

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

HEARTLAND EXPRESS INC  
Form 10-Q  
November 07, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For quarter ended September 30, 2006

Commission File No. 0-15087

HEARTLAND EXPRESS, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

93-0926999  
-----  
(I.R.S. Employer  
Identification Number)

2777 Heartland Drive, Coralville, Iowa  
-----  
(Address of Principal Executive Office)

52241  
-----  
(Zip Code)

Registrant's telephone number, including area code (319) 545-2728  
-----

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

At September 30, 2006, there were 98,251,889 shares of the Company's \$.01 par value common stock outstanding.

HEARTLAND EXPRESS, INC.

# Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

## AND SUBSIDIARIES

### PART I

#### FINANCIAL INFORMATION

	Page Number
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets September 30, 2006 and December 31, 2005	1-2
Consolidated Statements of Income for the Three and Nine Months ended September 30, 2006 and 2005	3
Consolidated Statements of Stockholders' Equity for the Nine Months ended September 30, 2006	4
Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2006 and 2005	5
Notes to Consolidated Financial Statements	6-9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9-15
Item 3. Quantitative and Qualitative Disclosures about Market Risk	16
Item 4. Controls and Procedures	16

### PART II

#### OTHER INFORMATION

Item 1. Legal Proceedings	16
Item 2. Changes in Securities	16
Item 3. Defaults upon Senior Securities	16
Item 4. Submission of Matters to a Vote of Security Holders	16
Item 5. Other Information	16-17
Item 6. Exhibits and Reports on Form 8-K	17

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

# Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

ASSETS	September 30, 2006 ----- (Unaudited)	December 31, 2005 -----
CURRENT ASSETS		
Cash and cash equivalents .....	\$ 23,066,640	\$ 5,366,929
Short-term investments .....	298,853,453	282,255,377
Trade receivables, less allowance of \$775,000 .....	46,404,543	42,860,411
Prepaid tires .....	5,238,531	3,998,430
Other prepaid expenses .....	4,034,919	304,667
Deferred income taxes .....	28,416,000	28,721,000
Total current assets .....	406,014,086	363,506,814
PROPERTY AND EQUIPMENT		
Land and land improvements .....	11,893,135	10,643,135
Buildings .....	17,823,349	16,925,821
Furniture and fixtures .....	1,042,131	1,042,131
Shop and service equipment .....	2,774,914	2,620,031
Revenue equipment .....	285,569,219	250,479,838
	319,102,748	281,710,956
Less accumulated depreciation .....	85,595,291	81,204,416
Property and equipment, net .....	233,507,457	200,506,540
GOODWILL .....	4,814,597	4,814,597
OTHER ASSETS .....	5,429,898	4,679,974
	\$649,766,038	\$573,507,925
	=====	=====

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

1

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2006	December 31, 2005
	-----	-----
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities ...	\$ 16,615,312	\$ 10,572,525
Compensation and benefits .....	15,025,171	12,629,831
Income taxes payable .....	10,092,332	8,064,947
Insurance accruals .....	55,814,578	53,631,471
Other accruals .....	7,244,932	7,345,499
	-----	-----
Total current liabilities .....	104,792,325	92,244,273
	-----	-----
DEFERRED INCOME TAXES .....	51,873,000	48,012,000
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred, \$.01 par value; authorized 5,000,000 share; none issued .....	--	--
Common, \$.01 par value; authorized 395,000,000 shares; issued and outstanding: 98,251,889 in 2006 and ..... 98,428,589 for 2005	982,519	738,215
Additional paid-in capital .....	282,022	--

# Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

Retained earnings .....	491,836,172	432,952,138
	-----	-----
	493,100,713	433,690,353
Less: unearned compensation .....	--	(438,701)
	-----	-----
	493,100,713	433,251,652
	-----	-----
	\$649,766,038	\$573,507,925
	=====	=====

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

2

## HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three months ended September 30,		Nine months September
	2006	2005	2006
Operating revenue .....	\$147,057,490	\$136,209,698	\$425,115,417
	-----	-----	-----
Operating expenses:			
Salaries, wages, and benefits .....	\$ 47,925,921	\$ 45,028,528	\$140,337,273
Rent and purchased transportation .....	6,093,688	7,462,499	19,065,664
Fuel .....	38,971,251	33,987,533	109,721,660
Operations and maintenance .....	3,324,149	4,068,029	9,629,849

# Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

Operating taxes and licenses .....	2,259,227	2,249,347	6,530,121
Insurance and claims .....	2,620,921	5,015,569	11,543,703
Communications and utilities .....	912,515	969,344	2,807,947
Depreciation .....	12,446,339	9,819,033	33,805,611
Other operating expenses .....	4,757,332	4,238,892	13,113,338
Gain on disposal of property and equipment .....	(4,788,227)	(1,961,024)	(17,571,767)
	-----	-----	-----
	114,523,116	110,877,750	328,983,399
	-----	-----	-----
Operating income .....	32,534,374	25,331,948	96,132,018
Interest income .....	3,141,022	1,865,656	8,553,942
	-----	-----	-----
Income before income taxes .....	35,675,396	27,197,604	104,685,960
Income taxes .....	12,664,766	9,655,150	37,163,518
	-----	-----	-----
Net income .....	\$ 23,010,630	\$ 17,542,454	\$ 67,522,442
	=====	=====	=====
Earnings per share .....	\$ 0.23	\$ 0.18	\$ 0.69
	=====	=====	=====
Weighted average shares outstanding .....	98,330,636	98,428,737	98,395,579
	=====	=====	=====
Dividends declared per share .....	\$ 0.020	\$ 0.015	\$ 0.055
	=====	=====	=====

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

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

	Capital Stock, Common -----	Additional Paid-In Capital -----	Retained Earnings -----	Unearned Compen- sation -----
Balance, December 31, 2005 .....	\$ 738,215	\$ --	\$432,952,138	\$ (438,701)
Net income .....	--	--	67,522,442	--
Dividends on common stock, \$0.055 per share .....	--	--	(5,410,039)	--
Stock split .....	246,071	--	(246,071)	--
Stock repurchase .....	(1,767)	--	(2,543,597)	--
Reclassification of unearned compensation ....	--	--	(438,701)	438,701
Amortization of share based compensation .....	--	282,022	--	--
	-----	-----	-----	-----
Balance, September 30, 2006 .....	\$ 982,519	\$ 282,022	\$491,836,172	\$ --
	=====	=====	=====	=====

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

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine months ended September 30,	
	2006	2005
	-----	-----
OPERATING ACTIVITIES		
Net income .....	\$ 67,522,442	\$ 50,266,304
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization .....	33,820,614	27,275,733
Deferred income taxes .....	4,166,000	(4,583,000)
Amortization of share based compensation .....	282,022	272,713
Gain on disposal of property and equipment .....	(17,571,767)	(2,262,665)
Changes in certain working capital items:		
Trade receivables .....	(3,544,132)	(7,880,375)
Prepaid expenses .....	(4,802,241)	(2,121,122)
Accounts payable, accrued liabilities, and accrued expenses.....	6,224,368	10,870,748
Accrued income taxes .....	2,027,385	949,416
	-----	-----
Net cash provided by operating activities ...	88,124,691	72,787,752
	-----	-----
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment .....	1,841,998	754,386
Purchases of property and equipment, net of trades .....	(47,439,440)	(28,572,507)
Net purchases of municipal bonds .....	(16,598,076)	(16,126,894)
Change in other assets .....	(764,927)	106,466
	-----	-----
Net cash used in investing activities .....	(62,960,445)	(43,838,549)
	-----	-----
FINANCING ACTIVITIES		
Cash dividend .....	(4,919,171)	(4,483,987)
Stock repurchase .....	(2,545,364)	(22,419,150)
	-----	-----
Net cash used in financing activities .....	(7,464,535)	(26,903,137)
	-----	-----
Net increase in cash and cash equivalents ...	17,699,711	2,046,066



# Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

## CASH AND CASH EQUIVALENTS

Beginning of period .....	5,366,929	1,610,543
	-----	-----
End of period .....	\$ 23,066,640	\$ 3,656,609
	=====	=====

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Income taxes, net ..... \$ 30,970,133 \$ 31,299,435

Noncash investing activities:

Fair value of revenue equipment traded ... \$ 43,166,700 \$ 25,505,925

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

5

## HEARTLAND EXPRESS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Heartland Express, Inc. and subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal, recurring adjustments considered necessary for a fair presentation have been included. The financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 included in the Annual Report on Form 10-K of the Company filed with the Securities and Exchange Commission. Interim

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

results of operations are not necessarily indicative of the results to be expected for the full year or any other interim periods. There were no changes to the Company's significant accounting policies during the quarter.

