WERNER ENTERPRISES
SPECIALIZED CARRIER

1998 Annual Report

CONTENTS

Werner Enterprises is a truckload carrier of general commodities in both interstate and intrastate commerce. The Company services customers through its Truckload division which consists of five fleets: Van, Regional, Dedicated, Flatbed, and Temperature-Controlled; and its Logistics division. The Company, with its headquarters and main terminal in Omaha, Nebraska, operates throughout the 48 contiguous states and portions of Canada and provides through trailer service in and out of Mexico. The principal types of freight transported by the Company are consumer products, retail merchandise, grocery products, and manufacturing/industrial products.

Founded in 1956 by Chairman and Chief Executive Officer Clarence (C.L.) Werner, Werner Enterprises has grown under his guidance from a one-man/one-truck operation to one of the five largest truckload carriers in the nation. As of December 1998, the Company has 6,150 tractors, 16,350 trailers, and more than 8,700 employees and independent contractors.

As of December 1998, tractors in the Truckload division were as follows:

Van, medium- to long-haul	3,640
Regional, short-haul	820
Dedicated	970
Flatbed	410
Temperature-controlled	310
	6,150

Werner Enterprises is known for:

- **Late-model** tractors and trailers equipped with the latest safety, efficiency, and comfort features. This modern, premium fleet, coupled with the Company's comprehensive preventive maintenance program, results in clean, professional-looking equipment, maximum cargo capacity, and minimal equipment downtime.
- **Highly-productive, professional** drivers with high on-time service and low accident percentages.
- **Experienced, professional management team** with substantial industry and Company experience.
- **Leadership in technology** resulting from advanced applications of satellite communication systems such as paperless driver "hours of service" logs, automated engine diagnostics, automated "possible late load" tracking, and electronic data interchange.
- **Consistently profitable financial results and a solid financial position** which translate to value and security for customers and stockholders.

Note: This report contains forward-looking statements which are based on information currently available to the Company's management. For a discussion of factors which could cause results to differ from the expectations reflected in forward-looking statements, see page 15 of this annual report.

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share amounts)

	1998	1997	1996	1995	1994
Operating revenues	**$863,417**	$772,095	$643,274	$576,022	$516,006
Net income	**57,246**	48,378	40,555	36,380	36,662
Earnings per share (diluted)*	**1.19**	1.01	.85	.77	.77
Cash dividends declared per share*	**.093**	.080	.075	.064	.053
Return on average stockholders' equity	**13.7%**	13.1%	12.4%	12.5%	14.1%
Operating ratio	**88.9%**	89.9%	89.7%	89.4%	88.3%
Book value per share*	**9.31**	8.27	7.34	6.55	5.85
Total assets	**769,196**	667,638	549,211	507,679	453,637
Long-term obligations	**100,000**	60,000	30,000	40,000	30,000
Stockholders' equity	**440,588**	395,118	348,371	309,052	276,414

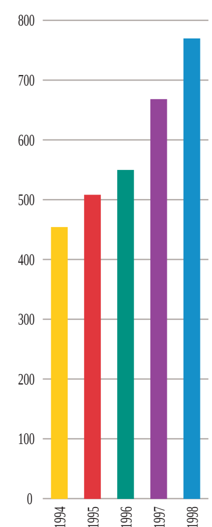
*After giving retroactive effect for the May 1998, five-for-four stock split (all years presented).

Operating Revenues
(in Millions of Dollars)

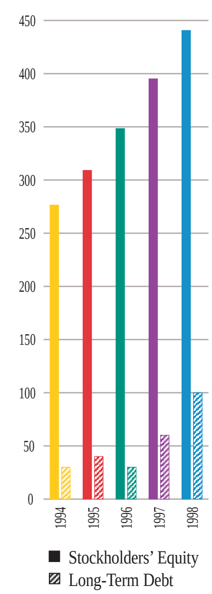
Earnings Per Share (diluted)
(in Dollars)

Book Value Per Share
(in Dollars)

Total Assets
(in Millions of Dollars)



Stockholders' Equity
to Long-Term Debt
(in Millions of Dollars)



VISION STATEMENT

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

TO OUR STOCKHOLDERS:

1998 RESULTS

1998 was another record year for Werner Enterprises. Revenues grew 12% to $863 million. Earnings climbed 18% to $57.2 million. ***For the fourth consecutive year, Werner Enterprises produced more profits than every other publicly traded truckload carrier in the United States.***

HOW DID WE DO?

Our goal is to grow revenues and earnings at an average annual rate of 15% to 20%. At this time last year, I told you our goal was to grow our fleet by 800 trucks in 1998.

The first half of 1998 started slower than planned due to an extremely competitive market for qualified truck drivers. Record low unemployment levels and strong freight demand were contributing factors. This temporarily slowed our top-line growth, limiting our truck additions to 300 by midyear.

We refocused our driver recruiting efforts and made some key strategic changes in July. This resulted in strong fleet growth in the last four months of 1998, which we expect will continue into 1999. We ended 1998 with 6,150 trucks and met our 1998 growth goal of adding 800 trucks for the year.

We improved our operating margins in 1998 and our operating ratio decreased from 89.9% to 88.9%.

Our return on average stockholders' equity improved from 13.1% to 13.7%. While we were disappointed with the lack of favor given to small cap stocks and trucking stocks during much of 1998, our stock price increased 8%. $10,000 invested at the time of our initial public offering 12 years ago would be worth over $39,000 as of the end of 1998.

From a freight perspective, 1998 was very successful. Daily load bookings were strong virtually the entire year. We increased business with our top 25 customers by over $68 million. More importantly, our Marketing department developed new customer relationships that solidly position us for freight growth in 1999 and beyond.

Operationally, we continue to excel. Our on-time delivery performance is among the best in the industry. Several of our larger customers named Werner Enterprises their carrier of the year.

We improved driver productivity and safety with the July 1998 implementation of our proprietary Paperless Log System. By increasing safety awareness throughout our company, we reduced the frequency and severity of accidents and claims.

The best equipment, fully integrated satellite technology, and a highly trained driver work force continue to provide Werner Enterprises with a distinct competitive advantage.

WHAT DO I SEE FOR 1999 AND BEYOND?

In the near term, we are well-positioned to increase the rate of growth of our fleet and our revenues in 1999.

We have established a goal of adding 900 trucks, which should help us achieve $1 billion in revenues for the full year. About half of this growth should come from our Dedicated and Regional fleet operations, with the balance coming from our Van and Flatbed fleets. We also have developed our systems and people in our Logistics division to enable us to increase our customer and revenue base in 1999.

While the driver market should continue to be very competitive, we expect to obtain the drivers needed to meet our growth goal. The steps we have taken to increase our driver force the last several months should lay the groundwork for 1999. This is a critical success factor for Werner Enterprises, and I assure you that recruiting and retaining qualified drivers is our top priority.

If economic growth is slower in 1999 than it was in 1998, we are prepared to handle a more challenging freight environment. Werner Enterprises produced one of the best financial performances in the trucking industry in both 1991 and 1995, years when industry freight demand was soft.

Longer term, we see tremendous opportunity for Werner Enterprises to grow and capture market share. Even though we are among the five largest carriers in truckload transportation, we have a mere 1% of our target market.

Shippers are raising their expectations for carriers each year. They want better on-time service. They want damage-free service. They want to know where their shipments are at all times. They want carriers to provide them with daily truck capacity for each of their shipping locations. They want to reduce the number of carriers on their carrier list. They want a carrier who will be financially strong for years to come. Most of all, they don't want excuses.

Werner Enterprises is uniquely qualified to meet and exceed shipper expectations. With the best people, the most sophisticated technology, and the best equipment in the industry, you can count on Werner to deliver the goods.

Thank you for your support and investment in Werner Enterprises.

C L Werner

Chairman and Chief Executive Officer
February 26, 1999

TRUCKING THE OLD WAY

Friday, 1:00 p.m. - 3:30 p.m.
Deliver my load and hand unload a trailer full of boxes in the rain. ***"Burn" two and a half driving hours with the unload.*** Already drove five hours today, plus the unloading time.

3:30 p.m. - 4:45 p.m.
Wait in line for a phone. Busy signal. Try again and no load. ***"Phone and wait" process for another hour or so.***

4:45 p.m. - 5:15 p.m.
Call my dispatcher again. Jackpot! Got a "high paying" 1,200-mile load for the weekend with a 7:00 a.m. delivery on Monday. ***My dispatcher tells me the routing directions.***

5:15 p.m. - 6:30 p.m.
Lose 15 minutes by turning at the wrong exit. Arrive at the shipper.

