess truck capacity in the market will gradually reverse, and capacity may begin to tighten as we move toward the fall peak season of 2007.

Internet Website

The Company maintains a website where additional information concerning its business can be found. The address of that website is www.werner.com. The Company makes available free of charge on its Internet website 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. Information on the Company's website is not incorporated by reference into this annual report on Form 10-K.

ITEM 1A. RISK FACTORS

The following risks and uncertainties may cause actual results to differ materially from those anticipated in the forward-looking statements included in this Form 10-K:

The Company's business is subject to overall economic conditions

that could have a material adverse effect on the results of operations of the Company.

The Company is sensitive to changes in overall economic conditions that impact customer shipping volumes. Beginning in 2003 and continuing throughout 2005, general economic improvements led to improved freight demand. Factors that may have contributed to lower freight demand in the second half of 2006 were inventory tightening by some large retailers, some shippers shifting to more intermodal intact container shipments for lower value freight, and moderating economic growth. Future economic conditions that may affect the Company include employment levels, business conditions, fuel and energy costs, interest rates, and tax rates.

Increases in fuel prices and shortages of fuel can have a material adverse effect on the results of operations and profitability of the Company.

Fuel prices climbed steadily through the first eight months of 2006, averaging 51 cents a gallon higher than the same period of 2005. However, in the last four months of 2006, fuel costs averaged 17 cents a gallon lower than the same period of 2005, principally due to the temporary spike in fuel prices that occurred in October 2005 after Hurricanes Katrina and Rita. Fuel prices subsequently declined from these record levels in November 2005. 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 financial results would be negatively impacted.

Difficulty in recruiting and retaining drivers and owner-operators could impact the Company's results of operations and limit growth opportunities.

At times, there have been shortages of drivers in the trucking industry. The market for recruiting and retaining drivers has become more difficult over the last several years due to changing workforce demographics and alternative job opportunities in an improving economy. However, during fourth quarter 2006, the driver recruiting and retention market was less difficult than the extremely challenging market experienced earlier in the year. During the last several years, 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. If a shortage of company drivers and owner-operators were to occur and increases in driver pay rates and owner-operator settlement rates became necessary to attract drivers and owner-operators, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained. Additionally, the Company expects the tight driver market will make it very difficult to add truck capacity in the near future.

The Company operates in a highly competitive industry, which may limit growth opportunities and reduce profitability.

The trucking industry is highly competitive and includes thousands of trucking companies. The Company estimates the ten largest truckload carriers have about 11% of the approximate $180 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. Logistics companies, railroads, less-than-truckload carriers, and private carriers also provide competition, but to a lesser degree. Competition for the freight transported by the Company is based primarily on service and efficiency and, to some degree, on freight rates alone.

The Company operates in a highly regulated industry. Changes in existing regulations or violations of existing or future regulations could have an adverse effect on the operations and profitability of the Company.

The Company is regulated by the DOT, the Federal and Provincial Transportation Departments in Canada, and the SCT in Mexico and may become subject to new or more comprehensive regulations mandated by these agencies. These regulatory authorities establish broad powers, generally governing activities such as authorization to engage in motor carrier operations, safety, financial reporting, and other matters. In July 2006, the Company formed WGL, a separate company that operates within the VAS segment, and through its subsidiaries established its WOFE headquartered in Shanghai, China. WGL and its subsidiaries obtained business licenses to operate as an Ocean Transport Intermediary (NVOCC and Ocean Freight Forwarder), U.S. Customs Broker, Class A Freight Forwarder in China, and an Indirect Air Carrier. WGL has applied for status as an endorsed IATA member and other offices in foreign locations will be applying for status in their respective countries.

On January 18, 2007, the FMCSA published an NPRM in the Federal Register on the use of EOBRs by the trucking industry for compliance with HOS rules. Comments on the NPRM must be received by April 18, 2007. While the Company does not believe the rule, as proposed, would have a significant effect on operations and profitability, it will continue to monitor future developments.

Beginning in January 2007, all newly manufactured truck engines must comply with a new set of more stringent engine emission standards mandated by the EPA. The Company expects that the engines produced under the 2007 standards will be less fuel-efficient and have a higher cost than the current engines. A third and final set of more stringent emissions standards mandated by the EPA will become effective for newly manufactured trucks beginning in January 2010.

The seasonal pattern generally experienced in the trucking industry may affect the Company's periodic results during traditionally slower shipping periods and during the winter months.

The Company's business is modestly seasonal with peak freight demand occurring generally in the months of September, October, and November. After the Christmas holiday season, during the remaining winter months, the Company's freight volumes are typically lower as some customers have lower shipment levels. 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.

We depend on key customers, the loss of which or the financial failure of which may have a material adverse effect on our operations and profitability.

A significant portion of the Company's revenue is generated from several key customers. During 2006, the Company's top 25, 10 and 5 customers accounted for 58%, 37% and 26% of revenues, respectively. The Company's largest customer, Dollar General, accounted for 11% of the Company's revenues in 2006. The Company does not have long-term contractual relationships with many of its key non-dedicated customers. The Company's contractual relationships with its dedicated customers are typically one to three years in length which are cancelable on 90 days notice following the expiration of the initial term of the contract. There can be no assurance that relationships with any key customers will continue at the same levels. A reduction in or termination of the Company's services by a key customer could have a material adverse effect on the Company's business and results of operations. The Company reviews the financial condition of its customers prior to granting credit, monitors changes in financial condition on an on-going basis, and reviews individual past due balances and collection concerns. However the financial failure of a customer may still have a negative effect on the Company's results of operations.

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The Company depends on the services of third-party capacity providers, the availability of which could affect the Company's profitability and limit growth in its VAS division.

The Company's VAS division is highly dependent on the services of third-party capacity providers, including other truckload carriers, less-than-truckload carriers, railroads, ocean carriers, and airlines. Many of those providers face the same economic challenges as the Company. The softer freight market in the second half of 2006 made it somewhat easier to find qualified truckload capacity to meet customer freight needs for our truck brokerage operation. The Company currently anticipates that the recent excess truck capacity in the market will gradually reverse, and capacity may tighten as we move toward the fall peak season of 2007. If the Company were unable to secure the services of these third-party capacity providers, its results of operations could be adversely affected.

Increases in the number of insurance claims, the cost per claim, the costs of insurance premiums, or the availability of insurance coverage could reduce the Company's earnings.

The Company self-insures for a significant portion of liability resulting from personal injury, property damage, and cargo loss as well as workers' compensation. This is supplemented by premium insurance with licensed and highly-rated insurance companies above the Company's self-insurance level for each type of coverage. To the extent the Company were to experience a significant increase in the number of claims, the

cost per claim, or the costs of insurance premiums for coverage in excess of its retention amounts, the Company's operating results would be negatively affected.

Decreased demand for the Company's used revenue equipment could result in lower unit sales, lower resale values, and lower gains on sales of assets.

The Company is sensitive to changes in used equipment prices, especially tractors. The Company has been in the business of selling its Company-owned trucks since 1992, when it formed its wholly-owned subsidiary Fleet Truck Sales. The Company has 18 Fleet Truck Sales locations throughout the United States. During 2006, the Company began selling its oldest van trailers that had reached the end of their depreciable life. Gains on sales of assets are reflected as a reduction of other operating expenses in the Company's income statement and amounted to gains of $28.4 million in 2006, $11.0 million in 2005, and $9.3 million in 2004.

The Company relies on the services of key personnel, the loss of which could impact the future success of the Company.

The Company is highly dependent on the services of key personnel including Clarence L. Werner, Gary L. Werner, and Gregory 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.

Difficulty in obtaining goods and services from the Company's vendors and suppliers could adversely affect the Company's business.

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 Company uses its information systems extensively for day-to-day operations, and service disruptions could have an adverse impact on the Company's operations.

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.

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 1B. UNRESOLVED STAFF COMMENTS

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2006 fiscal year and that remain unresolved.

ITEM 2. PROPERTIES

Werner's headquarters is located nearby Interstate 80 just west of Omaha, Nebraska, on approximately 195 acres, 105 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, a paint booth, and a reclaim center. 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, consisting of office and/or maintenance facilities. The Company's terminal locations are described below:

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

The Company leases approximately 60 small sales and brokerage offices and trailer parking yards in various locations throughout the country; leases office space in Mexico, Canada, and China; owns a 96-room motel located near the Company's headquarters, a 71-room private lodging facility at the Company's Dallas terminal, four low-income housing apartment complexes in the Omaha area, and a warehouse facility which also houses a cargo salvage store; and has 50% ownership in a 125,000 square-foot warehouse located near the Company's headquarters. Currently, the Company has 18 locations in its Fleet Truck Sales network. Fleet Truck Sales, a wholly owned subsidiary, is one of the largest domestic class 8 truck sales entities in the U.S. and sells the Company's used trucks and trailers.

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's self-insurance reserves are reviewed by an actuary every six months.

The Company had 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. For the policy year beginning August 1, 2004, the Company increased its self-insured retention ("SIR") amount to $2.0 million per occurrence. The Company is also responsible for varying annual aggregate amounts of liability for claims in excess of the self-insured retention. The following table reflects the self-insured retention levels and aggregate amounts of liability for personal injury and property damage claims since August 1, 2003:

Coverage Period	Primary Coverage	Primary Coverage SIR/deductible
August 1, 2003 - July 31, 2004	$3.0 million	$0.5 million (1)
August 1, 2004 - July 31, 2005	$5.0 million	$2.0 million (2)
August 1, 2005 - July 31, 2006	$5.0 million	$2.0 million (3)
August 1, 2006 - July 31, 2007	$5.0 million	$2.0 million (3)

(1) Subject to an additional $1.5 million aggregate in the $0.5 to $1.0 million layer, a $1.0 million aggregate in the $1.0 to $2.0 million layer, no aggregate (i.e., fully insured) in the $2.0 to $3.0 million layer, a $6.0 million aggregate in the $3.0 to $5.0 million layer, and a $5.0 million aggregate in the $5.0

to $10.0 million layer.

(2) Subject to an additional $3.0 million aggregate in the $2.0 to $3.0 million layer, no aggregate (i.e., fully insured) in the $3.0 to $5.0 million layer, and a $5.0 million aggregate in the $5.0 to $10.0 million layer.

(3) Subject to an additional $2.0 million aggregate in the $2.0 to $3.0 million layer, no aggregate (i.e., fully insured) in the $3.0 to $5.0 million layer, and a $5.0 million aggregate in the $5.0 to $10.0 million layer.

The Company has assumed responsibility for workers' compensation up to $1.0 million per claim, subject to an additional $1.0 million aggregate for claims between $1.0 million and $2.0 million, maintains a $25.7 million bond, and has obtained insurance for individual claims above $1.0 million.

The Company's primary insurance covers the range of liability where the Company expects most claims to occur. Liability claims substantially in excess of coverage amounts listed in the table above, if they occur, are covered under premium-based policies with reputable insurance companies to coverage levels that management considers adequate. The Company is also responsible for administrative expenses for each occurrence involving personal injury or property damage. See also Note 1 "Insurance and Claims Accruals" and Note 6 "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 2006, no matters were submitted to a vote of security holders.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

The Company's common stock trades on The NASDAQ Global Select Market tier of The NASDAQ Stock Market under the symbol "WERN". The following table sets forth for the quarters indicated the high and low trade prices per share of the Company's common stock quoted on The NASDAQ Global Select Market and the Company's dividends declared per common share from January 1, 2005, through December 31, 2006.

	High	Low	Dividends Declared Per Common Share

	High	Low	Dividends Declared Per Common Share
2006			
Quarter ended:			
March 31	$ 21.84	$ 18.16	$.040
June 30	21.01	18.32	.045
September 30	20.89	17.16	.045
December 31	20.76	17.30	.045

	High	Low	Dividends Declared Per Common Share
2005			
Quarter ended:			
March 31	$ 22.91	$ 19.25	$.035
June 30	19.91	17.68	.040
September 30	20.62	15.78	.040
December 31	20.96	16.34	.040

As of February 7, 2007, the Company's common stock was held by 207 stockholders of record and approximately 6,900 stockholders through nominee or street name accounts with brokers. The high and low trade prices per share of the Company's common stock in The NASDAQ Global Select Market as of February 7, 2007 were $19.27 and $19.05, respectively.

Dividend Policy

The Company has been paying cash dividends on its common stock following each of its quarters since the first payment in July 1987. The Company currently intends to continue 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.

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".

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Performance Graph

Comparison of Five-Year Cumulative Total Return

The following graph is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 except to the extent the Company specifically requests that such information be incorporated by reference or treated as soliciting material.