### Note 2. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note 3. Segment Information

The Company has ten operating divisions; however, it has determined that it has one reportable segment. All of the divisions are managed based on similar economic characteristics. Each of the regional operating divisions provides short-to medium-haul truckload carrier services of general commodities to a similar class of customers. In addition, each division exhibits similar financial performance, including average revenue per mile and operating ratio. As a result of the foregoing, the Company has determined that it is appropriate to aggregate its operating divisions into one reportable segment, consistent with the guidance in SFAS No. 131. Accordingly, the Company has not presented separate financial information for each of its operating divisions as the Company's consolidated financial statements present its one reportable segment.

### Note 4. Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments with insignificant interest rate risk and original maturities of three months or less. Restricted and designated cash and short-term investments totaling \$5.4 million at September 30, 2006 and \$4.7 million at December 31, 2005 are included in other assets. The restricted funds represent those required for self-insurance purposes and designated funds represent those earmarked for a specific purpose not for general business use.

### Note 5. Short-term Investments

The Company investments are primarily in the form of tax free municipal bonds with interest reset provisions or short-term municipal bonds. The investments typically have a put option of 28 or 35 days. At the reset date the Company has the option to roll the investment over or sell. The Company receives the par value of the investment on the reset date if sold. The cost approximates fair value due to the nature of the investment.

6

Therefore, accumulated other comprehensive income (loss) has not been recognized as a separate component of stockholders' equity. Investment income received is generally exempt from federal income taxes.

### Note 6. Property, Equipment, and Depreciation

Property and equipment are stated at cost, while maintenance and repairs are charged to operations as incurred.

Effective July 1, 2005, gains from the trade of revenue equipment are being recognized in operating income in compliance with Statement of Financial Accounting Standards ("SFAS") No. 153, "Accounting for Non-monetary

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

Transactions". Prior to July 1, 2005, gains from the trade-in of revenue equipment were deferred and presented as a reduction of the depreciable basis of new revenue equipment. Operating income for the three months ended September 30, 2006 and 2005 were favorably impacted by \$3.6 million and \$1.9 million, respectively, from gains on the trade-in of revenue equipment, net of the associated increase in depreciation expense as a result of the higher depreciable basis of traded revenue equipment acquired since July 1, 2005. Operating income for the nine months ended September 30, 2006 and 2005 were favorably impacted by \$14.9 million and \$1.9 million, respectively, from gains on the trade-in of revenue equipment, net of the associated increase in depreciation expense. SFAS No. 153 was adopted prospectively July 1, 2005, thus trade-ins that occurred prior to July 1, 2005 did not impact operating income.

### Note 7. Stock Split

On April 20, 2006, the Board of Directors approved a four-for-three stock split, affected in the form of a 33 percent stock dividend. The stock split occurred on May 15, 2006, to shareholders of record as of May 5, 2006. This stock split increased the number of outstanding shares to 98.4 million from 73.8 million. The number of common shares issued and outstanding and all per share amounts have been adjusted to reflect the stock split for all periods presented.

### Note 8. Stock Repurchase

In September 2001, the Board of Directors approved a repurchase of up to 5.0 million shares of Heartland Express, Inc. common stock. During the three month period ended September 30, 2006, the Company purchased 176,700 shares for approximately \$2.5 million at approximately \$14.41 per share and the shares were retired. The cost of such shares purchased and retired in excess of their par value were charged to retained earnings.

### Note 9. Earnings Per Share:

Earnings per share are based upon the weighted average common shares outstanding during each period. Heartland Express has no common stock equivalents; therefore, diluted earnings per share are equal to basic earnings per share.