6:30 p.m. - 7:00 p.m.
Get the trailer. ***Not enough time to eat a good dinner.*** Grab a candy bar, chips, and a soda from the vending machine.

7:00 p.m. - 7:30 p.m.
Almost forget to update my logbook from this morning. Man, I hate to keep track of every fifteen minutes of every day!

7:30 p.m. - 11:15 p.m.
Get out of the city congestion and drive 125 miles. Pull into a truck stop and grab a sandwich for dinner. Take a shower. Watch some TV, ***fill out my logbook,*** and ***shut-eye by 11:15 p.m.***

Miles on this load today—***125 miles.***

Saturday, 6:15 a.m. - 7:00 a.m.
Grab some breakfast and do a pretrip inspection.

7:00 a.m. - 11:00 a.m.
Drive 250 miles until 11:00 a.m. ***when I notice the battery charge monitor indicates the charge is low.***

TRUCKING THE WERNER WAY

Friday, 1:00 p.m. - 1:15 p.m.
Deliver my load and ***send a satellite message to my dispatcher confirming delivery. My dispatcher has prearranged for a lumper (independent contractor) to unload the trailer.*** Knowing my available driving hours (I've driven five hours so far today) and my request to get home on Sunday, my dispatcher ***sends me a satellite message with a preassigned load.***

1:15 p.m. - 1:30 p.m.
Confirm acceptance and send a satellite message to request automated routing directions. Got a "high paying" 1,200-mile load for the weekend. Will take me home and deliver on Monday morning.

1:30 p.m. - 7:00 p.m.
Arrive at the shipper and get the trailer. Drive 225 miles.

7:00 p.m. - 10:00 p.m.
Pull into a truck stop. Dinner and shower. ***Send my family a truck e-mail*** telling them I'll be home Sunday evening. ***Get my paycheck data from the Werner satellite system.*** Don't "lose any sleep" over logbooks—***Werner's Paperless Log System handles that.*** Watch some TV ***and shut-eye by 10:00 p.m.***

Miles on this load today—***225 miles.***

Saturday, 6:15 a.m. - 7:00 a.m.
Grab some breakfast and do a pretrip inspection.

7:00 a.m. - 9:15 a.m.
Drive 100 miles and then ***I receive a satellite message.*** Exit at the rest area to read the message. ***The engine diagnostics in my truck has automatically informed Werner's maintenance department in Omaha that my alternator is going out. They have prearranged an approved repair shop*** four miles up the road.

TRUCKING THE OLD WAY

Saturday, 11:00 a.m. - 12:45 p.m.

Search for a repair shop. Find one by noon and wait for them to check out my truck. Grab some lunch at a fast food place.

12:45 p.m. - 4:45 p.m.

The alternator in my truck is going out. Scrape up some cash to pay the bill and wait. ***Need an advance from my company because I'm short on cash. Wonder how much my paycheck was this week?***

4:45 p.m. - 10:30 p.m.

My truck is fixed. Grab a sandwich. Drive 300 miles and stop at a truck stop for a late dinner.

10:30 p.m. - 12:45 a.m.

Eat dinner and ***fill out my logbook between bites.*** Fuel my truck and take a shower. Fall asleep about 12:45 a.m.

Miles on this load today—***550 miles.***

Sunday, 7:30 a.m. - 8:45 a.m.

Need to run 525 miles today. Get some breakfast and do a pretrip inspection.

8:45 a.m. - 9:30 p.m.

Drive 250 miles and stop for lunch. Drive the remaining 275 miles and arrive at 7:45 p.m. Dinner and back to my bunk. ***Sleep comes quickly at 9:30 p.m.***

Miles on this load today—***525 miles.***

Monday, 5:30 a.m. - 7:30 a.m.

Get some breakfast and do a pretrip inspection. Get lost in traffic. ***Arrive 30 minutes late to deliver the load at 7:30 a.m.***

7:30 a.m.

The shipper says they don't want all of the product delivered here. Change in plans on Saturday, but no one could get a hold of me over the weekend. They wanted half the product delivered on Sunday to a store I passed 500 miles ago. I can head back, but ***I'm sure they will get charged for the 500 miles.***

TRUCKING THE WERNER WAY

Saturday, 9:15 a.m. - 12:15 p.m.

Arrive at the repair shop. They are expecting me. The alternator is fixed and I'm back on the road by 10:30 a.m. Drive 100 miles and I am notified that ***I have received a satellite message.*** Change in plans. The shipper has requested me to deliver half of the product on the trailer to a store about 275 miles ahead. ***I send a confirmation satellite message to my dispatcher telling him I will follow through.***

12:15 p.m. - 7:00 p.m.

Eat a sandwich for lunch and resume driving. I arrive at the store at 5:45 p.m. Store employees unload one-half of the trailer. I get some dinner nearby while they are unloading the trailer.

7:00 p.m. - 9:30 p.m.

I hook up to the trailer and drive to a nearby truck stop. Fuel my truck and take a shower. Watch some TV and ***get to sleep at 9:30 p.m.***

Miles on this load today—***475 miles.***

Sunday, 6:00 a.m. - 7:00 a.m.

Need to run 500 miles today. Get some breakfast and do a pretrip inspection.

7:00 a.m. - 6:15 p.m.

Drive 250 miles and stop for lunch. Drive the remaining 250 miles to the shipper and arrive at my destination at 6:00 p.m. Deliver the trailer to a prearranged drop yard 5 miles from the shipper. Swap my trailer with another driver who will deliver the load the next morning.

6:15 p.m. - 6:45 p.m.

Drive 16 miles and ***arrive at home at 6:45 p.m. Greeted by my wife and children when I arrive.***

Miles on this load today—***500 miles.***

Monday, 7:00 a.m.

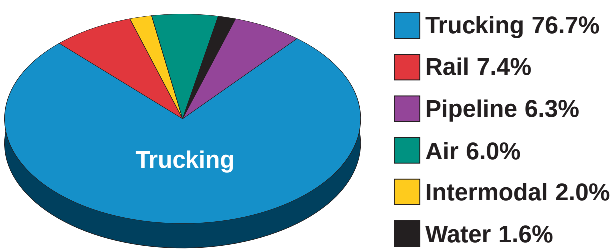
The other Werner driver makes the final delivery on time.

THE TRUCKING BUSINESS

Trucking is not a complicated business. Truckers don't own a patented product or exclusive operating rights. To get started in the trucking business, all that is required is a truck, a trailer, a driver, and a customer. That is why there are over 440,000 trucking companies in the United States today.

Most U.S. trucking companies are small, with one or a few trucks. Larger carriers, such as Werner Enterprises, have several competitive advantages over smaller carriers. Purchasing power, new equipment, sophisticated technology, geographic lane density, and economies of scale are a few of these advantages.

THE TRANSPORTATION MARKET



Source: DRI McGraw Hill Study—Estimated 1999 Revenues

An estimated $515 billion of freight will be hauled in 1999 by truck, rail, intermodal, air, water, or pipeline. Seventy-seven percent of this freight is expected to be moved by trucks, or about $400 billion. Within the trucking market, there are two sectors. The mature, less-than-truckload (LTL) segment moves about $35 billion of smaller quantity shipments using a "hub and spoke" terminal distribution network. The ten largest LTL carriers have 40% of the LTL market. The highly fragmented truckload (TL) segment moves the remaining estimated $365 billion of freight in full trailer load shipments. The ten largest TL carriers have a small, but growing, 3% of the TL market. Werner Enterprises is one of the five largest carriers in the TL market.

SHIPPING TRENDS

Typically, shippers invest capital in their core businesses. Retailers invest their capital expenditure dollars in real estate, sophisticated point-of-sale computer equipment, and inventory management systems. Consumer products companies spend their dollars in product design and development, manufacturing, and marketing. Food product companies invest heavily in the development of new products, quality control, packaging, and advertising. In most cases, shippers' transportation departments are at the low end of their capital expenditure budgets.

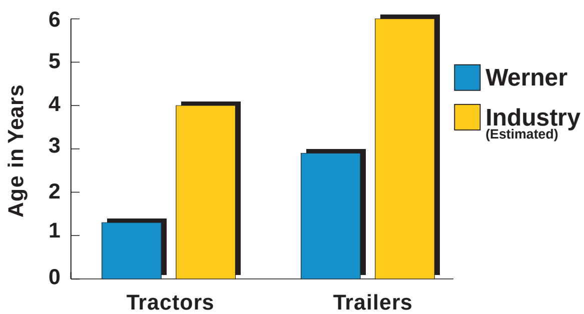
As companies continue to look for ways to squeeze cost and capital out of their distribution systems, opportunities are created for premium carriers such as Werner Enterprises. Shippers no longer want the headaches and costs of managing a private fleet including capital investment, driver recruiting, liability exposure, and empty miles. They want to carve out internal cost by minimizing their inventories using just-in-time processes. It costs shippers much more to manage and control hundreds of carriers, rather than a core group of a few carriers. Shippers want the advantages of the latest trucking technology advancements but have a difficult time justifying the investment for themselves.