[PERFORMANCE GRAPH APPEARS HERE]

	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Werner Enterprises, Inc. (WERN)	$ 100.00	$ 118.62	$ 134.84	$ 157.58	$ 138.20	$ 123.71
Standard & Poor's 500	$ 100.00	$ 77.90	$ 100.24	$ 111.15	$ 116.61	$ 135.03
Nasdaq Trucking Group (SIC Code 42)	$ 100.00	$ 119.14	$ 154.43	$ 213.28	$ 206.72	$ 200.59

Assuming the investment of $100.00 on December 31, 2001, and reinvestment of all dividends, the graph above compares the cumulative total stockholder return on the Company's Common Stock for the last five fiscal years with the cumulative total return of the Standard & Poor's 500 Market Index and an index of other companies that are in the trucking industry (Nasdaq Trucking Group - Standard Industrial Classification ("SIC") Code 42) over the same period. The Company's stock price was $17.48 as of December 29, 2006. This was used for purposes of calculating the total return on the Company's Common Stock for the year ended December 31, 2006.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On April 14, 2006, the Company's Board of Directors approved an increase to its authorization for common stock repurchases of 6,000,000 shares. The previous authorization, announced on November 23, 2003, authorized the Company to repurchase 3,965,838 shares and was completed in fourth quarter 2006. As of December 31, 2006, the Company had purchased 791,200 shares pursuant to the April 2006 authorization and had 5,208,800 shares remaining available for repurchase. The Company may purchase shares from time to time depending on market, economic, and other factors. The authorization will continue unless withdrawn by the Board of Directors.

The following table summarizes the Company's common stock repurchases during the fourth quarter of 2006 made pursuant to this authorization. No shares were purchased during the quarter other than through this program, and all purchases were made by

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or on behalf of the Company and not by any "affiliated purchaser", as defined by Rule 10b-18 of the Securities Exchange Act of 1934.

Issuer Purchases of Equity Securities

Total Number of Shares (or Units) Purchased as Part of	Maxim (or Ap Dollar Shares (o May

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Publicly Announced Plans or Programs	Purchas Plans
October 1-31, 2006	786,900	$18.12	786,900	5,
November 1-30, 2006	713,100	$18.90	713,100	5,
December 1-31, 2006	-	-	-	5,
Total	1,500,000	$18.49	1,500,000	5,

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)

	2006	2005	2004	2003	2
Operating revenues	$2,080,555	$1,971,847	$1,678,043	$1,457,766	$1,3
Net income	98,643	98,534	87,310	73,727	
Diluted earnings per share*	1.25	1.22	1.08	0.90	
Cash dividends declared per share*	.175	.155	.130	.090	
Return on average stockholders' equity (1)	11.3%	12.1%	11.9%	10.9%	
Return on average total assets (2)	7.1%	7.6%	7.5%	6.7%	
Operating ratio (consolidated) (3)	92.1%	91.7%	91.6%	91.9%	
Book value per share* (4)	11.55	10.86	9.76	8.90	
Total assets	1,478,173	1,385,762	1,225,775	1,121,527	1,0
Total debt	100,000	60,000	-	-	
Stockholders' equity	870,351	862,451	773,169	709,111	6

*After giving retroactive effect for the September 30, 2003 five-for-four stock split and the March 14, 2002 four-for-three stock split (all years presented).

(1) Net income expressed as a percentage of average stockholders' equity. Return on equity is a measure of a corporation's profitability relative to recorded shareholder investment.

(2) Net income expressed as a percentage of average total assets. Return on assets is a measure of a corporation's profitability relative to recorded assets.

(3) Operating expenses expressed as a percentage of operating revenues. Operating ratio is a common measure in the trucking industry used to evaluate profitability.

(4) Stockholders' equity divided by common shares outstanding as of the end of the period. Book value per share indicates the dollar value remaining for common shareholders if all assets were liquidated and all debts were paid at the recorded amounts.

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

This report contains historical information, as well as forward-looking statements that are based on information

currently available to the Company's management. The forward-looking statements in this report, including those made in this Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. The Company believes the assumptions underlying these forward-looking statements are reasonable based on information currently available; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those anticipated in the forward-looking statements as a result of certain risks and uncertainties. These risks include, but are not limited to,

those discussed in Item 1A "Risk Factors". Caution should be taken not to place undue reliance on forward-looking statements made herein, since the statements speak only as of the date they are made. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Overview:

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

Operating revenues consist of trucking revenues generated by the six operating fleets in the Truckload Transportation Services segment (dedicated, medium/long-haul van, regional short-haul, expedited, flatbed, and temperature-controlled) and non-trucking revenues generated primarily by the Company's VAS segment. The Company's Truckload Transportation Services segment ("truckload segment") also includes a small amount of non-trucking revenues for the portion of shipments delivered to or from Mexico where it utilizes a third-party capacity provider, and for a few of its dedicated accounts where the services of third-party capacity providers are used to meet customer capacity requirements. Non-trucking revenues reported in the operating statistics table include those revenues generated by the VAS segment, as well as the non-trucking revenues generated by the truckload segment. Trucking revenues accounted for 86% of total operating revenues in 2006, and non-trucking and other operating revenues accounted for 14%.

Trucking services typically generate revenues on a per-mile basis. Other sources of trucking revenues include fuel surcharges and accessorial revenues such as stop charges,

loading/unloading charges, and equipment detention charges. Because fuel surcharge revenues fluctuate in response to changes in the cost of fuel, these revenues are identified separately within the operating statistics table and are excluded from the statistics to provide a more meaningful comparison between periods. Non-trucking revenues generated by a fleet whose operations are part of the truckload segment are included in non-trucking revenues in the operating statistics table so that the revenue statistics in the table are calculated using only the revenues generated by the company-owned and owner-operator trucks. The key statistics used to evaluate trucking revenues, excluding fuel surcharges, are average revenues per tractor per week, the per-mile rates charged to customers, the average monthly miles generated per tractor, the percentage of empty miles, the average trip length, and the average number of tractors in service. General economic conditions, seasonal freight patterns in the trucking industry, and industry capacity are key factors that impact these statistics.

The Company's most significant resource requirements are company drivers, owner-operators, tractors, trailers, and related costs of operating its equipment (such as fuel and related fuel taxes, driver pay, insurance, and supplies and maintenance). The Company has historically been successful mitigating its risk to increases in fuel prices by recovering additional fuel surcharges from its customers that recoup a majority of the increased fuel costs; however, there is no assurance that current recovery levels will continue in future periods. The Company's financial results are also affected by availability of drivers and the market for new and used revenue equipment. Because the Company is self-insured for a significant portion of personal injury, property damage, and cargo claims and for workers' compensation benefits for its employees (supplemented by premium-based coverage above certain dollar levels), financial results may also be affected by driver safety, medical costs, weather, the legal and regulatory environment, and the costs of insurance coverage to protect against catastrophic losses.

A common industry measure used to evaluate the profitability of the Company and its trucking operating fleets is the operating ratio (operating expenses expressed as a percentage of operating revenues). The most significant variable expenses that impact the trucking operation are driver salaries and benefits, payments to owner-operators (included in rent and purchased transportation expense), fuel, fuel taxes (included in taxes and licenses expense), supplies and maintenance, and insurance and claims. Generally, these expenses vary based on the number of miles generated. As such, the Company also evaluates these costs on a per-mile basis to adjust for the impact on the percentage of total operating revenues caused by changes in fuel surcharge revenues, per-mile rates charged to customers, and non-trucking revenues. As discussed further in the comparison of operating results for 2006 to 2005, several industry-wide issues, including volatile fuel prices and a challenging driver recruiting and retention market, could cause costs to increase in future periods. The Company's main fixed costs include depreciation expense for tractors and trailers and equipment licensing fees (included in taxes and licenses expense). Depreciation expense has been affected by the new engine emission standards that

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

Non-trucking services provided by the Company, primarily through its VAS division, include freight management (single-source logistics), truck brokerage, and intermodal, as well as a newly expanded international product line, as discussed further on page 19. Unlike the Company's trucking operations, the non-trucking operations are less asset-intensive and are instead dependent upon qualified employees, information systems, and the services of qualified third-party capacity providers. The most significant expense item related to these non-trucking services is the cost of transportation paid by the Company to third-party capacity providers, which is recorded as rent and purchased transportation expense. Other expenses include salaries, wages and benefits and computer hardware and software depreciation. The Company evaluates the non-trucking operations by reviewing the gross margin percentage (revenues less rent and purchased transportation expenses expressed as a percentage of revenues) and the operating income percentage. The operating income percentage for the non-trucking business is lower than those of the trucking operations, but the return on assets is substantially higher.

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Results of Operations

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

	2006	2005	2004	2003	2002
Trucking revenues, net of fuel surcharge (1)	$ 1,502,827	$ 1,493,826	$ 1,378,705	$ 1,286,674	$ 1,215,266
Trucking fuel surcharge revenues (1)	286,843	235,690	114,135	61,571	29,060
Non-trucking revenues, including VAS (1)	277,181	230,863	175,490	100,916	89,450
Other operating revenues (1)	13,704	11,468	9,713	8,605	7,680
Operating revenues (1)	$ 2,080,555	$ 1,971,847	$ 1,678,043	$ 1,457,766	$ 1,341,456

Operating ratio (consolidated) (2)	92.1%	91.7%	91.6%	91.9%	92.6
Average revenues per tractor per week (3)	$ 3,300	$ 3,286	$ 3,136	$ 2,988	$ 2,932
Average annual miles per tractor	117,072	120,912	121,644	121,716	123,480
Average annual trips per tractor	175	187	185	173	166
Average trip length in miles (total)	668	647	657	703	746
Average trip length in miles (loaded)	581	568	583	627	674
Total miles (loaded and empty) (1)	1,025,129	1,057,062	1,028,458	1,008,024	984,305
Average revenues per total mile (3)	$ 1.466	$ 1.413	$ 1.341	$ 1.277	$ 1.235
Average revenues per loaded mile (3)	$ 1.686	$ 1.609	$ 1.511	$ 1.431	$ 1.366
Average percentage of empty miles (4)	13.1%	12.2%	11.3%	10.8%	9.6
Average tractors in service	8,757	8,742	8,455	8,282	7,971
Total tractors (at year end):					
Company	8,180	7,920	7,675	7,430	7,180
Owner-operator	820	830	925	920	1,020
Total tractors	9,000	8,750	8,600	8,350	8,200
Total trailers (at year end)	25,200	25,210	23,540	22,800	20,880

(1) Amounts in thousands
(2) Operating expenses expressed as a percentage of operating revenues. Operating ratio is a common measure in the trucking industry used to evaluate profitability.
(3) Net of fuel surcharge revenues
(4) Miles without trailer cargo. Dedicated fleets have a higher empty mile percentage, and empty miles are generally priced in the dedicated business.

The following table sets forth the revenues, operating expenses, and operating income for the truckload segment. Revenues for the truckload segment include non-trucking revenues of $11.2 million, $12.2 million, and $14.4 million for 2006, 2005, and 2004, respectively, as described on page 15.

Truckload Transportation Services (amounts in 000's)	2006 $	2006 %	2005 $	2005 %	
Revenues	$ 1,801,090	100.0	$ 1,741,828	100.0	$ 1
Operating expenses	1,644,581	91.3	1,585,706	91.0	1
Operating income	$ 156,509	8.7	$ 156,122	9.0	$

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

	2006		2005		
Truckload Transportation Services (amounts in 000's)	$	%	$	%	
Revenues	$ 1,801,090		$ 1,741,828		$ 1
Less: trucking fuel surcharge revenues	286,843		235,690		
Revenues, net of fuel surcharges	1,514,247	100.0	1,506,138	100.0	1
Operating expenses	1,644,581		1,585,706		1
Less: trucking fuel surcharge revenues	286,843		235,690		
Operating expenses, net of fuel surcharges	1,357,738	89.7	1,350,016	89.6	1
Operating income	$ 156,509	10.3	$ 156,122	10.4	$

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

	2006		2005		
Value Added Services (amounts in 000's)	$	%	$	%	
Revenues	$ 265,968	100.0	$ 218,620	100.0	$
Rent and purchased transportation expense	240,800	90.5	196,972	90.1	
Gross margin	25,168	9.5	21,648	9.9	
Other operating expenses	17,747	6.7	13,203	6.0	

Operating income	$ 7,421	2.8	$ 8,445	3.9	$

2006 Compared to 2005

Operating Revenues

Operating revenues increased 5.5% in 2006 compared to 2005. Excluding fuel surcharge revenues, trucking revenues increased 0.6% due primarily to a 3.8% increase in average revenues per total mile, excluding fuel surcharges, offset by a 3.2% decrease in average annual miles per tractor. The truckload freight market was softer during much of 2006, particularly from mid-August through December when the normal peak seasonal increase in freight volume did not occur. Additionally, the significant industry-wide accelerated purchase of new trucks in advance of the new 2007 emissions standards contributed to excess truck capacity that partially disrupted the supply and demand balance in the second half of 2006. The combination of these factors resulted in the decrease in annual miles per tractor and also negatively affected revenues per total mile. While revenues per total mile increased 3.8% year-over-year, the percentage increase over the comparable 2005 periods was lower in the last two quarters of 2006 than in the first two quarters of 2006. Most of the revenues per total mile increase is due to base rate increases negotiated with customers, offset by an increase in the empty mile percentage.