### Note 10. Share Based Compensation

On March 7, 2002, the Company CEO transferred 181,500 of his own shares establishing a restricted stock plan on behalf of key employees. The shares vest over a five year period or upon death or disability of the recipient. The shares were valued at the March 7, 2002 market value of approximately \$2.0 million. The market value of \$2.0 million is being amortized over a five year period as compensation expense. Compensation expense of \$93,567 for the three month period ended September 30, 2006 and \$94,227 for the same period of 2005 is recorded in salaries, wages, and benefits on the consolidated statement of income. For the nine months ended September 30, 2006 and 2005, compensation expense of \$282,022 and \$272,713 is recorded in salaries, wages, and benefits on the consolidated statement of income. As of September 30, 2006, there was \$156,679 of unearned compensation cost related to the restricted stock granted. This cost will be recognized over the next five months. All unvested shares are included in the Company's 98.3 million outstanding shares.

A summary of the Company's non-vested restricted stock as of September 30, 2006, and changes during the nine months ended September 30, 2006 is presented in the table below:

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

	Shares	Grant-date Fair Value
	-----	-----
Non-vested stock outstanding at January 1, 2006	68,200	\$ 11.00
Granted	-	-
Vested	(33,800)	11.00
Forfeited	-	-
	-----	-----
Non-vested stock outstanding at September 30, 2006	34,400	\$ 11.00
	=====	=====

The fair value of the shares vested was \$575,181 and \$546,134 for the nine months ended September 30, 2006 and 2005, respectively.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment," a revision of SFAS No. 123, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for employee share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees," and generally requires instead that such transactions be accounted and recognized in the consolidated statement of income based on their fair value. SFAS No. 123(R) also requires entities to estimate the number of forfeitures expected to occur and record expense based upon the number of awards expected to vest. The Company implemented SFAS No. 123(R) on January 1, 2006. The unamortized portion of unearned compensation was reclassified to retained earnings upon implementation. The amortization of unearned compensation is being recorded as additional paid-in capital effective January 1, 2006. The implementation of SFAS No. 123(R) had no effect on the Company's results of operations for the three and nine months ended September 30, 2006.

### Note 11. Commitments and Contingencies

The Company is party to ordinary, routine litigation and administrative proceedings incidental to its business. In the opinion of management, the Company's potential exposure under pending legal proceedings is adequately provided for in the accompanying consolidated financial statements.

The Company had commitments at September 30, 2006 to acquire new revenue equipment for approximately \$40.9 million in fourth quarter 2006. These commitments are expected to be financed from existing cash and short-term investment balances and cash flows from operations and trade-in of existing equipment.

The Company announced on September 8, 2006 that our Board of Directors declared a regular quarterly dividend of \$.02 per common share, payable on October 2, 2006, to stockholders of record on September 20, 2006.

The Company announced on September 22, 2005 the planned construction of a new corporate headquarters and an adjacent shop facility. These new facilities will be funded with the proceeds from the sale of the real estate and from existing cash and short-term investment balances and cash flows from operations. Total expenditures for the new building are expected to range from between \$12.0 million to \$15.0 million. Construction is expected to be completed in the second quarter of 2007.

### Note 12. Related Party Transactions

The Company leases two office buildings and a storage building from its CEO under a lease that provides for monthly rentals of \$27,618 plus the payment of all property taxes, insurance and maintenance. The lease was renewed for a five

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

year term on June 1, 2005, increasing the monthly rental from \$24,969 to \$27,618. In the opinion of management, the rates paid are comparable to those that could be negotiated with a third party.

8

Rent expense paid to the Company's CEO totaled \$82,854 for the three months ended September 30, 2006 and 2005. Rent expense paid to the Company CEO totaled \$248,561 and \$235,315 for the nine months ended September 30, 2006 and 2005, respectively. In 2005, the Company announced the construction of a new corporate headquarters which is expected to be ready for occupancy in 2007. The lease will be canceled upon the occupancy of the new corporate headquarters and shop facility.

During the first quarter of 2006, the Company purchased 16.7 acres of land in North Liberty from the Company's CEO for \$1,250,000. The purchase price was based on the fair market value that could be obtained from an unrelated third party on an arm's length basis. The transaction was approved by the Board of Directors.

### Note 13. Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)", which is effective for fiscal years beginning after December 15, 2006 with earlier adoption encouraged. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We are currently evaluating the potential impact of this interpretation.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108)", to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of our financial statements and related disclosures. SAB 108 is effective as of the end of our 2006 fiscal year, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108. We are currently evaluating the impact of adopting SAB 108 on our financial statements.