As shippers shift more of the responsibility for the management of freight to truckload carriers, their expectations increase. Shippers have much less tolerance for loads that are delivered late. They can't afford to lose shelf space because the product doesn't arrive on time. They incur significant costs if the manufacturing production line is delayed due to a late shipment of materials. They want the flexibility to increase their shipping volume during peak sales periods.

WERNER ADVANTAGES

Werner Enterprises is uniquely positioned to capitalize on these shipping trends.

We maintain one of the industry's premium equipment fleets. Our trucks break down less frequently, enabling us to deliver a high percentage of shipments on time.



Werner has proprietary technology systems that help prevent late deliveries. We have developed this technology using data from the satellite communication and positioning devices that have been standard on all of our trucks for over six years.

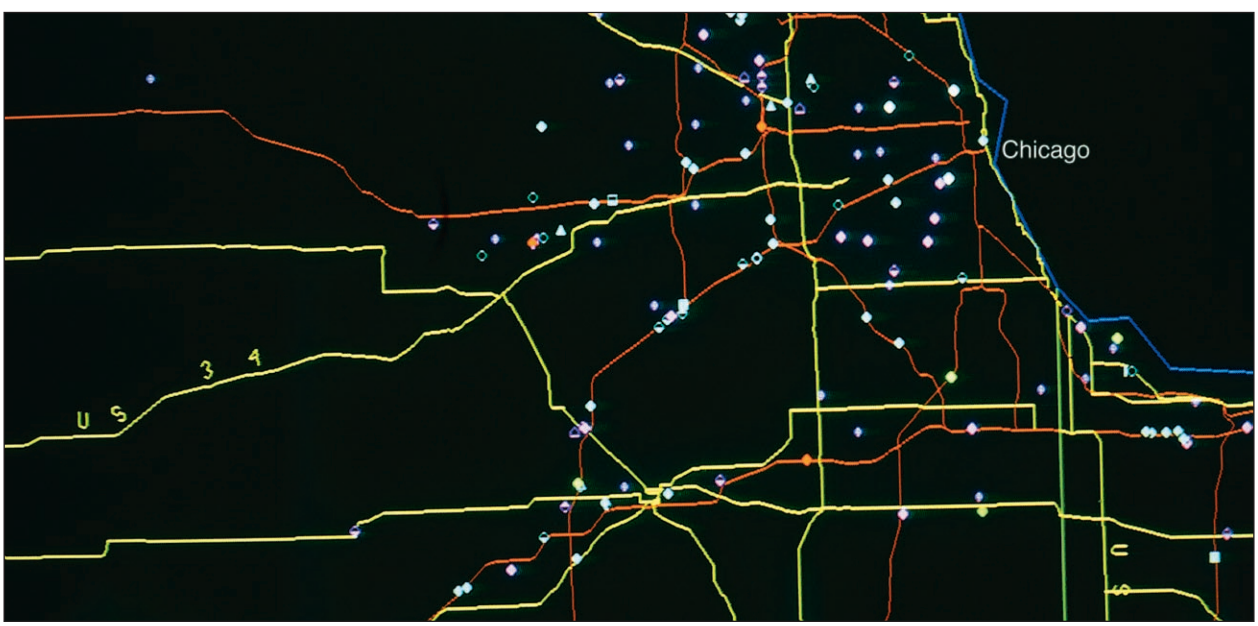
Truckload Carrier Safety Records*

	Out-of-service %: 1997-1999			
	Vehicle	Driver	Haz-Mat	Total
Werner Enterprises	11%	2%	6%	10%
Average of 5 largest TL carriers	18%	6%	7%	19%
Average of 15 largest TL carriers	18%	8%	9%	21%
National average of all trucking companies	25%	8%	7%	N/A

**Fifteen largest U.S. TL carriers (based on 1997 revenues). Ranked by total percentage of roadside inspections from 2/97 to 1/99 resulting in one or more "out-of-service" violations for vehicle problems, driver hours-of-service problems, or hazardous materials problems. Total column percentage may be higher due to multiple category violations from one inspection. Werner Enterprises had the best rating of all 15 carriers; the next best carrier had a 15% total violation percentage.* Source: U.S. Federal Highway Administration.

We have what we consider to be the best driving work force in the industry. Their on-time service and safety record is second to none.

Werner has the size, geographic density, and financial stability to offer shippers what they want. We commit to daily load volumes that the smaller carriers can't handle. We can service customers at each of their plants or distribution locations throughout the 48 states, Canada, and Mexico. Werner Enterprises has been in business for over 40 years and is strongly positioned for the future.



THE WERNER EQUIPMENT ADVANTAGE

A Werner truck has an average age of 16 months, a high horsepower engine, a conventional cab design (strongly preferred by drivers), and a spacious interior with numerous driver convenience features. We maintain a standardized fleet, with about 80% of our trucks manufactured by Freightliner (a subsidiary of DaimlerChrysler) and most of the remaining 20% manufactured by Peterbilt.

We carefully equip our tractor fleet to attract and retain the best drivers. Truck drivers must spend more time behind the wheel of their trucks than they do at home. Werner increases driver satisfaction by focusing on getting our drivers home when they want to be home. Truck drivers are paid by the mile, so they prefer a truck that will enable them to be productive. Even though the cost of operating a newer truck fleet may seem expensive, there are numerous tangible benefits.

The estimated cost of hiring and training a new driver is $4,000 to $5,000 per driver. By retaining a greater percentage of drivers than our peers, we have lower driver recruiting costs. By continually reinvesting in newer trucks, we benefit from the latest engine technology to improve fuel efficiency.

Our maintenance cost per mile is lower than other carriers that operate with older trucks.

With a newer fleet that turns every three years, we command excellent resale value for our driver-preferred, well-maintained trucks.

With higher horsepower engines, our drivers are able to maintain consistent mile-per-hour speed up and down various road grades. This increases driver satisfaction and productivity, while improving safety for Werner Enterprises and the motoring public.

Most importantly, our newer trucks enable us to provide better on-time service to our customers.

Werner also maintains a new trailer fleet with an average age of 35 months. Ninety-nine percent of our van trailers are 53 feet, which maximizes cargo capacity. We are converting our fleet to air-ride, composite trailers which provide a smoother ride and improved durability.

THE WERNER CUSTOMER ADVANTAGE

Our proprietary satellite information system allows us to provide Werner customers with essential information to manage their businesses.

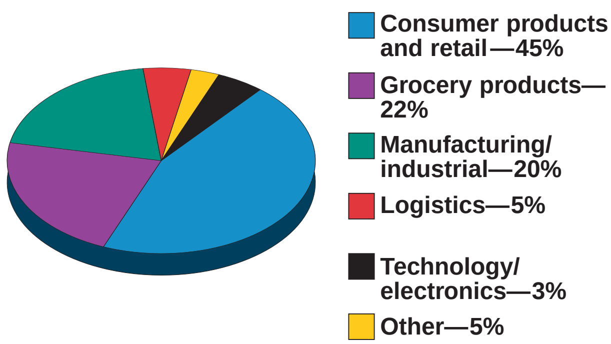
Approximately 70% of our shipments are received, monitored, or billed electronically with our customers. Seamless electronic data interchange (EDI) of loads tendered from our customers enables Werner to quickly respond to customer shipment requests. Once we accept the shipment, we automatically transmit the shipment information to our driver by satellite message. The electronic processing of this data from customer to driver significantly reduces the risk of human error.

Once the shipment is in transit, Werner customers can automatically receive shipment status information as often as they desire. We provide our customers with real-time truck location and a truck position history for each of their shipments.

If our customer wants to make a change in the shipment instructions once the shipment is en route, we have the flexibility to accommodate this easily. For example, if a customer wants to deliver part of a shipment to another location, they can first determine if this is feasible based on the truck's current location. If feasible, the customer electronically sends Werner a load change alert message. We then communicate the shipment change information to our driver by satellite message. Upon driver acceptance of the shipment change, we electronically confirm Werner acceptance of the change to the customer.