A substantial portion of the Company's freight base is under contract with customers and provides for annual pricing increases, with much of the Company's non-dedicated contractual business renewing in the latter part of third quarter and fourth quarter. The challenging freight market in the second half of 2006 made it much more difficult for the Company to obtain base rate increases at levels comparable to the 2005 and 2004 renewal periods. There continue to be several inflationary cost pressures that are impacting truckload carriers. They include: driver pay and other driver-related costs, volatile diesel fuel

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prices, conversion from low sulfur diesel fuel to ULSD, and new engine emission requirements for newly manufactured trucks beginning in January 2007 that are increasing the truck purchase costs and lowering the mpg.

The average percentage of empty miles increased to 13.1% in 2006 from 12.2% in 2005. The increase in the empty mile percentage is partially the result of a higher percentage of dedicated trucks in the fleet and a higher percentage of regional shipments with a shorter length of haul. Over the past few years, Werner has grown its dedicated fleets, arrangements in which the Company provides trucks and/or trailers for the exclusive use of a specific customer. For almost all the Company's dedicated fleet arrangements, dedicated customers pay the Company on an all-miles basis (loaded or empty) to obtain guaranteed truck and/or trailer capacity. For freight management

and statistical reporting purposes, Werner classifies a mile without cargo in the trailer as an empty mile (i.e., deadhead mile). Since dedicated fleets generally have a higher percentage of miles without cargo in the trailer and since the Company has been growing its dedicated fleet business, this contributed to an increase in the Company's reported average empty mile percentage. Excluding the dedicated fleet, the average empty mile percentage would be 10.8% in 2006 and 10.0% in 2005.

Fuel surcharge revenues, which represent collections from customers for the higher cost of fuel, increased to $286.8 million in 2006 from $235.7 million in 2005 in response to higher average fuel prices in 2006. To lessen the effect of fluctuating fuel prices on the Company's margins, the Company collects fuel surcharge revenues from its customers. The Company's fuel surcharge programs are designed to recoup the higher cost of fuel from customers when fuel prices rise and provide customers with the benefit of lower costs when fuel prices decline. The truckload industry's fuel surcharge standard is a one-cent per mile increase in rate for every five-cent per gallon increase in the DOE weekly retail on-highway diesel prices that are used for most fuel surcharge programs. These programs have historically enabled the Company to recover approximately 70% to 90% of the fuel price increases. The remaining 10% to 30% is generally not recoverable, due to empty miles not billable to customers, out-of-route miles, truck idle time, and the volatility in fuel prices as prices change rapidly in short periods of time.

VAS revenues increased 21.7% to $266.0 million in 2006 from $218.6 million in 2005, and gross margin increased 16.3% for the same period. VAS revenues consist primarily of truck brokerage, intermodal, freight management (single-source logistics), as well as the newly expanded international product line described below. Most of the revenue growth came from the Company's brokerage and intermodal divisions within VAS. Brokerage continued to grow rapidly, achieving nearly $100 million of revenues in 2006. Freight Management recently attracted several new single-source customers that are being added during first quarter 2007. The Company continues to focus on growing the volume of business in this segment, which provides customers with additional sources of capacity.

In July 2006, the Company formed WGL, a separate company that operates within the VAS segment, and through its subsidiaries established its WOFE headquartered in Shanghai, China. Werner is one of the first U.S. companies to receive a combined approval to conduct comprehensive forwarding and logistics business, nationwide import/export, and wholesale and commission agency business. WGL and its subsidiaries obtained business licenses to operate as an Ocean Transport Intermediary (NVOCC and Ocean Freight Forwarder), U.S. Customs Broker, and Class A Freight Forwarder in China. In addition, in first quarter 2007 WGL entered into the air freight forwarding business. Analysis and optimization work prepared for key partner customers has resulted in multiple door-to-door business awards being managed by the Company, primarily in the Trans-Pacific trade lanes. Current service offerings within China include site selection analysis, purchase order and vendor management, origin consolidation, warehousing, freight forwarding and customs brokerage. These services are being provided through a combination of strategic alliances with best in class providers and company-owned assets. The Company expects WGL to be a more

meaningful revenue contributor in 2007.

Operating Expenses

The Company's operating ratio (operating expenses expressed as a percentage of operating revenues) was 92.1% in 2006 versus 91.7% in 2005. As explained on page 18, the significant increase in fuel expense and recording the related fuel surcharge revenues on a gross basis had the effect of increasing the operating ratio. Because the Company's VAS business operates with a lower operating margin than the trucking business, the growth in VAS business in 2006 compared to 2005 also increased the Company's overall operating ratio. The tables on pages 17 and 18 show the operating ratios and operating margins for the Company's two reportable segments, Truckload Transportation Services and Value Added Services.

The following table sets forth the cost per total mile of operating expense items for the truckload segment for the periods indicated. The Company evaluates operating costs for this segment on a per-mile basis to adjust for the impact on the percentage of total operating revenues caused by changes in fuel surcharge revenues and rate per mile increases, which provides a more consistent basis for comparing the results of operations from period to period.

	2006	2005	Increase (Decrease) per Mile
Salaries, wages and benefits	$.564	$.532	$.032
Fuel	.377	.321	.056
Supplies and maintenance	.145	.143	.002
Taxes and licenses	.114	.112	.002
Insurance and claims	.090	.083	.007
Depreciation	.158	.149	.009
Rent and purchased transportation	.150	.149	.001
Communications and utilities	.019	.019	.000
Other	(.013)	(.008)	(.005)

Owner-operator costs are included in rent and purchased transportation expense. Owner-operator miles as a percentage of total miles were 11.8% in 2006 compared to 12.5% in 2005. Owner-operators are independent contractors who supply their own tractor and driver and are responsible for their operating expenses including fuel, supplies and maintenance, and fuel taxes. This decrease in owner-operator miles as a percentage of total miles shifted costs determined on a total mile basis from the rent and purchased transportation category to other expense categories. The Company estimates that rent and purchased transportation expense for the truckload segment was lower by approximately 1.0 cent per total mile due to this decrease, and other expense categories had offsetting increases on a total-mile

basis, as follows: salaries, wages and benefits (0.4 cents), fuel (0.3 cents), supplies and maintenance (0.1 cent), taxes and licenses (0.1 cent), and depreciation (0.1 cent).

Salaries, wages and benefits for non-drivers increased in 2006 compared to 2005 due to a larger number of employees required to support the growth in the VAS segment. The increase in salaries, wages and benefits per mile of 3.2 cents for the truckload segment is primarily due to higher driver pay per mile resulting from an increase in the percentage of company truck miles versus owner-operator miles (see above), an increase in the percentage of dedicated fleet trucks, additional amounts paid to drivers to help offset the impact of lower miles in a softer freight market, and higher group health insurance costs, offset by a decrease in workers' compensation expense. Non-driver salaries, wages and benefits increased due to an increase in the number of equipment maintenance personnel and, as described further below, $2.3 million of stock compensation expense related to the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 123R on January 1, 2006. See Note 5 to the Notes to Consolidated Financial Statements for more explanation of SFAS No. 123R.

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment ("No. 123R"), using a modified version of the prospective transition method. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 (as originally issued) for either recognition

or pro forma disclosures. Stock-based employee compensation expense for the year ended December 31, 2006 was $2.3 million, or 1.7 cents per share net of taxes. There was no cumulative effect of initially adopting SFAS No. 123R.

The driver recruiting and retention market remains challenging. After two quarters of sequential decreases in average tractors in service during the first half of 2006, the Company's ongoing focus to lower driver turnover yielded positive results in the second half of the year. The improvements in the latter part of the year offset the decreases experienced during the first half of the year, resulting in essentially no change in average tractors in 2006 compared to 2005. The Company anticipates that the competition for drivers will continue to be high and cannot predict whether it will experience shortages in the future. If such a shortage were to occur and additional increases in driver pay rates were necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Fuel increased 5.6 cents per mile for the truckload segment due primarily to higher average diesel fuel prices. Average fuel prices in 2006 were 28 cents a gallon, or 16%, higher than in 2005. Higher net fuel costs had a four-cent negative impact on earnings per share in 2006 compared to 2005. The Company includes all of the following items in the calculation of the

impact of fuel on earnings for both periods: (1) average fuel price per gallon, (2) fuel reimbursements paid to owner-operator drivers, (3) lower mpg due to the year-over-year increase in the percentage of the company-owned truck fleet with post-October 2002 engines and the mpg impact of ultra-low sulfur diesel fuel, and (4) offsetting fuel surcharge revenues from customers.

During third quarter 2006, truckload carriers transitioned a gradually increasing portion of their diesel fuel consumption from low sulfur diesel fuel to ULSD fuel, as fuel refiners were required to meet the EPA-mandated 80% ULSD threshold by the transition date of October 15, 2006. Preliminary estimates were that ULSD would result in a 1-3% degradation in mpg for all trucks, due to the lower energy content (btu) of ULSD. Based on the Company's fuel mpg experience to date, these preliminary mpg degradation estimates appear to be accurate.

Shortages of fuel, increases in fuel prices, or rationing of petroleum products can have a materially adverse effect on the operations and profitability of the Company. The Company is unable to predict whether fuel price levels will continue to increase or decrease in the future or the extent to which fuel surcharges will be collected from customers. As of December 31, 2006, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Insurance and claims for the truckload segment increased 0.7 cents on a per-mile basis, primarily related to higher negative development on existing liability insurance claims and an increase in larger claims. The Company renewed its liability insurance policies on August 1, 2006. See Item 3 "Legal Proceedings" for information on the Company's coverage levels for personal injury and property damage since August 1, 2003. The Company's liability insurance premiums for the policy year beginning August 1, 2006 were slightly higher than the previous policy year. The Company is unable to predict whether the trend of increasing insurance and claims expense will continue in the future.

Depreciation expense for the truckload segment increased 0.9 cents on a per-mile basis in 2006 due primarily to higher costs of new tractors with the post-October 2002 engines, the impact of fewer average miles per truck, and a higher percentage of company-owned trucks versus owner-operators. As of December 31, 2006, nearly 100% of the company-owned truck fleet consisted of trucks with the post-October 2002 engines, compared to 89% at December 31, 2005.

Rent and purchased transportation consists mainly of payments to third-party capacity providers in the VAS and other non-trucking operations and payments to owner-operators in the trucking operations. As shown in the VAS statistics table under the "Results of Operations" heading on page 18, rent and purchased transportation expense for the VAS segment increased in response to higher VAS revenues. These expenses generally vary depending on changes in the volume of services generated by the

segment. As a percentage of VAS revenues, VAS rent and purchased transportation expense increased to 90.5% in 2006 compared to

90.1% in 2005. Intermodal's gross profits and operating income were lower due to a softer freight market and the impact of higher fixed costs and repositioning costs. Several significant changes to the intermodal operating strategy have been implemented and are expected to help Intermodal achieve improved results in 2007 compared to 2006.

Rent and purchased transportation for the truckload segment increased 0.1 cents per total mile in 2006. Higher fuel prices necessitated higher reimbursements to owner-operators for fuel ($32.7 million in 2006 compared to $26.6 million in 2005), which resulted in an increase of 0.7 cents per total mile. The Company also increased the van and regional over-the-road owner-operators' settlement rate by two cents per mile effective May 1, 2006. These increases were offset by the decrease in the number of owner-operator trucks and the corresponding decrease in owner-operator miles. The Company's customer fuel surcharge programs do not differentiate between miles generated by Company-owned trucks and miles generated by owner-operator trucks; thus, the increase in owner-operator fuel reimbursements is included with Company fuel expenses in calculating the per-share impact of higher fuel costs on earnings. The Company continues to experience difficulty recruiting and retaining owner-operator drivers because of challenging operating conditions including inflationary cost increases that are the responsibility of the owner-operators. The Company has historically been able to add company-owned tractors and recruit additional company drivers to offset any decreases in owner-operators. If a shortage of owner-operators and company drivers were to occur and increases in per mile settlement rates became necessary to attract and retain owner-operators, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained. Payments to third-party capacity providers used for portions of shipments delivered to or from Mexico and by a few dedicated fleets in the truckload segment decreased by 0.1 cents per mile, partially offsetting the overall increase for the truckload segment.