### Note 14. Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the September 30, 2006 presentation.

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

#### Forward Looking Statements

Except for certain historical information contained herein, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks, assumptions and uncertainties which are difficult to predict. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including any projections of earnings, revenues, or other financial items; any statements of plans, strategies, and

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

objectives of management for future operations; any statements concerning proposed new strategies or developments; any statements regarding future economic conditions or performance; any statements of belief and any statement of assumptions underlying any of the foregoing. Words such as "believe," "may," "could," "expects," "anticipates," and "likely," and variations of these words or similar expressions, are intended to identify such forward-looking statements. The Company's actual results could differ materially from those discussed in the section entitled "Factors That May Affect Future Results," included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's Annual report on Form 10-K, which is by this reference incorporated herein. The Company does not assume, and specifically disclaims, any obligation to update any forward-looking statements contained in this Quarterly report.

9

### Overview

Heartland Express, Inc. is a short-to medium-haul truckload carrier. The Company transports freight for major shippers and generally earns revenue based on the number of miles per load delivered. The Company provides regional dry van truckload services from eight regional operating centers plus its corporate headquarters. The Company's eight regional operating centers accounted for 61.9% of the third quarter 2006 operating revenues. The Company takes pride in the quality of the service that it provides to its customers. The keys to maintaining a high level of service are the availability of late-model equipment and experienced drivers.

Operating efficiencies and cost controls are achieved through equipment utilization, operating a fleet of late model equipment, maintaining an industry leading driver to non-driver employee ratio, and the effective management of fixed and variable operating costs. At September 30, 2006, the Company's tractor fleet had an average age of 1.2 years while the trailer fleet had an average age of 2.9 years. The Company has grown internally by providing quality service to targeted customers with a high density of freight in the Company's regional operating areas. In addition to the development of its regional operating centers, the Company has made five acquisitions since 1987. Future growth is dependent upon several factors including the level of economic growth and the related customer demand, the available capacity in the trucking industry, potential of acquisition opportunities, and the availability of experienced drivers.

The Company ended the third quarter of 2006 with operating revenues of \$147.1 million, including fuel surcharges, net income of \$23.0 million, and earnings per share of \$0.23 on average outstanding shares of 98.3 million. The Company posted a 77.9% operating ratio (operating expenses as a percentage of operating revenues) and a 15.6% net margin. The Company ended the quarter with cash, cash equivalents, and short-term investments of \$321.9 million and a debt-free balance sheet. The Company had total assets of \$649.8 million at September 30, 2006. The Company achieved a return on assets of 14.8% and a return on equity of 19.7%, both improvements over the third quarter of 2005. The Company's cash flow from operations for the first nine months of \$88.1 million represented a 21.1% increase over the same period of 2005.

The three and nine month ended results for 2006 have been favorably impacted by gains on the trade-in of revenue equipment. Prior to the implementation of Statement of Financial Accounting Standard No. 153 ("SFAS" No 153) on July 1, 2005, the gains related to trade-in of revenue producing equipment was deferred as a reduction of the basis of the new equipment. Management believes that gains reported in future periods will not be at the

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

same level as seen in the first nine months of 2006.

The Company hires only experienced drivers with safe driving records. In order to attract and retain experienced drivers who understand the importance of customer service, the Company increased pay for all drivers in the past three consecutive years including an increase in 2006. Effective October 2, 2004, the Company began paying all drivers an incremental amount for miles driven in the upper Northeastern United States. The Company has solidified its position as an industry leader in driver compensation with these aforementioned increases. The driver pay increases in 2006 are for selected regional operations including a fleet-wide incentive to maintain a hazardous materials endorsement on their commercial driver's license.

The Company has been recognized as one of the Forbes magazine's "200 Best Small Companies in America" fifteen times in the past twenty years and for the past five consecutive years including 2006. The Company has paid cash dividends over the past thirteen consecutive quarters. The Company became publicly traded in November, 1986 and is traded on the NASDAQ National Market under the symbol HTLD.