Our operational software automatically monitors every shipment in our system 24 hours a day, 365 days a year. We measure the miles remaining, the average mile-per-hour speed we expect to travel in that freight lane, and the scheduled delivery date and time. If at any time during the shipment, the system calculates that we could be behind schedule or significantly ahead of schedule, the driver's fleet manager is automatically notified. If a potential late shipment is identified, we take corrective action to prevent a late delivery and keep our customer informed of the status of the shipment. If a potential early shipment is identified, we preplan the driver's next shipment to maximize utilization for the driver and the Company.

Diversified Freight Base



Top 50 Customers—1998 Revenues

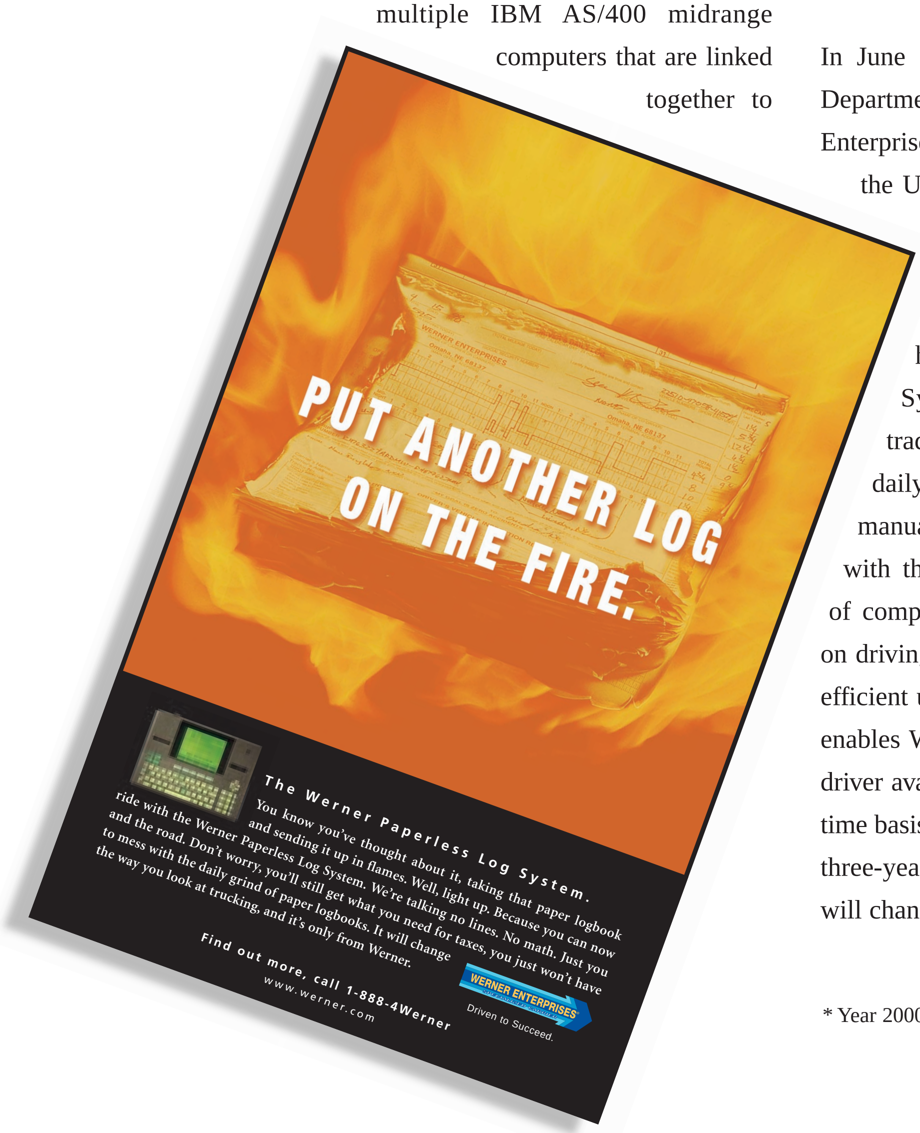
From an investor perspective, the Werner advantage is our diversified customer and freight base. We focus on customers in a variety of industry segments whose freight volumes tend to be consistent on a year-round basis. This helps keep our freight and supply of trucks in balance and provides our drivers with consistent miles throughout the year. No one customer exceeds 10% of our revenues and our top 25 customers total 43% of our revenues. A diversified freight and customer base positions us well for both stronger and weaker economic environments.

THE WERNER TECHNOLOGY ADVANTAGE

Customer expectations increase each year. Driver expectations increase each year. Werner effectively uses technology to stay ahead of their increasing expectations.

We have a staff of 70 management information system professionals that develop and operate our software. Most of our software application programs have been developed by Werner employees. In September 1998, we completed a two-year project to make our internal software Year 2000 compliant.* Since that time we have been working with vendors and customers to minimize the risk of Year 2000 problems for data that we share.

Our computer hardware is sophisticated. We operate multiple IBM AS/400 midrange computers that are linked together to maximize processing capacity and minimize user response time. The computing power of our computer system is estimated to be 50% greater than the largest IBM mainframe computer.



During 1998, we introduced new technology applications to improve service to our drivers. All drivers can now communicate via e-mail directly from the computer terminal in their trucks to anyone that has access to the Internet. This allows drivers to keep in touch with friends and family when they are away from home. Our drivers automatically request and receive authorization for funds to pay their over-the-road expenses by satellite message. They also request and receive their weekly payroll data by satellite message. Both systems are available seven days a week.

In June 1998, Rodney Slater, Secretary of the U.S. Department of Transportation, announced that Werner Enterprises had become the first trucking company in the United States to receive authorization from the Federal Highway Administration to use a Paperless Log System to automatically keep track of truck movement and drivers' hours of service. The Werner Paperless Log System replaces the paper logbooks traditionally used by truck drivers to track their daily activities. Our drivers no longer have to manually draw lines or calculate their work hours with the Werner system. Without the responsibility of completing paper logbooks, our drivers can focus on driving and transporting freight, resulting in a more efficient use of their time and productivity. The system enables Werner to accurately monitor driver hours and driver availability to meet delivery schedules on a real-time basis. This system was developed by Werner over a three-year period and is an innovation that we believe will change the way the trucking industry views safety.

* Year 2000 Readiness Disclosure

In the first quarter of 1999, we will introduce a sophisticated Internet load tracing service for our customers. This user-friendly product will allow Werner customers to monitor shipment status and generate customized reports on a real-time basis.

During the first half of 1999, we expect to begin beta testing of a satellite tracking system for trailers. Features to be tested include untethered position reporting, interior cargo sensors, a door sensor, and temperature monitoring.

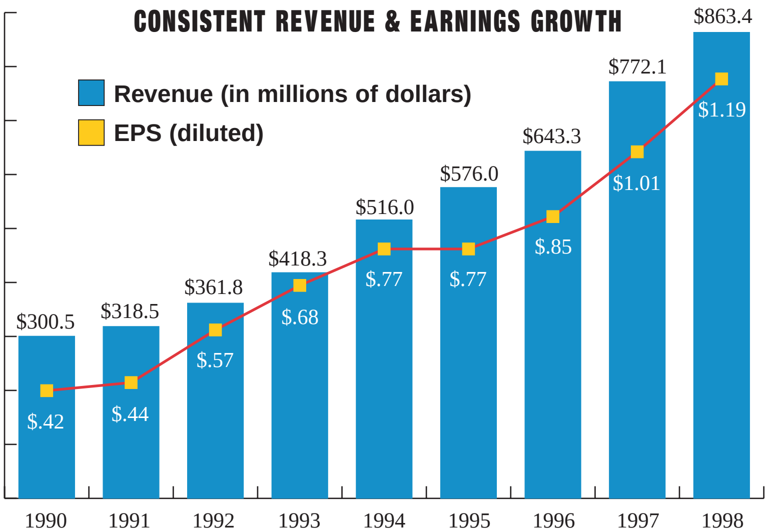
We recognize our dependence on computer and communication systems. We perform real-time mirroring of essential data to an off-site computer at our disaster recovery facility. We have redundant phone and computer systems to assist us in recovering quickly in the event of a power or equipment failure.

We were honored to be named by *Forbes ASAP* magazine in August 1998 as one of "America's Best Technology Users." Werner Enterprises was one of only 29 companies in the United States to receive this award. No other trucking company earned this award.

THE ROAD AHEAD

Since becoming a public company in 1986, Werner Enterprises has consistently grown revenues and earnings per share. For example, during the last two freight recessions affecting the truckload sector in 1990-91 and 1995, Werner Enterprises had one of the best financial performances. Werner Enterprises did not experience a decline in earnings per share during these periods.