Other operating expenses for the truckload segment decreased 0.5 cents per mile in 2006. Gains on sales of assets, primarily trucks and trailers, are reflected as a reduction of other operating expenses and are reported net of sales-related expenses, including costs to prepare the equipment for sale. Gains on sales of assets increased to $28.4 million in 2006 from $11.0 million in 2005. During 2006 the Company began selling its oldest van trailers that had reached the end of their depreciable life, which increased gains in 2006. The number of trucks sold in 2006 and the average gain per truck sold (before costs to prepare the equipment for sale) both decreased slightly in comparison to 2005. The Company spent less on repairs per truck sold in 2006 as compared to 2005, which also contributed to the improvement in gains on sale. The Company's wholly-owned used truck retail network, Fleet Truck Sales, is one of the largest class 8 truck sales entities in the United States, with 18 locations, and has been in operation since 1992. Fleet Truck Sales continues to be a resource for the Company to remarket its used trucks. The Company expects gains on sales will be lower in 2007 compared to 2006 due to fewer trucks available for sale by the Company. However, the Company expects to continue to realize gains on the sale of its fully depreciated trailers in 2007. Other operating expenses also include bad debt expense, which included an additional $7.2 million of bad debt expense recorded

in first quarter 2006 related to the bankruptcy of one of the Company's customers, APX Logistics, Inc., and professional service fees.

The Company recorded $1.2 million of interest expense in 2006 versus $0.7 million of interest expense in 2005. The Company had $100.0 million of debt outstanding at December 31, 2006, which was incurred in the second half of 2006 for the purchase of new trucks, and had $60.0 million of debt outstanding at December 31, 2005. The Company repaid the $60.0 million of debt in first quarter 2006. Interest income for the Company increased to $4.4 million in 2006 from $3.4 million in 2005 due to improved interest rates, partially offset by a declining cash balance throughout 2006.

The Company's effective income tax rate (income taxes expressed as a percentage of income before income taxes) was 41.1% for 2006 versus 41.0% for 2005, as described in Note 4 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

2005 Compared to 2004

Operating Revenues

Operating revenues increased 17.5% in 2005 compared to 2004. Excluding fuel surcharge revenues, trucking revenues increased 8.3% due primarily to a 5.4% increase in average revenues per total mile, excluding fuel surcharges, and a 3.4% increase in the average number of tractors in service, offset by a 0.6% decrease in average annual miles per tractor. Average revenues per total mile, excluding fuel surcharges, increased due to customer rate increases, and, to a lesser extent, a 2.6% decrease in the average loaded trip length. The truckload freight environment was solid during 2005 due to ongoing truck capacity constraints. In comparison to 2004, demand in the months of March to August 2005 was not as strong as the strong freight market of 2004, but freight demand for the remaining months of the year was comparable to the demand in the same periods of 2004.

The average percentage of empty miles increased to 12.2% in 2005 from 11.3% in 2004. The increase in the empty mile percentage was partially the result of a higher percentage of dedicated trucks in the fleet and a higher percentage of regional shipments with a shorter length of haul. Over the past few years, Werner has grown its dedicated fleets, arrangements in which the Company provides trucks and/or trailers for the exclusive use of a specific customer. Excluding the dedicated fleet, the average empty mile percentage would have been substantially lower for 2005 and 2004.

Fuel surcharge revenues increased to $235.7 million in 2005 from $114.1 million in 2004 in response to higher average fuel prices in 2005, which enabled the Company to recover a significant portion of the fuel price increases.

VAS revenues increased 35.7% to $218.6 million in 2005 from $161.1 million in 2004, and gross margin increased 38.4% for the

same period. Most of the revenue growth came from the Company's brokerage and intermodal divisions within VAS.

Operating Expenses

The Company's operating ratio was 91.7% in 2005 versus 91.6% in 2004. As explained on page 18, the significant increase in fuel expense and related fuel surcharge revenues had the effect of increasing the operating ratio. Because the Company's VAS business operates with a lower operating margin than the trucking business, the growth in VAS business in 2005 compared to 2004 also increased the Company's overall operating ratio. The tables on pages 17 and 18 show the operating ratios and operating margins for the Company's two reportable segments, Truckload Transportation Services and Value Added Services.

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The following table sets forth the cost per total mile of operating expense items for the truckload segment for the periods indicated. The Company evaluates operating costs for this segment on a per-mile basis to adjust for the impact on the percentage of total operating revenues caused by changes in fuel surcharge revenues and rate per mile increases, which provides a more consistent basis for comparing the results of operations from period to period.

	2005	2004	Increase (Decrease) per Mile
Salaries, wages and benefits	$.532	$.519	$.013
Fuel	.321	.211	.110
Supplies and maintenance	.143	.130	.013
Taxes and licenses	.112	.106	.006
Insurance and claims	.083	.075	.008
Depreciation	.149	.138	.011
Rent and purchased transportation	.149	.140	.009
Communications and utilities	.019	.018	.001
Other	(.008)	(.003)	(.005)

Owner-operator miles as a percentage of total miles were 12.5% in 2005 compared to 12.7% in 2004. Because the change in owner-operator miles as a percentage of total miles was only minimal, there was essentially no shift in costs from the rent and purchased transportation category to other expense categories. During 2005, attracting and retaining owner-operator drivers was very difficult due to high fuel prices and other factors.

Salaries, wages and benefits for non-drivers increased in 2005 compared to 2004 to support the growth in the VAS segment. The increase in salaries, wages and benefits per mile of 1.3 cents for the truckload segment is primarily the result of increased student driver pay, higher driver pay per mile, and an

increase in the number of maintenance employees. Because of the challenging driver recruiting and retention market, discussed below, the Company trained more student drivers as an alternative source of drivers. On August 1, 2004, the Company's previously announced two cent per mile pay raise became effective for company solo drivers in its medium-to-long-haul van division, representing approximately 25% of total company drivers. The Company recovered this pay raise through its customer rate increase negotiations, which occurred in third and fourth quarter 2004.

The driver recruiting and retention market remained extremely challenging during 2005. The supply of truck drivers continued to be constrained due to alternative jobs to truck driving and inadequate demographic growth for the industry's targeted driver base over the next several years. The Company continued to focus on driver quality of life issues such as developing more driving jobs with more frequent home time, providing drivers with newer trucks, and maximizing mileage productivity within the federal hours of service regulations. The Company also placed more emphasis on training drivers. Improved driver recruiting has offset higher driver turnover.

The Company instituted an optional per diem reimbursement program for eligible company drivers beginning in April 2004. This program increases a company driver's net pay per mile, after taxes. As a result of more drivers electing to participate in the per diem program, driver pay per mile was slightly lower before considering the factors above that increased driver pay per mile, and the Company's effective income tax rate was higher in 2005 compared to 2004. The program was designed to be cost-neutral, because the combined driver pay rate per mile and per diem reimbursement under the per diem program is about one cent per mile lower than mileage pay without per diem reimbursement, which offsets the Company's increased income taxes caused by the nondeductible portion of the per diem. The per diem program increases a company driver's net pay per mile, after taxes.

Fuel increased 11.0 cents per mile for the truckload segment due primarily to higher average diesel fuel prices. Average fuel prices in 2005 were 56 cents a gallon, or 47%, higher than in 2004. Higher fuel costs, after considering the amounts collected from customers through fuel surcharge programs and the cost impact of owner-operator fuel reimbursements and lower fuel mpg due to truck engine emissions changes, had a ten-cent negative impact on earnings per share in 2005 compared to 2004. As of

December 31, 2005, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Supplies and maintenance for the truckload segment increased 1.3 cents on a per-mile basis in 2005 due primarily to increases in repair expenses for an increased number of trucks sold by the Company's Fleet Truck Sales subsidiary and higher costs to maintain the Company's trailer fleet. Higher driver recruiting costs (including driver advertising, transportation and lodging) and higher toll expense related to state toll rate increases also contributed to a smaller portion of the increase.

Taxes and licenses for the truckload segment increased 0.6 cents per total mile due primarily to the effect of the fuel mpg degradation for company-owned trucks with post-October 2002 engines on the per-mile cost of federal and state diesel fuel taxes, as well as increases in some state tax rates.

Insurance and claims for the truckload segment increased 0.8 cents on a per-mile basis, primarily related to higher negative development on existing liability insurance claims. Cargo claims expense was essentially flat on a per-mile basis compared to 2004. The Company renewed its liability insurance policies on August 1, 2005. See Item 3 "Legal Proceedings" for information on the Company's coverage levels for personal injury and property damage since August 1, 2003. Liability insurance premiums for the policy year beginning August 1, 2005 were approximately the same as the previous policy year.

Depreciation expense for the truckload segment increased 1.1 cents on a per-mile basis in 2005 due primarily to higher costs of new tractors with the post-October 2002 engines. As of December 31, 2005, approximately 89% of the company-owned truck fleet consisted of trucks with the post-October 2002 engines, compared to 47% at December 31, 2004.

Rent and purchased transportation consists mainly of payments to third-party capacity providers in the VAS and other non-trucking operations and payments to owner-operators in the trucking operations. As shown in the VAS statistics table under the "Results of Operations" heading on page 18, rent and purchased transportation expense for the VAS segment increased in response to higher VAS revenues. As a percentage of VAS revenues, VAS rent and purchased transportation expense decreased to 90.1% in 2005 compared to 90.3% in 2004, resulting in a higher gross margin in 2005. As the truck capacity market tightened during 2005, it became more difficult to find qualified truckload capacity to meet VAS customer freight needs, especially in the latter part of the year. However, the Company's marketing efforts continued to successfully expand its VAS qualified carrier base in a constrained capacity market, ending the year with 3,600 qualified broker carriers. During fourth quarter 2005, VAS expanded its small, but growing, intermodal presence by agreeing to manage a fleet of Union Pacific-owned containers for intermodal freight shipments. The Company pays a daily fee per container to Union Pacific ("UP") for any days that the containers are not in transit in the UP network. As of December 2005, VAS Intermodal managed 400 UP containers.

Rent and purchased transportation for the truckload segment increased 0.9 cents per total mile in 2005. Higher fuel prices necessitated higher reimbursements to owner-operators for fuel, which resulted in an increase of 1.1 cents per total mile. The Company has experienced difficulty recruiting and retaining owner-operators for over three years because of challenging operating conditions. This resulted in a reduction in the number of owner-operator tractors to 830 as of December 31, 2005 from 925 as of December 31, 2004. Payments to third-party capacity providers used for portions of shipments delivered to or from Mexico and by a few dedicated fleets in the truckload segment decreased by 0.2 cents per mile, partially offsetting the overall increase for the truckload segment.

Other operating expenses for the truckload segment decreased

0.5 cents per mile in 2005. Gains on sales of assets, primarily trucks, increased to $11.0 million in 2005 from $9.3 million in 2004, due to increased unit sales, partially offset by an increased ratio of traded trucks to sold trucks. Other operating expenses also include bad debt expense and professional service fees. The remaining decrease in other operating expenses in 2005 was due primarily to a reduction in computer consulting fees as

consultants were hired by the Company, resulting in a reduction in other operating expense, but an increase in salaries, wages and benefits expense.

The Company recorded $0.7 million of interest expense in 2005 versus virtually no interest expense in 2004. The Company incurred debt of $60.0 million during the fourth quarter of 2005 and had no debt outstanding throughout 2004. Interest income for the Company increased to $3.4 million in 2005 from $2.6 million in 2004 due to improved interest rates, partially offset by a declining cash balance throughout 2005.

The Company's effective income tax rate increased to 41.0% in 2005 from 39.2% in 2004, as described in Note 4 of the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K. The income tax rate increased in 2005 because of higher non-deductible expenses for tax purposes related to the implementation of a per diem pay program for student drivers in fourth quarter 2003 and a per diem pay program for eligible company drivers in April 2004.

Liquidity and Capital Resources

During the year ended December 31, 2006, the Company generated cash flow from operations of $284.1 million, a 64.7% increase ($111.6 million), in cash flow compared to the year ended December 31, 2005. The increase in cash flow from operations is due primarily to lower income tax payments during 2006, higher payables for revenue equipment of $17.1 million, and improved collections of accounts receivable. In addition, the Company wrote off a $7.2 million receivable related to the APX Logistics, Inc. bankruptcy during 2006, resulting in a decrease in net accounts receivable. Income taxes paid during 2006 totaled $68.9 million compared to $99.2 million in 2005 and $42.9 million in 2004. The higher tax payments in 2005 were related to tax law changes that resulted in the reversal of certain tax strategies implemented in 2001 and the effect of lower income tax depreciation in 2005 due to the bonus tax depreciation provision that expired on December 31, 2004. The Company made federal income tax payments of $22.5 million related to the reversal of the tax strategies in second quarter 2005. Cash flow from operations decreased $54.1 million in 2005 compared to 2004, or 23.9%, due to the larger federal income tax payments in 2005 and an increase in days sales in accounts receivable, offset by higher depreciation expense for financial reporting purposes related to the higher cost of the post-October 2002 engines and higher net income. The cash flow from operations and existing cash balances, supplemented by net borrowings under its existing credit facilities, enabled the Company to make net capital expenditures, repurchase stock, and pay dividends as discussed below.