10

### Results of Operations:

The following table sets forth the percentage relationship of expense items to operating revenue for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Operating revenue .....	100.0%	100.0%	100.0%	100.0%
	-----	-----	-----	-----
Operating expenses:				
Salaries, wages, and benefits .....	32.6%	33.1%	33.0%	34.2%
Rent and purchased transportation .....	4.1	5.5	4.5	6.0
Fuel .....	26.5	25.0	25.8	22.9
Operations and maintenance .....	2.3	2.8	2.3	2.7
Operating taxes and licenses .....	1.5	1.7	1.5	1.7
Insurance and claims .....	1.8	3.7	2.7	3.1
Communications and utilities .....	0.6	0.7	0.6	0.7
Depreciation .....	8.5	7.2	8.0	7.1
Other operating expenses .....	3.3	3.1	3.1	3.3
Gain on disposal of property and equipment.....	(3.3)	(1.4)	(4.1)	(0.6)
	-----	-----	-----	-----
Total operating expenses .....	77.9%	81.4%	77.4%	81.1%
	-----	-----	-----	-----
Operating income .....	22.1%	18.6%	22.6%	18.9%
Interest income .....	2.2	1.4	2.0	1.4
	-----	-----	-----	-----
Income before income taxes .....	24.3%	20.0%	24.6%	20.3%
Federal and state income taxes .....	8.7	7.1	8.7	7.2
	-----	-----	-----	-----
Net income .....	15.6%	12.9%	15.9%	13.1%
	=====	=====	=====	=====

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

The following is a discussion of the results of operations of the three and nine month period ended September 30, 2006 compared with the same periods in 2005.

### Three Months Ended September 30, 2006 and 2005

Operating revenue increased \$10.9 million (8.0%), to \$147.1 million in the third quarter of 2006 from \$136.2 million in the third quarter of 2005. The increase in revenue resulted from the Company's expansion of its fleet and improved freight rates. Operating revenue for both periods was positively impacted by fuel surcharges assessed to customers. Fuel surcharge revenue increased \$6.8 million to \$23.1 million in the third quarter of 2006 from \$16.3 million in the third quarter of 2005.

Salaries, wages, and benefits increased \$2.9 million (6.4%), to \$47.9 million in the third quarter of 2006 from \$45.0 million in the third quarter of 2005. These increases were the result of increased reliance on employee drivers due to a decrease in the number of independent contractors utilized by the Company and driver pay increases. During the third quarter of 2006, employee drivers accounted for 94% and independent contractors 6% of the total fleet miles, compared with 92% and 8%, respectively, in the third quarter of 2005. The Company implemented an increase in driver pay during the first and second quarters of 2006. All drivers maintaining a valid hazardous materials endorsement on their commercial driver's license received a \$0.01 per mile increase in January 2006. Additional increases were given to drivers in selected regional operations. Workers' compensation expense increased \$0.7 million (116.7%) to \$1.4 million in the quarter ended September 30, 2006 from \$0.7 million in for the same period in 2005 due to an increase in frequency and severity of claims. Health insurance expense decreased \$0.3 million (11.6%) to \$2.1 million in the third quarter of 2006 from \$2.4 million in third quarter of 2005 due to an decrease in frequency and severity of claims.

11

Rent and purchased transportation decreased \$1.4 million (18.3%), to \$6.1 million in the third quarter of 2006 from \$7.5 million in the third quarter of 2005. This reflects the Company's decreased reliance upon independent contractors. Rent and purchased transportation for both periods includes amounts paid to independent contractors under the Company's fuel stability program. The Company increased the independent contractor base mileage pay by \$0.01 per mile in the first quarter of 2006 for all independent contractors maintaining a hazardous materials endorsement on their commercial driver's license, and an additional \$0.01 per mile per quarter beginning on April 1, 2006.

Fuel increased \$5.0 million (14.7%), to \$39.0 million for the three months ended September 30, 2006 from \$34.0 million for the same period of 2005. The increase is the result of increased fuel prices, an increased reliance on company-owned tractors, and a decrease in fuel economy associated with the EPA-mandated clean air engines. The Company's fuel cost per company-owned tractor mile increased 13.1% in third quarter of 2006 compared to 2005. Fuel cost per mile, net of fuel surcharge, decreased 11.1% in the third quarter of 2006 compared to 2005. The Company's third quarter fuel cost per gallon increased 10.4% in 2006 compared to 2005. Tractors with the EPA-mandated clean air engines experienced a 5.9% reduction in fuel efficiency as compared to older model tractors being replaced. In the quarter ended September 30, 2006, tractors with the EPA-mandated clean air engine accounted for 90.5% of the miles generated by the company-owned fleet compared to 51.9% of the company-owned fleet in the 2005 period. This resulted in a 2.4% decrease in fleet fuel efficiency in the third quarter of 2006 compared to 2005.