Some economists predict a slower-growth economy in 1999 and a few predict a recession. Most companies, including trucking companies, are affected by a decline in the rate of growth of the domestic economy. Werner has historically been able to limit its financial downside through intense management focus, cost control, maximization of driver miles, and a diversified freight base. Our financial stability and size positions us to



Note: Freight industry slowdowns occurred in 1990-91 and 1995 within the truckload sector.

capture market share if smaller, weaker carriers begin to struggle. We see tremendous opportunity to capture market share by increasing business with existing customers and by adding new customers.

Our growth goal is to add 900 trucks in 1999.

As we begin 1999, freight demand for our services is solid. While we recognize that freight conditions can change fairly quickly, we expect that freight demand will not be a significant limiting factor in reaching our growth goal. Many of the products we haul are purchased by consumers in all types of economies.

We have made significant improvements in recruiting truck drivers over the last six months. For over 15 years, we have operated a driver training program that is among the most comprehensive in the industry. In mid-1998, we recognized that we needed to further tap this driver resource and to help bring new drivers into the industry. We expanded our existing training program to include more qualified trainer drivers and have successfully recruited more training drivers. We expect to continue to improve our recruitment of training drivers and experienced drivers in 1999.

The Regional and Dedicated fleets have been our fastest growers in recent years. Our fleet size and operating experience in these markets solidly positions us for future profitable growth. We expect approximately one-half of our 1999 growth to come from these two fleets. We also expect steady growth in our original two operating fleets, Van and Flatbed. Coming off a year of developing our people and systems in our Logistics division, we are poised to grow this business at a rate faster than the overall rate of growth in our truck fleet.

If we achieve our growth goal, we will generate $1 billion of revenues or more in 1999. We also expect to grow our earnings at a comparable growth rate, absent a significant negative change in the economy or the price of fuel. We expect to improve our return on equity and hope to generate an improved return to our stockholders.

THE FOLLOWING TABLE SETS FORTH THE PERCENTAGE RELATIONSHIP OF INCOME AND EXPENSE ITEMS TO OPERATING REVENUES FOR THE YEARS INDICATED.

	1998	1997	1996
Operating revenues	100.0%	100.0%	100.0%
Operating expenses			
Salaries, wages and benefits	37.7	36.1	34.9
Fuel	6.6	8.8	9.6
Supplies and maintenance	8.4	8.2	8.3
Taxes and licenses	7.9	7.6	8.0
Insurance and claims	2.7	2.7	2.9
Depreciation	9.6	9.4	10.1
Rent and purchased transportation	16.1	17.1	15.2
Communications and utilities	1.2	1.1	1.3
Other	(1.3)	(1.1)	(.6)
Total operating expenses	88.9	89.9	89.7
Operating income	11.1	10.1	10.3
Net interest expense and other	.4	.2	.1
Income before income taxes	10.7	9.9	10.2
Income taxes	4.1	3.6	3.9
Net income	6.6%	6.3%	6.3%

THE FOLLOWING TABLE SETS FORTH CERTAIN INDUSTRY DATA REGARDING THE FREIGHT REVENUES AND OPERATIONS OF THE COMPANY.

	1998	1997	1996	1995	1994
Operating ratio	88.9%	89.9%	89.7%	89.4%	88.3%
Average revenues per tractor per week (1)	$2,783	$2,755	$2,710	$2,606	$2,563
Average annual miles per tractor	126,492	126,598	126,221	121,728	120,312
Average miles per trip	760	799	808	785	835
Average revenues per mile (1)	$1.144	$1.132	$1.116	$1.113	$1.108
Average tractors in service	5,662	5,051	4,372	4,136	3,769
Total tractors (at year end)					
Company owned	5,220	4,490	3,840	3,674	3,473
Owner-operator owned	930	860	760	676	527
Total tractors	6,150	5,350	4,600	4,350	4,000
Total trailers (at year end)	16,350	14,700	12,170	11,060	10,300

(1) Net of fuel surcharge revenues.

RESULTS OF OPERATIONS

1998 Compared to 1997

Operating revenues increased by 12% over 1997, primarily due to a 12% increase in the average number of tractors in service and a 1% increase in the average revenue per mile, excluding fuel surcharges. These increases were partially offset by a 5% decrease in revenues from logistics and other non-trucking transportation services. The Company's operating ratio (operating expenses expressed as a percentage of operating revenues) decreased from 89.9% to 88.9%. The decrease in logistics and other non-trucking transportation services resulted in a shift in costs from the rent and purchased transportation expense category to several other expense categories as described below.

Salaries, wages and benefits increased from 36.1% to 37.7% of revenues primarily due to increased dedicated business which required more compensation to drivers for loadings/unloadings and stops, decreased revenues from logistics and other non-trucking transportation services, and increased employee healthcare costs. At times, there have been shortages of drivers in the trucking industry. The Company anticipates that the competition for qualified drivers will continue to be high, and cannot predict whether it will experience shortages in the future. If such a shortage were to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Fuel decreased in 1998 from 8.8% to 6.6% of revenues due primarily to a 27% decrease in average fuel prices in 1998 compared to 1997. The Company cannot predict whether higher fuel price levels will return or the extent to which fuel surcharges could be collected from customers to offset such increases. Taxes and licenses increased from 7.6% to 7.9% of revenues due to the decreased revenues from logistics and other non-trucking transportation services and refunds and favorable development of state tax issues during 1997.

Rent and purchased transportation decreased from 17.1% to 16.1% of revenues primarily due to the Company's decrease in logistics and other non-trucking transportation services. Other operating expenses changed from (1.1%) of revenues to (1.3%) of revenues due to an increase in gains on sales of revenue equipment to third parties resulting primarily from an increase in the number of tractors and trailers sold.

The Company's effective income tax rate (income taxes as a percentage of income before income taxes) was 38.0% in 1998, compared to 36.4% in 1997, as described in Note 3 of the Notes to Consolidated Financial Statements.

1997 Compared to 1996

Operating revenues increased by 20% over 1996, primarily due to a 15% increase in the average number of tractors in service and a 1% increase in the average revenue per mile, excluding fuel surcharges. The increased revenue per mile resulted from the Company obtaining rate increases from customers to partially offset a 2 cent per mile driver pay and owner-operator settlement increase which became effective January 1, 1997. A $24.3 million increase in revenues from logistics and other non-trucking transportation services also contributed to the overall increase in operating revenues. The Company's operating ratio increased slightly from 89.7% to 89.9%. The increase in logistics and other non-trucking transportation services resulted in a shift in costs to the rent and purchased transportation expense category from several other categories, as described below.

Salaries, wages and benefits increased from 34.9% to 36.1% of revenues due primarily to the impact of the 2 cent per mile driver pay increase. The increase was partially offset by the 1% increase in average revenue per mile, favorable workers' compensation claim experience, and increased revenues from logistics and other non-trucking transportation services.

Fuel decreased from 9.6% to 8.8% of revenues due mainly to lower average fuel prices in 1997, compared to the unusually high prices during most of 1996. Increased revenues from logistics and other non-trucking transportation services also contributed to the decrease. Fuel prices began rising at the end of the first quarter of 1996 and, for the most part, remained at elevated price levels during the remainder of 1996 and the beginning of the first quarter of 1997.

Taxes and licenses decreased from 8.0% to 7.6% of revenues due to increased revenues from logistics and other non-trucking transportation services and refunds and favorable development of state tax issues. Insurance and claims decreased from 2.9% to 2.7% of revenues, due primarily to fewer severe accident claims and continued favorable claims experience in 1997, and increased revenues from logistics and other non-trucking transportation services. Depreciation decreased from 10.1% to 9.4% of revenues, due principally to increased revenues from logistics and other non-trucking transportation services, and a 2% increase in the average revenue per tractor per week, excluding fuel surcharges.

Rent and purchased transportation increased from 15.2% to 17.1% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services.

Other operating expenses changed from (.6%) to (1.1%) of revenues due to an increase in gains on sales of revenue equipment to third parties resulting from an increase in the number of tractors and trailers sold.

The Company' s effective income tax rate (income taxes as a percentage of income before income taxes) was 36.4% in 1997, compared to 38.2% in 1996, as described in Note 3 of the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

The growth of the Company's business has required significant investment in new revenue equipment. Net capital expenditures in 1998, 1997, and 1996 were $172.4 million, $152.6 million, and $86.2 million, respectively. The capital expenditures were financed primarily with cash generated from operations and, to a lesser extent, borrowings. The Company has committed to approximately $106 million of capital expenditures (after trade-in allowances), which is a portion of its estimated 1999 capital expenditures. The Company expects to fund these expenditures primarily with cash generated from operations.