Net cash used in investing activities decreased 19.7% ($58.0 million) to $236.2 million in 2006 from $294.3 million in 2005. Net property additions, primarily revenue equipment, were $241.8 million for the year ended December 31, 2006 versus $299.2 million during the same period of 2005. The decrease was due primarily to the Company purchasing more tractors in 2005 as it began to reduce the average age of its truck fleet and purchasing fewer tractors and selling more trailers in 2006. The $100.8 million, or 52.1%, increase in investing cash flows from 2004 to 2005 was also due to the larger number of tractors purchased. The average age of the Company's truck fleet is 1.34 years at December 31, 2006. The Company brought down the age of its truck fleet to delay the cost impact of the federally-mandated engine emission standards that became effective in January 2007. The Company's net capital expenditures are expected to be much lower in 2007, or between $50 million and $100 million. The Company intends to fund these net capital expenditures through cash flow from operations and financing available under the Company's existing credit facilities, as management deems necessary. As of December 31, 2006, the Company has committed to property and equipment purchases of approximately $57.1 million.

Net financing activities used $52.8 million, provided $48.9 million, and used $25.7 million in 2006, 2005, and 2004, respectively. The change from 2005 to 2006 included repayment in the first quarter of 2006 of the $60.0 million of debt incurred during fourth quarter 2005, followed by borrowings of $100.0 million in the latter part of 2006 to fund a portion of the Company's net capital expenditures. Through the date of this report, the Company has repaid $10.0 million of the total $100.0

million of debt outstanding at December 31, 2006. The Company paid dividends of $13.3 million in 2006, $11.9 million in 2005, and $9.5 million in 2004. The Company increased its quarterly dividend rate by $.005 per share beginning with the dividend paid in July 2006 and the dividend paid in July 2005. Financing activities also included common stock repurchases of $85.1 million in 2006, $1.6 million in 2005, and $21.6 million in 2004. 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. On April 14, 2006, the Company's Board of Directors approved its current authorization for common stock repurchases of 6,000,000 shares. As of December 31, 2006, the Company had purchased 791,200 shares pursuant to this authorization and had 5,208,800 shares remaining available for repurchase.

Management believes the Company's financial position at December 31, 2006 is strong. As of December 31, 2006, the Company had $31.6 million of cash and cash equivalents and $870.4 million of stockholders' equity. As of December 31, 2006, the Company had $275.0 million of credit pursuant to credit facilities, of which it had borrowed $100.0 million. The remaining $175.0 million of credit available under these facilities is further reduced by the $39.2 million in letters of credit the Company maintains. These letters of credit are primarily required as security for insurance policies. As of December 31, 2006, the Company had no non-cancelable revenue

equipment operating leases, and therefore, had no off-balance sheet revenue 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 tables set forth the Company's contractual obligations and commercial commitments as of December 31, 2006.

Payments Due by Period
(in millions)

	Total	Less than 1 year	1-3 years	4-5 years	Over 5 years
Contractual Obligations					
Long-term debt, including current maturities	$ 100.0	$ -	$ 50.0	$ 50.0	$ -
Equipment purchase commitments	57.1	57.1	-	-	-
Total contractual cash obligations	$ 157.1	$ 57.1	$ 50.0	$ 50.0	$ -
Other Financing Commitments					
Unused lines of credit	$ 135.8	$ 50.0	$ -	$ 85.8	$ -
Standby letters of credit	39.2	39.2	-	-	-
Total financing commitments	$ 175.0	$ 89.2	$ -	$ 85.8	$ -
Total obligations	$ 332.1	$ 146.3	$ 50.0	$ 135.8	$ -

The Company has committed credit facilities with two banks totaling $275.0 million, of which it had borrowed $100.0 million. These credit facilities bear variable interest (5.8% at December 31, 2006) based on the London Interbank Offered Rate ("LIBOR"). The credit available under these facilities is further 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 equipment purchase commitments relate to committed equipment expenditures.

Off-Balance Sheet Arrangements

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

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 most significant resource requirements are 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 a significant portion of its personal injury, property damage, and cargo claims and for workers' compensation benefits for its employees (supplemented by premium-based coverage above certain dollar levels), financial results may also be affected by driver safety, medical costs, weather, the legal and regulatory environment, and the costs of insurance coverage to protect against catastrophic losses.

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

* Selections of estimated useful lives and salvage values for purposes of depreciating tractors and trailers. Depreciable lives of tractors and trailers range from 5 to 12 years. Estimates of salvage value at the expected date of trade-in or sale (for example, three years for tractors) are based on the expected market values of equipment at the time of disposal. Although the Company's normal replacement cycle for tractors is three years, the Company calculates depreciation expense for financial reporting purposes using a five-year life and 25% salvage value. Depreciation expense calculated in this manner continues at the same straight-line rate, which approximates the continuing declining market value of the tractors, in those instances in which a tractor is held beyond the normal three-year age. Calculating depreciation expense using a five-year life and 25% salvage value results in the same annual depreciation rate (15% of cost per year) and the same net book value at the normal three-year replacement date (55% of cost) as using a three-year life and 55% salvage value. The Company continually monitors the adequacy of the lives and salvage values used in calculating depreciation expense and adjusts these assumptions appropriately when warranted.
* Impairment of 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. The Company does not separately identify assets by operating segment, as tractors and trailers are routinely transferred from one operating fleet to another. As a result, none of the Company's long-lived assets have identifiable cash flows from use that are largely independent of the cash flows of other assets and liabilities. Thus, the asset group used to assess impairment would include all assets of the Company. Long-lived assets classified as held for sale are reported at the lower of their carrying amount or fair value less costs to sell.

* Estimates of accrued liabilities for insurance and claims for liability and physical damage losses and workers' compensation. The insurance and claims accruals (current and long-term) are recorded at the estimated ultimate payment amounts and are based upon individual case estimates, including negative development, and estimates

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of incurred-but-not-reported losses based upon past experience. The Company's self-insurance reserves are reviewed by an actuary every six months.

* Policies for revenue recognition. Operating revenues (including fuel surcharge revenues) and related direct costs are recorded when the shipment is delivered. For shipments where a third-party capacity provider (including owner-operator drivers under contract with the Company) is utilized to provide some or all of the service and the Company is the primary obligor in regards to the delivery of the shipment, establishes customer pricing separately from carrier rate negotiations, generally has discretion in carrier selection, and/or has credit risk on the shipment, the Company records both revenues for the dollar value of services billed by the Company to the customer and rent and purchased transportation expense for the costs of transportation paid by the Company to the third-party provider upon delivery of the shipment. In the absence of the conditions listed above, the Company records revenues net of expenses related to third-party providers.
* Accounting for income taxes. Significant management judgment is required to determine the provision for income taxes and to determine whether deferred income taxes will be realized in full or in part. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. A valuation allowance for deferred income tax assets has not been deemed to be necessary due to the Company's profitable operations. Accordingly, if the facts or financial circumstances were to change, thereby impacting the likelihood of realizing the deferred income tax assets, judgment would need to be

applied to determine the amount of valuation allowance required in any given period.

Management periodically 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.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

The Company had $100.0 million of variable rate debt outstanding at December 31, 2006. The interest rates on the variable rate debt are based on the LIBOR. Assuming this level of borrowings, a hypothetical one-percentage point increase in the LIBOR interest rate would increase the Company's annual interest expense by $1,000,000. As of December 31, 2006, the Company has no derivative financial instruments to reduce its exposure to interest rate increases.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, refining capacity, seasonality, weather, and other market factors. Historically, the Company has been able to recover a significant portion of fuel price increases from customers in the form of fuel surcharges. The Company has implemented customer fuel surcharge programs with most of its revenue base to offset much of the higher fuel cost per gallon. The Company cannot predict the extent to which higher fuel price levels will continue in the future or the extent to which fuel surcharges could be collected to offset such increases. As of December 31, 2006, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

Foreign Currency Exchange Rate Risk

The Company conducts business in Mexico and Canada and is beginning operations in Asia. Foreign currency transaction gains and losses were not material to the Company's results of operations for 2006 and prior years. To date, virtually all foreign revenues are denominated in U.S. dollars, and the Company receives payment for foreign freight services primarily in U.S. dollars to reduce direct foreign currency risk. Accordingly, the

Company is not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on the Company's future costs or on future cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Werner Enterprises, Inc.:

We have audited the accompanying consolidated balance sheets of Werner Enterprises, Inc. and subsidiaries as of December 31, 2006 and 2005, 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, 2006. 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, 2006, 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Werner Enterprises, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 8, 2007 expressed an unqualified opinion on management's assessment of,

and the effective operation of, internal control over financial reporting.

KPMG LLP

Omaha, Nebraska
February 8, 2007

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

	Years Ended December 31,		
	2006	2005	2004
Operating revenues	$2,080,555	$1,971,847	$1,678,043
Operating expenses:			
Salaries, wages and benefits	594,783	574,893	544,424
Fuel	388,710	340,622	218,095
Supplies and maintenance	155,304	154,719	138,999
Taxes and licenses	117,570	118,853	109,720
Insurance and claims	92,580	88,595	76,991
Depreciation	167,516	162,462	144,535
Rent and purchased transportation	395,660	354,335	289,186
Communications and utilities	19,651	20,468	18,919
Other	(15,720)	(7,711)	(4,154)
Total operating expenses	1,916,054	1,807,236	1,536,715
Operating income	164,501	164,611	141,328
Other expense (income):			
Interest expense	1,196	672	13
Interest income	(4,407)	(3,381)	(2,580)
Other	319	261	198
Total other income	(2,892)	(2,448)	(2,369)
Income before income taxes	167,393	167,059	143,697
Income taxes	68,750	68,525	56,387
Net income	$98,643	$98,534	$87,310
Earnings per share:			
Basic	$1.27	$1.24	$1.10
Diluted	$1.25	$1.22	$1.08

Weighted-average common shares outstanding:			
Basic	77,653	79,393	79,224
Diluted	79,101	80,701	80,868

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

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WERNER ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31,	
ASSETS	2006	2005
Current assets:		
Cash and cash equivalents	$ 31,613	$ 36,583
Accounts receivable, trade, less allowance of $9,417 and $8,357, respectively	232,794	240,224
Other receivables	17,933	19,914
Inventories and supplies	10,850	10,951
Prepaid taxes, licenses, and permits	18,457	18,054
Current deferred income taxes	25,251	20,940
Other current assets	24,143	20,966
Total current assets	361,041	367,632
Property and equipment, at cost:		
Land	26,945	26,279
Buildings and improvements	118,910	110,275
Revenue equipment	1,372,768	1,262,112
Service equipment and other	168,597	157,098
Total property and equipment	1,687,220	1,555,764
Less - accumulated depreciation	590,880	553,157
Property and equipment, net	1,096,340	1,002,607
Other non-current assets	20,792	15,523
	$1,478,173	$1,385,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 75,821	$ 52,387
Current portion of long-term debt	-	60,000
Insurance and claims accruals	73,782	62,418
Accrued payroll	21,344	21,274

Other current liabilities	19,963	21,838
Total current liabilities	190,910	217,917
Long-term debt, net of current portion	100,000	-
Other long-term liabilities	999	526
Deferred income taxes	216,413	209,868
Insurance and claims accruals, net of current portion	99,500	95,000
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, 200,000,000 shares authorized; 80,533,536 shares issued; 75,339,297 and 79,420,443 shares outstanding, respectively	805	805
Paid-in capital	105,193	105,074
Retained earnings	862,403	777,260
Accumulated other comprehensive loss	(207)	(259)
Treasury stock, at cost; 5,194,239 and 1,113,093 shares, respectively	(97,843)	(20,429)
Total stockholders' equity	870,351	862,451
	$1,478,173	$1,385,762

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

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

	Years Ended December 31,		
	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 98,643	$ 98,534	$ 87,310
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	167,516	162,462	144,535
Deferred income taxes	2,234	(37,380)	12,517
Gain on disposal of operating equipment	(28,393)	(11,026)	(9,735)
Stock based compensation	2,258	-	-
Tax benefit from exercise of stock options	-	1,617	3,225
Other long-term assets	(1,878)	(795)	408
Insurance and claims accruals, net of current portion	4,500	11,000	13,000
Other long-term liabilities	473	225	-