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

Operations and maintenance decreased \$0.8 million (18.3%), to \$3.3 million in the third quarter of 2006 from \$4.1 million in the third quarter of 2005. This is primarily attributed to the average age of the revenue equipment in our fleet. The average age of our tractor fleet is 1.2 years while the average age of the trailer fleet is 2.9 years, both improvements over the third quarter of 2005.

Insurance and claims decreased \$2.4 million (47.7%), to \$2.6 million in the third quarter of 2006 from \$5.0 million in the third quarter of 2005 due to a decrease in the frequency and severity of auto claims.

Depreciation increased \$2.6 million (26.8%), to \$12.4 million during the third quarter of 2006 from \$9.8 million in the third quarter of 2005. This increase is attributable to the growth of our company-owned tractor and trailer fleet, an increased cost of new tractors primarily associated with the EPA-mandated clean air engines, and the implementation of SFAS No. 153. New tractors have a higher cost than the models being replaced due to EPA-mandated clean air standards. As of September 30, 2006, 97.4% of the Company's tractor fleet had the EPA clean air engine compared to 53.1% at September 30, 2005. For the quarter ended September 30, 2006, as a result of SFAS No. 153, approximately \$0.9 million of additional depreciation was recognized due to a higher depreciable basis of revenue equipment acquired through trade-ins. For the same period of 2005, the additional depreciation attributable to SFAS No. 153 was \$70,500. In future periods, we expect depreciation will increase as we continue to upgrade our fleet in compliance with EPA-mandated engine changes and due to the impact of SFAS No. 153.

Other operating expenses increased \$0.5 million (12.2%), to \$4.7 million in the third quarter of 2006 from \$4.2 million in the third quarter of 2005. Other operating expenses consists of costs incurred for advertising expense, freight handling, highway tolls, driver recruiting expenses, and administrative costs.

Gain on the disposal of property and equipment increased \$2.8 million (144.2%), to \$4.8 million during the third quarter of 2006 from \$2.0 million in the third quarter of 2005. For 2006, \$4.7 million represents gains on trade-ins of revenue equipment which are recognized under SFAS No. 153 compared to \$1.9 million for the same period of 2005. Prior to the implementation of SFAS No 153, gains were deferred as a reduction of the basis of the new equipment.

Interest income increased \$1.2 million (68.4%), to \$3.1 million in the third quarter of 2006 from \$1.9 million in the same period of 2005. The increase is the result of higher average balances of cash, cash equivalents, and short-term investments and higher yields than 2005.

The Company's effective tax rate was 35.5% in the third quarter of 2006 and 2005.

### 12

As a result of the foregoing, the Company's operating ratio (operating expenses as a percentage of operating revenue) was 77.9% during the third quarter of 2006 compared with 81.4% during the third quarter of 2005. Net income increased \$5.5 million (31.2%), to \$23.0 million during the third quarter of 2006 from \$17.5 million during the third quarter of 2005.

Nine Months Ended September 30, 2006 and 2005

Operating revenue increased \$41.4 million (10.8%), to \$425.1 million in the nine months ended September 30, 2006 from \$383.7 million in the 2005 period. The increase in revenue resulted from the Company's expansion of its fleet and

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

improved freight rates. Operating revenue for both periods was positively impacted by fuel surcharges assessed to customers. Fuel surcharge revenue increased \$22.4 million to \$61.8 million in the nine months ended September 30, 2006 from \$39.4 million in the compared 2005 period.