From time to time, the Company has and may continue to repurchase shares of its common stock. The timing and amount of such purchases depends on market and other factors. The Company's board of directors has authorized the repurchase of up to 2,500,000 shares. The Company has purchased 750,725 shares pursuant to this authorization.

The Company's financial position is strong. The Company has $100 million of long-term debt and $441 million of stockholders' equity. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary, to continue with its growth plans.

Year 2000 Readiness Disclosure

In January 1997, the Company began conducting a comprehensive review of its Year 2000 issues and has since completed its review of information technology (IT) systems. Most of the Company's critical software programs have been developed internally, with the remainder having been licensed from and maintained by software vendors. The Company completed substantially all of its conversion of internally developed software programs to Year 2000 compliance in September 1998. The costs of converting these programs was not material. The Company is now working with vendors to verify compliance of vendor-supplied software programs, and has also begun evaluating compliance of non-IT systems. The following is an estimate of the status of the Company's IT systems and non-IT systems:

	Year 2000 Compliant	Modifications being performed
Internally-developed IT systems	100%	0%
Vendor-supplied IT systems	70%	30%
Non-IT systems	60%	40%

Based on information currently available, the Company believes that with the appropriate modifications to vendor-supplied software programs, the Year 2000 issue will not pose significant operational or administrative problems for the Company. The cost of such remaining modifications is not expected to be material. The Company will continue to evaluate the Year 2000 readiness of third parties (primarily vendors and customers) with whom the Company has material relationships. The Company cannot presently estimate the effect on its results of operations, liquidity, and financial condition should material vendors and customers fail to become Year 2000 compliant. If the Company believes it is likely that a material vendor or customer will not achieve Year 2000 compliance, the Company will develop a contingency plan at that time.

Forward-Looking Statements

This report contains forward-looking statements which are based on information currently available to the Company's management. Although the Company believes the expectations reflected in such forward-looking statements to be reasonable, no assurance can be given that the expectations will be realized. Factors currently known to management that could cause actual results to differ materially from the expectations reflected in forward-looking statements include the following: price and availability of diesel fuel; availability of an adequate number of qualified drivers; competitive factors including rate competition; unanticipated changes in laws, regulations, and taxation; and the amount and severity of accident claims. General economic conditions and weather conditions may also significantly affect the Company's results, as equipment utilization and rate levels depend on the level of business activity of shippers in a variety of industries.

WERNER ENTERPRISES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	1998	1997	1996
Operating revenues (Note 1)	**$863,417**	$772,095	$643,274
Operating expenses:			
Salaries, wages and benefits	**325,659**	278,968	224,721
Fuel	**56,786**	67,600	61,611
Supplies and maintenance	**72,273**	63,060	53,337
Taxes and licenses	**67,907**	58,513	51,807
Insurance and claims	**23,875**	21,212	18,927
Depreciation (Note 1)	**82,549**	72,634	65,010
Rent and purchased transportation	**139,026**	132,261	97,525
Communications and utilities	**10,796**	8,358	8,164
Other	**(11,065)**	(8,158)	(3,958)
Total operating expenses	**767,806**	694,448	577,144
Operating income	**95,611**	77,647	66,130
Other expense (income):			
Interest expense	**4,889**	3,002	2,063
Interest income	**(1,724)**	(1,580)	(1,709)
Other	**114**	130	112
Total other expense	**3,279**	1,552	466
Income before income taxes	**92,332**	76,095	65,664
Income taxes (Notes 1 and 3)	**35,086**	27,717	25,109
Net income	**$ 57,246**	$ 48,378	$ 40,555
Average common shares outstanding (Note 1)	**47,667**	47,756	47,342
Earnings per share (Note 1)	**$1.20**	$1.01	$.86
Diluted shares outstanding (Note 1)	**47,910**	47,959	47,575
Diluted earnings per share (Note 1)	**$1.19**	$1.01	$.85

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

W E R N E R   E N T E R P R I S E S

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	December 31 1998	December 31 1997
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	**$ 15,913**	$ 22,294
Accounts receivable, less allowance of $2,933 and $3,126, respectively	**94,329**	93,461
Prepaid taxes, licenses, and permits	**10,792**	8,405
Current deferred income taxes (Notes 1 and 3)	**6,000**	6,200
Other	**18,231**	15,432
Total current assets	**145,265**	145,792
Property and equipment, at cost (Note 1)		
Land	**15,257**	17,856
Buildings and improvements	**52,857**	35,195
Revenue equipment	**686,400**	578,903
Service equipment and other	**74,947**	66,145
Total property and equipment	**829,461**	698,099
Less - accumulated depreciation	**205,530**	176,253
Property and equipment, net	**623,931**	521,846
	$769,196	$667,638
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 48,146**	$ 44,167
Insurance and claims accruals (Note 1)	**23,250**	22,161
Accrued payroll	**10,051**	9,116
Income taxes payable	**471**	6,983
Driver escrow	**3,307**	2,635
Other	**6,682**	6,729
Total current liabilities	**91,907**	91,791
Long-term debt (Note 2)	**100,000**	60,000
Deferred income taxes (Notes 1 and 3)	**105,900**	91,400
Insurance, claims and other long-term accruals (Note 1)	**30,801**	29,329
Commitments and contingencies (Note 5)		
Stockholders' equity (Notes 1 and 4):		
Common stock, $.01 par value, 200,000,000 shares authorized; 48,320,835 and 48,320,966 shares issued; 47,309,310 and 47,782,669 shares outstanding, respectively	**483**	387
Paid-in capital	**105,338**	104,764
Retained earnings	**349,351**	296,533
Treasury stock, at cost; 1,011,525 and 538,297 shares, respectively	**(14,584)**	(6,566)
Total stockholders' equity	**440,588**	395,118
	$769,196	$667,638

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

W E R N E R   E N T E R P R I S E S

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 57,246	$ 48,378	$ 40,555
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	82,549	72,634	65,010
Deferred income taxes	14,700	9,500	6,500
Gain on disposal of operating equipment	(12,251)	(8,789)	(5,156)
Tax benefit from exercise of stock options	389	1,610	788
Insurance, claims and other long-term accruals	1,472	54	539
Changes in certain working capital items:			
Accounts receivable, net	(868)	(25,533)	(10,057)
Prepaid expenses and other current assets	(5,186)	(4,537)	1,097
Accounts payable	3,979	25,142	3,306
Accrued payroll	935	146	1,252
Other current liabilities	(5,025)	7,432	122
Net cash provided by operating activities	137,940	126,037	103,956
Cash flows from investing activities:			
Additions to property and equipment	(258,643)	(215,585)	(117,599)
Retirements of property and equipment	86,260	62,941	31,382
Net cash used in investing activities	(172,383)	(152,644)	(86,217)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	40,000	50,000	-
Repayments of long-term debt	-	(20,000)	(10,000)
Proceeds from issuance of short-term debt	20,000	-	-
Repayments of short-term debt	(20,000)	-	-
Dividends on common stock	(4,201)	(3,815)	(3,344)
Repurchases of common stock	(9,072)	(2,471)	-
Stock options exercised	1,335	3,051	1,514
Net cash provided by (used in) financing activities	28,062	26,765	(11,830)
Net increase (decrease) in cash and cash equivalents	(6,381)	158	5,909
Cash and cash equivalents, beginning of year	22,294	22,136	16,227
Cash and cash equivalents, end of year	$ 15,913	$ 22,294	$ 22,136
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest	$ 4,800	$ 2,766	$ 3,398
Income taxes	26,100	13,328	15,904

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

WERNER ENTERPRISES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)	Common Stock	Paid-In Capital	(Note 1) Retained Earnings	Treasury Stock	Total Stockholders' Equity
BALANCE, December 31, 1995	$ 258	$100,294	$214,959	$ (6,459)	$309,052
Dividends on common stock ($.07 per share)	-	-	(3,538)	-	(3,538)
Exercise of stock options, 271,108 shares	-	1,363	-	939	2,302
Three-for-two stock split	129	(129)	-	-	-
Net income	-	-	40,555	-	40,555
BALANCE, December 31, 1996	387	101,528	251,976	(5,520)	348,371
Purchases of 158,125 shares of common stock	-	-	-	(2,471)	(2,471)
Dividends on common stock ($.08 per share)	-	-	(3,821)	-	(3,821)
Exercise of stock options, 455,695 shares	-	3,236	-	1,425	4,661
Net income	-	-	48,378	-	48,378
BALANCE, December 31, 1997	387	104,764	296,533	(6,566)	395,118
Purchases of 592,600 shares of common stock	-	-	-	(9,072)	(9,072)
Dividends on common stock ($.09 per share)	-	-	(4,428)	-	(4,428)
Five-for-four stock split (Note 1)	96	(96)	-	-	-
Exercise of stock options, 119,391 shares	-	670	-	1,054	1,724
Net income	-	-	57,246	-	57,246
BALANCE, December 31, 1998	$ 483	$105,338	$349,351	$ (14,584)	$440,588

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Werner Enterprises, Inc. (a Nebraska corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Werner Enterprises, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Omaha, Nebraska,
January 20, 1999.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Werner Enterprises, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions relating to these entities have been eliminated.