Changes in certain working capital items:			
Accounts receivable, net	7,430	(53,453)	(34,310)
Prepaid expenses and other current assets	(1,498)	(14,207)	(4,261)
Accounts payable	23,434	2,769	8,715
Accrued and other current liabilities	9,346	12,746	5,178
Net cash provided by operating activities	284,065	172,492	226,582
Cash flows from investing activities:			
Additions to property and equipment	(400,548)	(414,112)	(294,288)
Retirements of property and equipment	158,727	114,903	98,098
Decrease in notes receivable	5,574	4,957	2,703
Net cash used in investing activities	(236,247)	(294,252)	(193,487)
Cash flows from financing activities:			
Proceeds from issuance of short-term debt	-	60,000	-
Proceeds from issuance of long-term debt	100,000	-	-
Repayments of short-term debt	(60,000)	-	-
Dividends on common stock	(13,287)	(11,904)	(9,506)
Repurchases of common stock	(85,132)	(1,573)	(21,591)
Stock options exercised	3,377	2,411	5,424
Excess tax benefits from exercise of stock options	2,202	-	-
Net cash provided by (used in) financing activities	(52,840)	48,934	(25,673)
Effect of exchange rate fluctuations on cash	52	602	(24)
Net increase (decrease) in cash and cash equivalents	(4,970)	(72,224)	7,398
Cash and cash equivalents, beginning of year	36,583	108,807	101,409
Cash and cash equivalents, end of year	$ 31,613	$ 36,583	$ 108,807
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest	$ 566	$ 561	$ 13
Income taxes	68,941	99,170	42,850
Supplemental disclosures of non-cash investing activities:			
Notes receivable issued upon sale of revenue equipment	$ 8,965	$ 8,164	$ 4,079

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 Income (Loss)	Treasury Stock	Total Stockholde Equity
BALANCE, December 31, 2003	$805	$108,706	$614,011	$(837)	$(13,574)	$709,111
Purchases of 1,173,200 shares of common stock	-	-	-	-	(21,591)	(21,591
Dividends on common stock ($.130 per share)	-	-	(10,286)	-	-	(10,286
Exercise of stock options, 656,676 shares, including tax benefits	-	(2,011)	-	-	10,660	8,649
Comprehensive income (loss):						
Net income	-	-	87,310	-	-	87,310
Foreign currency translation adjustments	-	-	-	(24)	-	(24
Total comprehensive income (loss)	-	-	87,310	(24)	-	87,286
BALANCE, December 31, 2004	805	106,695	691,035	(861)	(24,505)	773,169
Purchases of 88,000 shares of common stock	-	-	-	-	(1,573)	(1,573
Dividends on common stock ($.155 per share)	-	-	(12,309)	-	-	(12,309
Exercise of stock options, 310,696 shares, including tax benefits	-	(1,621)	-	-	5,649	4,028
Comprehensive income (loss):						
Net income	-	-	98,534	-	-	98,534
Foreign currency translation adjustments	-	-	-	602	-	602
Total comprehensive income (loss)	-	-	98,534	602	-	99,136
BALANCE, December 31, 2005	805	105,074	777,260	(259)	(20,429)	862,451
Purchases of 4,500,000 shares of common stock	-	-	-	-	(85,132)	(85,132
Dividends on common stock ($.175 per share)	-	-	(13,500)	-	-	(13,500
Exercise of stock options, 418,854 shares, including excess tax benefits	-	(2,139)	-	-	7,718	5,579

Stock-based compensation expense	-	2,258	-	-	-	2,258
Comprehensive income (loss):						
Net income	-	-	98,643	-	-	98,643
Foreign currency translation adjustments	-	-	-	52	-	52
Total comprehensive income (loss)	-	-	98,643	52	-	98,695
BALANCE, December 31, 2006	$805	$105,193	$862,403	$(207)	$(97,843)	$870,351

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

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WERNER ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Werner Enterprises, Inc. (the "Company") is a truckload transportation and logistics company operating under the jurisdiction of the U.S. Department of Transportation, the Federal and Provincial Transportation Departments in Canada, the Secretary of Communication and Transportation in Mexico, and various state regulatory commissions. The Company maintains a diversified freight base and is not dependent on a specific industry for a majority of its freight, which limits concentrations of credit risk. One customer generated approximately 11%, 10%, and 9% of total revenues for 2006, 2005, and 2004, respectively.

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.

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 evaluates the adequacy of its allowance for doubtful accounts quarterly. Past due balances over 90 days and exceeding 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. Gains and losses on the sale or exchange of equipment are recorded in other operating expenses. Prior to July 1, 2005, if equipment was traded rather than sold and cash involved in the exchange was less than 25% of the fair value of the exchange, the cost of new equipment was 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	$1,000
Service and other equipment	3-10 years	0%

Although the Company's normal replacement cycle for tractors is three years, the Company calculates depreciation expense for financial reporting purposes using a five-year life and 25% salvage value. Depreciation expense calculated in this manner continues at the same straight-line rate, which approximates the continuing declining value of the tractors, in those instances in which a tractor is held beyond the normal three-year age. Calculating depreciation expense using a five-year life and 25% salvage value results in the same annual depreciation rate (15% of cost per year) and the same net book value at the normal three-year replacement date (55% of cost) as using a three-year life and 55% salvage value. As a result, there is no difference in recorded depreciation expense on a quarterly or annual basis with the Company's five-year life, 25% salvage value as compared to a three-year life, 55% salvage value.

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. The Company does not separately identify assets by operating segment, as tractors and trailers are routinely transferred from one operating fleet to another. As a result, none of the Company's long-lived assets have identifiable cash flows from use that are largely independent of the cash flows of other assets and liabilities. Thus, the asset group used to assess impairment would include all assets of the Company. Long-lived assets classified as held for sale are reported at the lower of their carrying amount or fair value less costs to sell.

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. Actual costs related to insurance and claims have

not differed materially from estimated accrued amounts for all years presented. The Company's insurance and claims accruals are

reviewed by an actuary every six months.

The Company had 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. For the policy year beginning August 1, 2004, the Company increased its self-insured retention ("SIR") amount to $2.0 million per occurrence. The Company is also responsible for varying annual aggregate amounts of liability for claims in excess of the self-insured retention. The following table reflects the self-insured retention levels and aggregate amounts of liability for personal injury and property damage claims since August 1, 2003:

Coverage Period	Primary Coverage	Primary Coverage SIR/deductible
August 1, 2003 - July 31, 2004	$3.0 million	$0.5 million (1)
August 1, 2004 - July 31, 2005	$5.0 million	$2.0 million (2)
August 1, 2005 - July 31, 2006	$5.0 million	$2.0 million (3)
August 1, 2006 - July 31, 2007	$5.0 million	$2.0 million (3)

(1) Subject to an additional $1.5 million aggregate in the $0.5 to $1.0 million layer, a $1.0 million aggregate in the $1.0 to $2.0 million layer, no aggregate (i.e., fully insured) in the $2.0 to $3.0 million layer, a $6.0 million aggregate in the $3.0 to $5.0 million layer, and a $5.0 million aggregate in the $5.0 to $10.0 million layer.

(2) Subject to an additional $3.0 million aggregate in the $2.0 to $3.0 million layer, no aggregate (i.e., fully insured) in the $3.0 to $5.0 million layer, and a $5.0 million aggregate in the $5.0 to $10.0 million layer.

(3) Subject to an additional $2.0 million aggregate in the $2.0 to $3.0 million layer, no aggregate (i.e., fully insured) in the $3.0 to $5.0 million layer, and a $5.0 million aggregate in the $5.0 to $10.0 million layer.

The Company's primary insurance covers the range of liability where the Company expects most claims to occur. Liability claims substantially in excess of coverage amounts listed in the table above, if they occur, are covered under premium-based policies with reputable insurance companies to coverage levels that management considers adequate. The Company is also responsible for administrative expenses for each occurrence involving personal injury or property damage.

The Company has assumed responsibility for workers' compensation up to $1.0 million per claim, subject to an additional $1.0 million aggregate for claims between $1.0 million and $2.0 million, maintains a $25.7 million bond, and has obtained insurance for individual claims above $1.0 million.

Under these insurance arrangements, the Company maintains $39.2 million in letters of credit as of December 31, 2006.

Revenue Recognition

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

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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. Virtually all foreign revenues are denominated in U.S. dollars. 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, 2006, 2005, and 2004. 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, Accounting for Income Taxes, 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. Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. The difference between basic and diluted earnings per share for all periods presented is due to the common stock equivalents that are assumed to be issued upon the exercise of

stock options. There are no differences in the numerator of the Company's computations of basic and diluted EPS for any period presented. The computation of basic and diluted earnings per share is shown below (in thousands, except per share amounts).

	Years Ended December 31,		
	2006	2005	2004
Net income	$ 98,643	$ 98,534	$ 87,310
Weighted-average common shares outstanding	77,653	79,393	79,224
Common stock equivalents	1,448	1,308	1,644
Shares used in computing diluted earnings per share	79,101	80,701	80,868
Basic earnings per share	$ 1.27	$ 1.24	$ 1.10
Diluted earnings per share	$ 1.25	$ 1.22	$ 1.08

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

	Years Ended December 31,		
	2006	2005	2004
Number of shares under option	24,500	19,500	-
Option purchase price	$19.84-20.36	$ 19.84	-

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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, 2006,

2005, and 2004, comprehensive income consists of net income and foreign currency translation adjustments.

Accounting Standards

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-Based Payment ("No. 123R"), using a modified version of the prospective transition method. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 (as originally issued) for either recognition or pro forma disclosures. Stock-based employee compensation expense for the year ended December 31, 2006 was $2.3 million, and is included in salaries, wages and benefits within the consolidated statements of income. There was no cumulative effect of initially adopting SFAS No. 123R.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. This Statement replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of all voluntary changes in accounting principle and changes required by an accounting pronouncement when the pronouncement does not include specific transition provisions. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to do so. The provisions of SFAS No. 154 are effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Upon adoption, SFAS No. 154 had no effect on the financial position, results of operations, and cash flows of the Company, but will affect future changes in accounting principles.

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-An Amendment of FASB Statements No. 133 and 140. This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and eliminates the exemption from applying Statement 133 to interests in securitized financial assets so that similar items are accounted for in the same way. The provisions of SFAS No. 155 are effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. As of December 31, 2006, management believes that SFAS No. 155 will have no effect on the financial position, results of operations, and cash flows of the Company.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets-An Amendment of FASB Statement No. 140. This Statement amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. The provisions of SFAS No. 156 are effective as of the beginning of the first fiscal year that begins after September 15, 2006. As of December 31, 2006, management believes that SFAS No. 156 will have no

effect on the financial position, results of operations, and cash flows of the Company.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109. This interpretation prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, this interpretation provides guidance on the derecognition, classification, accounting in interim periods, and disclosure requirements for uncertain tax positions. The provisions of FIN 48 are effective on January 1, 2007. As of December 31, 2006,

management believes that FIN 48 will not have a material effect on the financial position, results of operations, and cash flows of the Company.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of the first fiscal year that begins after November 15, 2007. As of December 31, 2006, management believes that SFAS No. 157 will have no effect on the financial position, results of operations, and cash flows of the Company.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an amendment of FASB Statements No. 87, 88, 106, and 132(R). This Statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. This Statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective as of the end of the fiscal year ending after December 15, 2006. Upon adoption, SFAS No. 158 had no effect on the financial position, results of operations, and cash flows of the Company.

In September 2006, the Securities and Exchange Commission published Staff Accounting Bulletin ("SAB") No. 108 (Topic 1N), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. SAB No. 108 requires registrants to quantify misstatements using both the balance-sheet and income-statement approaches, with adjustment required if either method results in a material error. The provisions of SAB No. 108 are effective for annual financial statements for the first fiscal year ending after November 15, 2006. Upon adoption, SAB No. 108 had no effect on the financial position, results of operations, and cash flows of the Company.

(2) LONG-TERM DEBT

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

	2006	2005
Notes payable to banks under committed credit facilities	$100,000	$ 60,000
	100,000	60,000
Less current portion	-	60,000
Long-term debt, net	$100,000	$ -

The notes payable to banks under committed credit facilities bear variable interest (5.8% at December 31, 2006) based on the London Interbank Offered Rate ("LIBOR"), and these credit facilities mature at various dates from May 2008 to May 2011. During 2007, the Company repaid $10.0 million on these notes. As of December 31, 2006, the Company has an additional $175.0 million of available credit under these credit facilities with banks, which is further reduced by $39.2 million in letters of credit the Company maintains. Each of the debt agreements require, among other things, that the Company not exceed a maximum ratio of total debt to total capitalization and not exceed a maximum ratio of total funded debt to earnings before interest, income taxes, depreciation, amortization and rentals payable as defined in the credit facility. The Company was in compliance with these covenants at December 31, 2006.