Use of Management Estimates

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

Cash and Cash Equivalents

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

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. At the time of trade-in, the cost of new equipment is recorded at an amount equal to the lower of the monetary consideration paid plus the net book value of the traded property or the fair value of the new equipment.

Depreciation is calculated based on the cost of the asset, reduced by its estimated salvage value, using the straight line method. Accelerated depreciation methods are used for income tax purposes. The lives and salvage values assigned to certain assets for financial reporting purposes are different than for income tax purposes. For financial reporting purposes, assets are depreciated over the estimated useful lives of 30 years for buildings and improvements, 5 to 7 years for revenue equipment and 3 to 8 years for service equipment and other.

Tires

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

Insurance and Claims Accruals

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

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

The Company has assumed responsibility for workers' compensation, maintains a $6,000,000 bond, has statutory coverage and has obtained insurance for individual claims above $500,000.

Under these insurance arrangements, the Company maintains $8,100,000 in letters of credit, as of December 31, 1998.

Revenue Recognition

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

Income Taxes

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

Common Stock and Earnings Per Share

On May 13, 1998, the Company issued shares for a five-for-four common stock split effected in the form of a 25% stock dividend from authorized and unissued shares to stockholders of record on April 27, 1998. All references in the Consolidated Financial Statements and Notes to Consolidated Financial Statements with regard to the number of shares of common stock and the per share amounts have been adjusted to reflect the effect of the stock split. The stated par value of common stock of $.01 per share did not change.

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

(2) LONG-TERM DEBT

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

	1998	1997
Notes payable to banks under committed credit facilities	**$ 50,000**	$40,000
6.55% Series A Senior Notes, due November 2002	**20,000**	20,000
6.02% Series B Senior Notes, due November 2002	**10,000**	-
5.52% Series C Senior Notes, due December 2003	**20,000**	-
	$100,000	$60,000

The notes payable to banks under committed credit facilities bear variable interest (5.6% at December 31, 1998) based on the London Interbank Offered Rate (LIBOR) and mature in May 2000. In addition, the Company has $30 million of short-term credit facilities with banks which bear variable interest based on LIBOR. No borrowings were outstanding under the short-term credit facilities at December 31, 1998. Each of the debt agreements require, among other things, that the Company maintain a minimum consolidated tangible net worth and not exceed a maximum ratio of indebtedness to total capitalization. The Company was in compliance with these covenants at December 31, 1998.

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

(3) INCOME TAXES

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

	1998	1997	1996
Current			
Federal	**$17,186**	$15,217	$ 17,109
State	**3,200**	3,000	1,500
	20,386	18,217	18,609
Deferred			
Federal	**12,378**	8,017	4,465
State	**2,322**	1,483	2,035
	14,700	9,500	6,500
Total income tax expense	**$35,086**	$27,717	$25,109

The effective income tax rate differs from the federal corporate tax rate of 35% in 1998, 1997, and 1996 as follows (in thousands):

	1998	1997	1996
Tax at statutory rate	**$32,316**	$26,633	$22,982
State income taxes, net of federal tax benefits	**3,589**	2,914	2,298
Favorable settlement of income tax issues	**-**	(2,000)	-
Income tax credits	**(536)**	(564)	(465)
Other, net	**(283)**	734	294
	$35,086	$27,717	$25,109

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

	1998	1997
Deferred tax assets:		
Insurance and claims accruals	**$ 20,962**	$ 19,904
Allowance for uncoll. accounts	**693**	860
Other	**2,717**	2,255
	$ 24,372	$ 23,019
Deferred tax liabilities:		
Property and equipment	**$118,337**	$103,291
Prepaid expenses	**5,408**	4,341
Other	**527**	587
	$124,272	$108,219

(4) 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 sixty-six 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 3,750,000 shares.

At December 31, 1998, 796,833 shares were available for granting further options. At December 31, 1998, 1997, and 1996, options for 522,295, 409,005, and 602,014 shares with weighted average exercise prices of $11.43, $11.35, and $7.83 were exercisable, respectively.

The following table summarizes Stock Option Plan activity for the three years ended December 31, 1998:

	Options Outstanding	
	Shares	Weighted-Average Exercise Price
Balance, December 31, 1995	1,856,857	$ 9.30
Options exercised	(271,108)	5.58
Options canceled	(72,891)	11.77
Balance, December 31, 1996	1,512,858	9.85
Options granted	563,125	16.10
Options exercised	(455,695)	6.69
Options canceled	(39,169)	11.04
Balance, December 31, 1997	1,581,119	12.95
Options granted	86,250	16.66
Options exercised	(119,391)	11.18
Options canceled	(22,998)	13.01
Balance, December 31, 1998	1,524,980	13.30

The following tables summarize information about stock options outstanding and exercisable at December 31, 1998:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$4.73	16,313	1.5 years	$ 4.73
$10.46 to $13.25	882,292	5.8 years	11.37
$16.10 to $17.38	626,375	9.0 years	16.24
	1,524,980	7.0 years	13.30

	Options Exercisable	
Range of Exercise Prices	Number Exercisable	Weighted-Average Exercise Price
$4.73	16,313	$ 4.73
$10.46 to $13.25	505,982	11.64
	522,295	11.43

The Company applies the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its Stock Option Plan. SFAS No. 123 "Accounting for Stock-Based Compensation" requires pro forma disclosure of net income and earnings per share had the estimated fair value of option grants on their grant date been charged to salaries, wages and benefits. If the fair value based method of SFAS 123 had been applied for 1998, 1997, and 1996, compensation expense related to stock options and the effect on net income and earnings per share would not have been significant. The fair value of the options granted during 1998 and 1997 was estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate of 5.5 percent in 1998 and 6 percent in 1997; dividend yield of 0.5 percent; expected life of 5.5 years; and volatility of 30 percent. The weighted-average fair value of options granted during 1998 and 1997 was $6.16 and $6.11 per share, respectively.

Employee Stock Purchase Plan

Employees meeting certain eligibility requirements may participate in the Company's Employee Stock Purchase Plan (the Purchase Plan). Eligible participants designate the amount of regular payroll deductions and/or single annual payment, subject to a yearly maximum amount, that is used to purchase shares of the Company's common stock on the Over-The-Counter Market subject to the terms of the Purchase Plan. The Company contributes an amount equal to 15% of each participant's contributions under the Purchase Plan. Company contributions for the Purchase Plan were $100,045, $85,062, and $67,704 for 1998, 1997, and 1996, 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 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 of $1,191,372, $1,014,633, and $1,030,248 for 1998, 1997, and 1996, respectively.

(5) COMMITMENTS AND CONTINGENCIES

The Company has committed to approximately $106,000,000 of net capital expenditures, which is a portion of its estimated 1999 capital expenditures.

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

(6) SEGMENT INFORMATION

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information", which requires public companies to disclose certain information about reportable operating segments. The Company operates in one reportable segment – Truckload transportation services. The reportable Truckload segment consists of five operating fleets which have been aggregated since they have similar economic characteristics and meet the other aggregation criteria of SFAS No. 131. The Medium- to Long-Haul Van fleet transports a variety of consumer, nondurable products and other commodities in truckload quantities over irregular routes using dry van trailers. The Regional Short-Haul fleet provides comparable truckload van service within five geographic regions. The Flatbed and Temperature-Controlled fleets provide truckload services for products with specialized trailers. The Dedicated Services fleet provides truckload services required by a specific company, plant or distribution center. The Company's Logistics division, which provides customers with transportation management, mode selection, routing, and brokerage, is not reportable under the quantitative thresholds of SFAS No. 131.