The aggregate future maturities of long-term debt by year consist of the following at December 31, 2006 (in thousands):

Year	Amount
2007	$ -
2008	50,000
2009	-
2010	-
2011	50,000
	$100,000

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

(3) 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):

	2006	2005
Owner-operator notes receivable	$ 13,298	$ 9,627
TDR Transportes, S.A. de C.V.	3,600	3,600
Other notes receivable	4,786	3,746
	21,684	16,973
Less current portion	5,283	3,962
Notes receivable - non-current	$ 16,401	$ 13,011

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, 2006 and 2005, the Company had 315 and 246 notes receivable totaling $13,298 and $9,627 (in thousands), respectively, from these owner-operators. See Note 7 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. The Company also retains recourse exposure related to owner-operators who have purchased tractors from the Company with third-party financing arranged by the Company.

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. The Company had a receivable for interest on this note of $31 (in thousands) as of December 31, 2006 and 2005. See Note 7 for information regarding related party transactions.

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(4) INCOME TAXES

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

	2006	2005	2004

Current:			
Federal	$ 59,021	$ 93,715	$ 38,206
State	7,495	12,190	5,664
	66,516	105,905	43,870
Deferred:			
Federal	1,149	(32,910)	12,336
State	1,085	(4,470)	181
	2,234	(37,380)	12,517
Total income tax expense	$ 68,750	$ 68,525	$ 56,387

The effective income tax rate differs from the federal corporate tax rate of 35% in 2006, 2005 and 2004 as follows (in thousands):

	2006	2005	2004
Tax at statutory rate	$ 58,588	$ 58,471	$ 50,294
State income taxes, net of federal tax benefits	5,577	5,018	3,800
Non-deductible meals and entertainment	4,329	4,340	2,670
Income tax credits	(740)	(895)	(900)
Other, net	996	1,591	523
	$ 68,750	$ 68,525	$ 56,387

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

	2006	2005
Deferred tax assets:		
Insurance and claims accruals	$ 67,432	$ 59,870
Allowance for uncollectible accounts	4,517	4,216
Other	4,041	4,588
Gross deferred tax assets	75,990	68,674
Deferred tax liabilities:		
Property and equipment	253,192	244,128
Prepaid expenses	8,241	7,915
Other	5,719	5,559
Gross deferred tax liabilities	267,152	257,602

Net deferred tax liability	$191,162	$188,928

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

	2006	2005
Current deferred tax asset	$ 25,251	$ 20,940
Noncurrent deferred tax liability	216,413	209,868
Net deferred tax liability	$191,162	$188,928

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

(5) 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 20,000,000 shares. The maximum aggregate number of options that may be granted to any one person under the Stock Option Plan is 2,562,500 options. At December 31, 2006, 8,890,551 shares were available for granting additional options.

Effective January 1, 2006, the Company adopted SFAS No. 123R using a modified version of the prospective transition method. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 (as originally issued) for either recognition or pro forma disclosures. Stock-based employee compensation expense for the year 2006 was $2.3 million and is

included in salaries, wages and benefits within the consolidated statements of income. The total income tax benefit recognized in the income statement for stock-based compensation arrangements was $0.9 million in 2006. There was no cumulative effect of initially adopting SFAS No. 123R.

The Company granted 5,000, 415,500, and 787,000 stock options during the years ended December 31, 2006, 2005, and 2004, respectively. The fair value of stock options granted was estimated using a Black-Scholes valuation model with the following weighted-average assumptions:

	Years Ended December 31,		
	2006	2005	2004
Risk-free interest rate	4.7%	4.1%	4.0%
Expected dividend yield	0.88%	0.94%	0.66%
Expected volatility	36%	36%	37%
Expected term (in years)	4.9	4.8	6.5

The risk-free interest rate assumptions were based on average 5-year and 10-year U.S. Treasury note yields. The expected volatility was based on historical daily price changes of the Company's stock since June 2001 for the options granted in 2006 and on historical monthly price changes of the Company's stock since January 1990 for the options granted in 2005 and 2004. The expected term was the average number of years that the Company estimated these options will be outstanding. The Company considered groups of employees that have similar historical exercise behavior separately for valuation purposes.

The following table summarizes Stock Option Plan activity for the year ended December 31, 2006:

	Number of Options (in 000's)	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in 000's)
Outstanding at beginning of period	5,029	$ 10.83		
Options granted	5	$ 20.36		
Options exercised	(419)	$ 8.06		
Options forfeited	(49)	$ 17.48		
Options expired	(1)	$ 7.35		
Outstanding at end of period	4,565	$ 11.03	4.88	$ 30,144

Exercisable at end of period	3,362	$ 9.23	4.02	$ 27,899

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2006, 2005, and 2004 was $7.37, $5.86 and $7.60 per share, respectively. The total intrinsic value of share options exercised during the years ended December 31, 2006, 2005, and 2004 was $5.4 million, $3.9 million, and $8.2 million, respectively. As of December 31, 2006, the total unrecognized compensation cost related to nonvested stock option awards was approximately $2.6 million and is expected to be recognized over a weighted average period of 1.3 years.

In periods prior to January 1, 2006, the Company applied 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 was 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 (in thousands, except per share amounts) would have been as indicated below had the estimated fair value of all option grants on their grant date been charged to salaries, wages and benefits expense in accordance with SFAS No. 123, Accounting for Stock-Based Compensation.

	Years Ended December 31,	
	2005	2004
Net income, as reported	$ 98,534	$ 87,310
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,758	2,006
Net income, pro forma	$ 96,776	$ 85,304
Earnings per share:		
Basic - as reported	$ 1.24	$ 1.10
Basic - pro forma	$ 1.22	$ 1.08
Diluted - as reported	$ 1.22	$ 1.08
Diluted - pro forma	$ 1.20	$ 1.05

Although the Company does not a have a formal policy for issuing shares upon exercise of stock options, such shares are generally issued from treasury stock. From time to time, the Company has repurchased shares of its common stock, the timing

and amount of which depends on market and other factors. Historically, the shares acquired under these regular repurchase programs have provided sufficient quantities of stock for issuance upon exercise of stock options. Based on current treasury stock levels, the Company does not expect the need to repurchase additional shares specifically for stock option exercises during 2007.

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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 $170, $119, and $108 for 2006, 2005, and 2004, 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 $2,270, $2,268, and $2,043 for 2006, 2005, and 2004, respectively.

Nonqualified Deferred Compensation Plan

The Company has a nonqualified deferred compensation plan for the benefit of eligible key managerial employees whose 401(k) plan contributions are limited due to IRS regulations affecting highly compensated employees. Under the terms of the plan, participants may elect to defer compensation on a pre-tax basis within annual dollar limits established by the Company. The current annual limit is established such that a participant's combined deferrals in both the nonqualified deferred compensation plan and the 401(k) plan approximate the maximum annual deferral amount available to non-highly compensated employees in the 401(k) plan. Although it is not the Company's current intention to do so, the Company may also make matching credits and/or profit sharing credits to the participants' accounts as determined each year by the Company. Under current tax law, the Company is not allowed a current income tax deduction for the compensation deferred by participants, but is allowed a tax

deduction when a distribution payment is made to a participant from the plan. The accumulated benefit obligation (in thousands) was $698 and $225 as of December 31, 2006 and 2005, respectively, and is included in other long-term liabilities in the consolidated balance sheets. The Company has purchased life insurance policies to fund the future liability. The life insurance policies had an aggregate market value (in thousands) of $688 and $222 as of December 31, 2006 and 2005, respectively, and are included in other non-current assets in the consolidated balance sheets.

(6) COMMITMENTS AND CONTINGENCIES

The Company has committed to property and equipment purchases of approximately $57.1 million.

During first quarter 2006, in connection with an audit of the Company's federal income tax returns for the years 1999 to 2002, the Company received a notice from the Internal Revenue Service ("IRS") proposing to disallow a significant tax deduction. This deduction is a timing difference between financial reporting and tax reporting and would not result in additional income tax expense in the Company's financial statements. This timing difference deduction reversed in the Company's 2004 income tax return. The Company filed a protest in this matter in April 2006, which is currently under review by an IRS appeals officer. The initial conference with the appeals officer is scheduled to occur in March 2007. The Company and its tax advisors believe the Company has a strong position and, therefore, at this time the Company has not recorded an accrual for interest for this issue in the financial statements. It is possible the Company may not ultimately prevail in its position, which may have a material impact on the Company's financial

condition. The Company estimates the accrued interest, net of taxes, if the Company would not prevail in its position with the IRS to be approximately $6.5 million as of December 31, 2006.

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.

(7) 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 is responsible for all real estate taxes and maintenance costs related to the property, which are recorded as expenses in the Company's Consolidated Statements of Income. 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 was the sole trustee of a trust that previously owned a one-third interest in an entity that operates a motel located nearby one of the Company's terminals with which the Company had committed to rent a

guaranteed number of rooms. The trust assigned its one-third interest in this entity to the Company at a nominal cost in February 2005. During 2006, 2005, and 2004, the Company paid (in thousands) $264, $945, and $840, respectively, for lodging services for its drivers at this motel. On June 30, 2005, the Company sold .783 acres of land to this entity for approximately $90 (in thousands), in accordance with the exercise of a purchase option clause contained in a separate agreement entered into by the Company and the entity in April 2000. The Company realized a gain of approximately $35 (in thousands) on the transaction. On April 10, 2006, the Company purchased the remaining two-thirds interest in the entity from the two owners unrelated to the Company for $3.0 million. The purchase price was based on an appraisal of the property by an independent appraiser.

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 2006, 2005, and 2004, the Company paid (in thousands) $7,271, $6,291, and $6,200, respectively, to this owner-operator for purchased transportation services. This fleet is compensated using the same owner-operator pay package as the Company's other comparable third-party owner-operators. The Company also sells used revenue equipment to this entity. During 2006, 2005, and 2004, these sales (in thousands) totaled $789, $1,019, and $193, respectively, and the Company recognized gains (in thousands) of $68, $130, and $18 in 2006, 2005, and 2004, respectively. The Company had 40 and 32 notes receivable from this entity related to the revenue equipment sales (in thousands) totaling $1,381 and $1,105 at December 31, 2006 and 2005, respectively.

The brother of the Company's principal stockholder has a 50% ownership interest in an entity with a fleet of tractors that operates as an owner-operator for the Company. During 2006, 2005, and 2004, the Company paid (in thousands) $161, $476, and $453, respectively, to this owner-operator for purchased transportation services. This fleet is compensated using the same owner-operator pay package as the Company's other comparable third-party owner-operators.

The Company and TDR transact business with each other for certain of their purchased transportation needs. During 2006, 2005, and 2004, the Company recorded operating revenues (in thousands) from TDR of approximately $308, $227, and $168, respectively, and recorded purchased transportation expense (in thousands) to TDR of approximately $870, $521, and $631, respectively. In addition, during 2006, 2005, and 2004, the Company recorded operating revenues (in thousands) from TDR of approximately $4,691, $3,582, and $2,837, respectively, related to the leasing of revenue equipment. The Company also sells used revenue equipment to this entity. During 2006 and 2005, these sales (in thousands) totaled $3,697 and $358, respectively, and the Company recognized gains (in thousands) of $170 in 2006 and $19 in 2005. As of December 31, 2006 and 2005, the Company had receivables related to the equipment leases and revenue equipment

sales (in thousands) of $2,853 and $2,389, respectively. See Note 3 for information regarding the note receivable from TDR.

The Company has a 5% ownership interest in Transplace ("TPC"), a logistics joint venture of five large transportation companies. 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 $2,300, $4,800, and $8,400 in 2006, 2005, and 2004, respectively, and recorded purchased transportation expense (in thousands) to TPC of approximately $0, $0, and $7 during 2006, 2005, and 2004, 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.

(8) SEGMENT INFORMATION

The Company has two reportable segments - Truckload Transportation Services and Value Added Services. The Truckload Transportation Services segment consists of six operating fleets that have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The medium-to-long-haul Van fleet transports a variety of consumer, nondurable products and other commodities in truckload quantities over irregular routes using dry van trailers. The Regional short-haul fleet provides comparable truckload van service within five geographic regions. The Dedicated Services fleet provides truckload services required by a specific company, plant, or distribution center. The Flatbed and Temperature-Controlled fleets provide truckload services for products with specialized trailers. The Expedited fleet provides time-sensitive truckload services utilizing driver teams. Revenues for the Truckload Transportation Services segment include non-trucking revenues of $11.2 million, $12.2 million, and $14.4 million for 2006, 2005, and 2004, respectively, representing the portion of shipments delivered to or from Mexico where the Company utilizes a third-party capacity provider and revenues generated in a few dedicated accounts where the services of third-party capacity providers are used to meet customer capacity requirements.

The Value Added Services segment, which generates the majority of the Company's non-trucking revenues, provides freight management (single-source logistics), truck brokerage, and intermodal services, as well as a newly expanded international product line.