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

	1998	1997	1996
Truckload	**$821,596**	$728,140	$623,610
Logistics and other	**41,821**	43,955	19,664
Total operating revenues	**$863,417**	$772,095	$643,274

Substantially all of the Company's revenues are generated within the United States or from North American shipments with origins or destinations in the United States. No one customer accounts for more than 10% of the Company's revenues.

(7) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998:				
Operating revenues	**$199,707**	**$211,678**	**$219,715**	**$232,317**
Operating income	**18,143**	**25,042**	**26,499**	**25,927**
Net income	**10,873**	**15,012**	**15,915**	**15,446**
Diluted earnings per share	**.23**	**.31**	**.33**	**.33**
1997:				
Operating revenues	$172,049	$193,635	$200,237	$206,174
Operating income	11,453	20,049	23,027	23,118
Net income	7,449	12,532	14,199	14,198
Diluted earnings per share	.16	.26	.30	.29

Price Range of Common Stock

The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol WERN. The following table sets forth for the quarters indicated the high and low sale prices per share of the Company's common stock in the Nasdaq National Market from January 1, 1997, through December 31, 1998.

	High	Low
1998		
Quarter ended:		
March 31	21.40	15.60
June 30	22.40	17.00
September 30	19.75	14.31
December 31	19.25	11.25
1997		
Quarter ended:		
March 31	15.40	12.70
June 30	16.60	14.60
September 30	19.80	14.00
December 31	21.30	15.20

As of February 18, 1999, the Company's common stock was held by 288 stockholders of record and approximately 7,200 stockholders through nominee or street name accounts with brokers.

Dividend Policy

The Company has been paying cash dividends on its common stock following each of its quarters since the fiscal quarter ended May 31, 1987. The Company 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.

Corporate Offices

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Telephone: (402) 895-6640
http://www.werner.com
e-mail: werner@werner.com

Annual Meeting

The Annual Meeting will be held on Tuesday, May 11, 1999 at 10:00 a.m. in the Peter Kiewit Conference Center, 1313 Farnam Street, Omaha, Nebraska.

Stock Listing

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

Independent Public Accountants

Arthur Andersen LLP
1700 Farnam Street
Omaha, Nebraska 68102

Stock Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
Telephone: (800) 288-9541
http://www.chasemellon.com

Form 10-K

A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained by calling or writing the Investor Relations Department, P.O. Box 45308, Omaha, Nebraska 68145-0308, (402) 895-6640.

BOARD OF DIRECTORS

Clarence L. Werner, 61. Chairman of the Board and Chief Executive Officer. Founder of the Company. Served on Board since inception in 1986. (2), (3)

Gary L. Werner, 41. Vice Chairman. General Manager from 1980 to 1982, Vice President from 1982 to 1984, President and Chief Operating Officer from 1984 to 1991. Promoted to Vice Chairman in 1991. Assumed the duties of President from 1993 to 1997. Served on Board since inception in 1986.

Curtis G. Werner, 34. Vice Chairman-Corporate Development. Joined the Company in 1985. Promoted to Director of Safety in 1986, Vice President-Safety in 1987, Vice President in 1990, Executive Vice President in 1993, and Executive Vice President and Chief Operating Officer in 1994. Promoted to Vice Chairman-Corporate Development in 1996. Served on Board since 1991.

Irving B. Epstein, 71. Attorney-Epstein and Epstein. Engaged in practice of law since 1949. Partner with Epstein & Leahy from 1962 to 1989, Gross and Welch from 1989 to 1991, Brodkey and Epstein from 1991 to 1993, and Epstein and Epstein since 1993. Served on Board since inception in 1986. (1), (2), (3)

Martin F. Thompson, 78. Retired President of Cherry County Livestock Auction Company from 1982 to 1992. President of Chip Carriers from 1955 to 1982 and Thompson Transportation from 1977 to 1982. Served on Board since inception in 1986. (1), (2), (3)

Gerald H. Timmerman, 59. President-Timmerman and Sons, a cattle feeding and ranching partnership since 1970. Served on Board since 1988. (1), (3)

Gregory L. Werner, 39. President. Vice President from 1984 to 1996. Promoted to Executive Vice President in 1996 and President in 1997. Directed Equipment Maintenance since 1981 and MIS since 1993. Served on Board since 1994. (1)

Donald W. Rogert, 71. Chairman-Mallard Sand and Gravel Company since 1993. Chairman of Hartford Sand and Gravel from 1965 to 1988. Served on Board since 1994. (1)

Jeffrey G. Doll, 44. President and Chief Executive Officer-Western Iowa Wine, Inc. since 1986. Vice President of Doll Distributing, a liquor distributor, since 1980. Served on Board since 1997. (1)

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

OFFICERS

Clarence L. Werner, 61. Chairman of the Board and Chief Executive Officer. See listing above.

Gary L. Werner, 41. Vice Chairman. See listing above.

Curtis G. Werner, 34. Vice Chairman-Corporate Development. See listing above.

Gregory L. Werner, 39. President. See listing above.

Robert E. Synowicki, Jr., 40. Executive Vice President and Chief Operating Officer. Joined the Company in 1987 as Tax and Finance Manager. Promoted to Treasurer in 1989, Vice President, Treasurer and Chief Financial Officer in 1991, and Executive Vice President and Chief Operating Officer in 1996. Was employed by the public accounting firm of Arthur Andersen & Co. from 1983 to 1987.

Richard S. Reiser, 52. Executive Vice President and General Counsel. Joined the Company as Vice President and General Counsel in 1993. Promoted to Executive Vice President and General Counsel in 1996. Was a Partner in the law firm of Nelson and Harding from 1975 to 1984 and a Principal and Director in the law firm of Gross and Welch from 1984 to 1993.

Mark A. Martin, 37. Senior Vice President-Marketing. Joined the Company in 1989 as an Account Executive. Promoted to Regional Marketing Director in 1991, Vice President-Van Division in 1993, and Senior Vice President-Marketing in 1998. Previously employed as a Marketing Representative with the Burlington Motor Carrier group.

Alan D. Adams, 61. Vice President-Operations. Joined the Company as a Marketing Director in 1983. Promoted to Vice President-Operations in 1987. Prior to 1983 was General Manager of Larson Trucks, a truck dealership.

Duane D. Henn, 61. Vice President-Safety. Joined the Company in 1985 as a Driver Recruiter. Named National Director of Driver Recruiting in 1986, Director of Safety in 1988, and Vice President-Safety in 1994. Prior to joining the Company, spent twenty years in State and County Law Enforcement and six years in the Court System.

Larry P. Williams, 53. Vice President-Logistics. Joined the Company in 1988 as an Account Executive. Promoted to Director of Regional Fleets in 1991 and Vice President-Logistics in 1994. Held various management positions with United Parcel Service and Federated Department Stores prior to joining the Company.

John J. Steele, 41. Vice President, Treasurer and Chief Financial Officer. Joined the Company in 1989 as Controller. Promoted to Secretary in 1992, Vice President-Controller and Secretary in 1994, and Vice President, Treasurer and Chief Financial Officer in 1996. Was employed by the public accounting firm of Arthur Andersen & Co. from 1979 to 1989.

Dwayne O. Haug, 50. Vice President-Maintenance. Joined the Company in 1990 as Director of Maintenance. Promoted to Vice President of Gra-Gar (a wholly-owned subsidiary) in 1994 and Vice President-Maintenance in 1997. Was President of Silvey Refrigerated Carriers from 1988 to 1990 and held various management positions with Ellsworth Freight Lines from 1972 to 1987.

H. Marty Nordlund, 37. Vice President-Dedicated Fleet Services. Joined the Company in 1994 as an Account Executive. Promoted to Director of Dedicated Fleet Services in 1995, Senior Director of Dedicated Fleet Services in 1997, and Vice President-Dedicated Fleet Services in 1998. Held management and sales positions with the Crete Carrier Group prior to joining the Company.

R. Lee Easton, 40. Vice President-Management Information Systems. Joined the Company in 1990 as a Programmer/Analyst. Promoted to MIS Project Manager in 1991, Manager of Systems Design and Development in 1993, Director of MIS in 1996, Senior Director of MIS in 1997, and Vice President-MIS in 1998. Was a Programmer with Procter Hospital and a Consultant with Cap Gemini America prior to joining the Company.

James L. Johnson, 35. Corporate Secretary and Controller. Joined the Company in 1991 as Manager of Financial Reporting. Promoted to Assistant Controller in 1992, Director of Accounting in 1994, and Corporate Secretary and Controller in 1996. Was employed by the public accounting firm of Arthur Andersen & Co. from 1985 to 1991.

WERNER ENTERPRISES®
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