The Company generates other revenues related to third-party equipment maintenance, equipment leasing, and other business activities. None of these operations meet the quantitative threshold reporting requirements of SFAS No. 131. As a result, these operations are grouped in "Other" in the table below. "Corporate" includes revenues and expenses that are incidental to the activities of the Company and are not attributable to any of its operating segments. The Company does not prepare separate balance sheets by segment and, as a result, assets are not separately identifiable by segment. The Company has no significant intersegment sales or expense transactions that would result in adjustments necessary to eliminate amounts between the Company's segments.

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

	Revenues		
	2006	2005	2004
Truckload Transportation Services	$1,801,090	$1,741,828	$1,506,937
Value Added Services	265,968	218,620	161,111
Other	10,536	7,777	6,424
Corporate	2,961	3,622	3,571
Total	$2,080,555	$1,971,847	$1,678,043

	Operating Income		
	2006	2005	2004
Truckload Transportation Services	$ 156,509	$ 156,122	$ 135,828
Value Added Services	7,421	8,445	5,631
Other	1,731	2,850	2,587
Corporate	(1,160)	(2,806)	(2,718)
Total	$ 164,501	$ 164,611	$ 141,328

Information as to the Company's operations by geographic area is summarized below (in thousands). Operating revenues for foreign countries include revenues for shipments with an origin or destination in that country and other services provided in that country. If both the origin and destination are in a foreign country, the revenues are attributed to the country of origin.

	Revenues		
	2006	2005	2004
United States	$1,872,775	$1,782,501	$1,537,745
Foreign countries			
Mexico	168,846	145,678	104,934

Other	38,934	43,668	35,364
Total foreign countries	207,780	189,346	140,298
Total	$2,080,555	$1,971,847	$1,678,043

	Long-lived Assets		
	2006	2005	2004
United States	$1,067,716	$ 990,439	$ 850,250
Foreign countries			
Mexico	28,452	11,867	12,612
Other	172	301	136
Total foreign countries	28,624	12,168	12,748
Total	$1,096,340	$1,002,607	$ 862,998

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. One customer generated approximately 11% of the Company's total revenues for 2006, approximately 10% of total revenues for 2005, and approximately 9% of total revenues for 2004.

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(9) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2006:				
Operating revenues	$ 491,922	$ 528,889	$ 541,297	$ 518,447
Operating income	36,822	46,351	40,686	40,642
Net income	22,029	28,021	24,551	24,042
Basic earnings per share	.28	.36	.32	.32
Diluted earnings per share	.27	.35	.31	.31

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2005:				
Operating revenues	$ 455,262	$ 485,789	$ 504,520	$ 526,276

Operating income	32,837	42,128	41,138	48,508
Net income	19,921	25,295	24,491	28,827
Basic earnings per share	.25	.32	.31	.36
Diluted earnings per share	.25	.31	.30	.36

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

No disclosure under this item has been required within the two most recent fiscal years ended December 31, 2006, or any subsequent period, involving a change of accountants or disagreements on accounting and financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure 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.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company's transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of the company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree

of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria for effective internal control described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2006.

Management has engaged KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, to attest to and report on management's evaluation of the Company's internal control over financial reporting. Its report is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Werner Enterprises, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Werner Enterprises, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Werner Enterprises, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in

accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Werner Enterprises, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on COSO. Also, in our opinion, Werner Enterprises, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Werner Enterprises, Inc. and subsidiaries as of December 31, 2006 and 2005, 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, 2006, and our report dated February 8, 2007, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Omaha, Nebraska
February 8, 2007

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the quarter ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

The following disclosures are provided pursuant to Items 1.01 and 5.03 of Form 8-K.

On February 8, 2007, Werner Enterprises, Inc. (the "Company") entered into a revised Lease Agreement, effective as of the 21st day of May 2002 (the "Lease Agreement"), and a License Agreement (the "License Agreement") with Clarence L. Werner, Trustee of the Clarence L. Werner Revocable Trust (the "Trust"). Clarence L. Werner, Chairman of the Board of the Company, is the sole trustee of the Trust. The Lease Agreement and License Agreement were approved by the disinterested members

of the Board of Directors at the Board's February 8, 2007 meeting. The Lease Agreement was originally entered into between the parties as of May 21, 2002 with a 10-year lease term commencing June 1, 2002 (the "2002 Lease Agreement").

The Lease Agreement covers the lease of land comprising approximately 35 acres (referred to as the "Lodge Premises"), with improvements consisting of lodging facilities and a sporting clay range which are used by the Company for business meetings and customer promotion. The 2002 Lease Agreement provided for a non-exclusive license to use for hunting purposes a contiguous portion of farmland comprising approximately 580 acres (referred to as the "Farmland Premises"), which license rights were deleted from the Lease Agreement and separated into the License Agreement.

The Lease Agreement's current 10-year term expires May 31, 2012, and provides the Company the option to extend the lease for two additional 5-year periods, through 2017 and 2022, respectively. Under the Lease Agreement, the Company makes annual rental payments of One Dollar ($1.00) per year, and is responsible for the real estate taxes and maintenance costs on the Lodge Premises, which totaled approximately $44 (in thousands) for 2006.

Option to Purchase Rights: Under the Lease Agreement, at any time during the lease or any extension thereof, the Company has the option to purchase the Lodge Premises from the Trust at its current market value, excluding the value of all leasehold

improvements made by the Company. The Company also has a right of first refusal to purchase the Lodge Premises, or any part thereof, if the Trust has an offer from an unrelated third party to purchase the Lodge Premises. The Trust has the option at any time during the lease to demand that the Company exercise its option to purchase the Lodge Premises at its current market value, excluding the value of all leasehold improvements made by the Company. If the Company elects not to purchase the Lodge Premises as demanded by the Trust, then the Company's option to purchase at any time during the lease is forfeited; however, the Company will still have the right of first refusal with respect to a purchase offer from an unrelated third party. If the Company terminates the Lease Agreement prior to the expiration of the initial 10-year term and elects not to purchase the Lodge Premises from the Trust, then the Trust agrees to pay the Company the cost of all leasehold improvements, less accumulated depreciation calculated on a straight-line basis over the term of the Lease Agreement (10 years). If at the termination of the initial 10-year lease term, or any of the two 5-year renewal periods, the Company has not exercised its option to purchase the Lodge Premises at its current market value, the leasehold improvements become the property of the Trust. However, it is the Company's current intention to exercise its option to purchase the Lodge Premises at its current market value prior to the completion of the initial 10-year lease period or any of the two 5-year renewal periods. The Company has made leasehold improvements to the Lodge Premises of approximately $6.1 million since the inception of leasehold arrangements commencing in 1994.

The revisions to the Lease Agreement removed the provisions relating to the Farmland Premises, as of the effective date of the 2002 Lease Agreement, including the description of option to purchase rights described above, from the agreement, and the Company and the Trust entered into the separate License Agreement defining their respective rights with respect to the Farmland Premises. Under the License Agreement, the Company and its invitees are granted a non-exclusive right to hunt and fish on the Farmland Premises, for a term of one-year, which is automatically renewable unless either party terminates not less than 30 days prior to the end of the current annual term. The Trust agrees to use its best efforts to maintain a Controlled Shooting Area Permit on the Farmland Premises while the License Agreement is in effect, and to maintain the land in a manner to maximize hunting cover for game birds. In consideration of the license to hunt and fish on the Farmland Premises, the Company agrees to pay the Trust an amount equal to the real property taxes and special assessments levied on the land, and the cost of all fertilizer and seed used to maintain the hunting cover and crops located on the land. Such costs were approximately $29 (in thousands) for 2006.

Copies of the Lease Agreement and License Agreement are filed as exhibits to this 10-K.

On February 8, 2007, the Board of Directors amended the Company's by-laws, effective as of that date. A description of the changes is set forth below.

* Section 7 of Article II was amended to reduce the notice period for special meetings of the Board of Directors and its committees from five (5) days to one (1) day and to update the permitted methods used to provide notice to directors of special meetings of the Board of Directors and its committees. These methods include personal delivery, mail, electronic mail, private carrier, facsimile, and telephone.

* Sections 5 and 7 of Article III were amended to change the definitions of the roles of "Chairman of the Board" and "President", such that the President (and not the Chairman) will be the Company's Chief Executive Officer.

* Sections 1 and 4 of Article V were amended to allow shares of the Company to be either certificated or uncertificated (book-entry) and to clarify that for transfers of certificated shares only, the certificate for such shares must be surrendered for cancellation.

The Revised and Restated By-laws are filed as an exhibit to this 10-K.

PART III

Certain information required by Part III is omitted from this report on Form 10-K in that the Company will file a definitive proxy statement pursuant to Regulation 14A ("Proxy Statement") not later than 120 days after the end of the fiscal year covered by this report on Form 10-K, and certain information

included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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, principal accounting officer/controller, and all other officers, employees, and directors. 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 four 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, 2006, 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 Secu Remaining Availa Future Issuance Equity Compens Plans (Exclu Securities Refle Column (a (c)
Equity compensation plans approved by security holders	4,565,004	$11.03	8,890,551

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND

DIRECTOR INDEPENDENCE

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 AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules.

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

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Report of Independent Registered Public Accounting Firm	31
Consolidated Statements of Income	32
Consolidated Balance Sheets	33
Consolidated Statements of Cash Flows	34
Consolidated Statements of Stockholders' Equity and Comprehensive Income	35
Notes to Consolidated Financial Statements	36

(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	57

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 58).

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 13th day of February, 2007.

WERNER ENTERPRISES, INC.

By: /s/ Gregory L. Werner

Gregory L. Werner

President and Chief Executive Officer

By: /s/ John J. Steele

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

By: /s/ James L. Johnson

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

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 and in the capacities and on the dates indicated.

Signature	Position	Date
/s/ Clarence L. Werner Clarence L. Werner	Chairman of the Board	February 13, 2007
/s/ Gary L. Werner Gary L. Werner	Vice Chairman and Director	February 13, 2007
/s/ Gregory L. Werner Gregory L. Werner	President, Chief Executive Officer and Director	February 13, 2007
/s/ Gerald H. Timmerman Gerald H. Timmerman	Director	February 13, 2007
/s/ Michael L. Steinbach Michael L. Steinbach	Director	February 13, 2007
/s/ Kenneth M. Bird Kenneth M. Bird	Director	February 13, 2007
/s/ Patrick J. Jung Patrick J. Jung	Director	February 13, 2007
/s/ Duane K. Sather Duane K. Sather	Director	February 13, 2007

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, 2006:				
Allowance for doubtful accounts	$ 8,357	$ 8,767	$ 7,707	$ 9,417
Year ended December 31, 2005:				
Allowance for doubtful accounts	$ 8,189	$ 962	$ 794	$ 8,357
Year ended December 31, 2004:				
Allowance for doubtful accounts	$ 6,043	$ 2,255	$ 109	$ 8,189

See report of independent registered public accounting firm.

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EXHIBIT INDEX

Exhibit Number	Description	Page Number or Incorporated by Reference to
3(i)(A)	Revised and Amended Articles of Incorporation	Exhibit 3(i)(A) to the Company's report on For 10-K for the year ended December 31, 2005
3(i)(B)	Articles of Amendment to Articles of Incorporation	Filed herewith
3(i)(C)	Articles of Amendment to Articles of Incorporation	Exhibit 3(i) to the Company's report on Form 1 Q for the quarter ended May 31, 1994
3(i)(D)	Articles of Amendment to Articles of Incorporation	Exhibit 3(i)(C) to the Company's report on For 10-K for the year ended December 31, 1998
3(i)(E)	Articles of Amendment to Articles of Incorporation	Exhibit 3(i)(D) to the Company's report on For 10-Q for the quarter ended June 30, 2005

3(ii)	Revised and Restated By-Laws	Filed herewith
10.1	Amended and Restated Stock Option Plan	Exhibit 10.1 to the Company's report on Form 1 Q for the quarter ended June 30, 2004
10.2	Non-Employee Director Compensation	Exhibit 10.1 to the Company's report on Form 1 Q for the quarter ended June 30, 2005
10.3	The Executive Nonqualified Excess Plan of Werner Enterprises, Inc., as amended	Filed herewith
10.4	Named Executive Officer Compensation	Filed herewith
10.5	Lease Agreement, as amended February 8, 2007, between the Company and Clarence L. Werner, Trustee of the Clarence L. Werner Revocable Trust	Filed herewith
10.6	License Agreement, dated February 8, 2007 between the Company and Clarence L. Werner, Trustee of the Clarence L. Werner Revocable Trust	Filed herewith
11	Statement Re: Computation of Per Share Earnings	See Note 1 "Common Stock and Earnings Per Share" in the Notes to Consolidated Financial Statements under Item 8
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