Salaries, wages, and benefits increased \$9.1 million (7.0%), to \$140.3 million in the nine months ended September 30, 2006 from \$131.2 million in the 2005 period. These increases were the result of increased reliance on employee drivers due to a decrease in the number of independent contractors utilized by the Company and driver pay increases. During the first nine months of 2006, employee drivers accounted for 93% and independent contractors 7% of the total fleet miles, compared with 91% and 9%, respectively, in the compared 2005 period. The Company implemented an increase in driver pay during the first and second quarters of 2006. All drivers maintaining a valid hazardous materials endorsement on their commercial driver's license received a \$0.01 per mile increase in January 2006. Additional increases were given to drivers in selected regional operations. Workers' compensation expense increased \$1.1 million (42.1%) to \$3.7 million in the nine months ended September 30, 2006 from \$2.6 million in for the same period in 2005 due to an increase in frequency and severity of claims. Health insurance expense increased \$0.2 million (2.7%) to \$6.3 million in the nine months ended September 30, 2006 from \$6.1 million in the same period of 2005 due to an increase in frequency and severity of claims and increased reliance on employee drivers.

Rent and purchased transportation decreased \$3.9million (17.1%), to \$19.1 million in the first nine months of 2006 from \$23.0 million in the compared 2005 period. This reflects the Company's decreased reliance upon independent contractors. Rent and purchased transportation for both periods includes amounts paid to independent contractors under the Company's fuel stability program. The Company increased the independent contractor base mileage pay by \$0.01 per mile in the first quarter of 2006 for all independent contractors maintaining a hazardous materials endorsement on their commercial driver's license, and an additional \$0.01 per mile per quarter for all independent contractors beginning on April 1, 2006.

Fuel increased \$21.7 million (24.6%), to \$109.7 million in first nine month of 2006 from \$88.0 million in the compared 2005 period. The increase is the result of increased fuel prices, an increased reliance on company-owned tractors, and a decrease in fuel economy associated with the EPA-mandated clean air engines. The Company's fuel cost per company-owned tractor mile increased 20.8% in the first nine months of 2006 compared to the 2005 period. Fuel cost per mile, net of fuel surcharge, decreased 3.9% when comparing the first nine months 2006 to the 2005 period. The Company's fuel cost per gallon increased 18.8% in 2006 compared to 2005. Tractors with the EPA-mandated clean air engines experienced a 4.9% reduction in fuel efficiency as compared to older model tractors being replaced. In the nine months ended September 30, 2006, tractors with the EPA-mandated clean air engine accounted for 80.2% of the miles generated by the company-owned fleet compared to 41.6% of the company-owned fleet in the 2005 period. This resulted in a 1.8% decrease in fleet fuel efficiency in the nine months ended September 30, 2006 compared to the 2005 period.

Operations and maintenance decreased \$0.8 million (7.6%) to \$9.6 million for the nine months ended September 30, 2006 from \$10.4 in the compared 2005 period. This is primarily attributed to the average age of the revenue equipment in our fleet. The average age of our tractor fleet is 1.2 years while the average age of the trailer fleet is 2.9 years. The newer fleet has resulted in a decrease in parts and maintenance costs nearly equal to the overall decrease for the nine months comparative period.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

Insurance and claims decreased \$0.3 million (2.3%), to \$11.5 million in the nine months ended September 30, 2006 from \$11.8 million in the same period of 2005 due to a decrease in the frequency and severity of auto claims.

Depreciation increased \$6.5 million (24.0%), to \$33.8 million during the first nine months of 2006 from \$27.3 million in the compared 2005 period. This increase is attributable to the growth of our company-owned tractor and trailer fleet, an increased cost of new tractors primarily associated with the EPA-mandated clean air engines, and the implementation of SFAS No. 153. New tractors have a higher cost than the models being replaced due to EPA-mandated clean air standards. As of September 30, 2006, 97.4% of the Company's tractor fleet had the EPA clean air engine compared to 47.3% at September 30, 2005. For the nine months ended September 30, 2006, as a result of SFAS No. 153, approximately \$1.9 million of additional depreciation was recognized due to a higher depreciable basis of revenue equipment acquired through trade-ins. For the 2005 period, the additional depreciation attributable to SFAS No. 153 was \$70,500. In future periods, we expect depreciation will increase as we continue to upgrade our fleet in compliance with EPA-mandated engine changes and due to the impact of SFAS No. 153.

Other operating expenses increased \$0.6 million (5.1%), to \$13.1 million during the nine months ended September 30, 2006 from \$12.5 million in the same period of 2005. Other operating expenses consists of costs incurred for advertising expense, freight handling, highway tolls, driver recruiting expenses, and administrative costs.

Gain on the disposal of property and equipment increased \$15.3 million (676.6%), to \$17.6 million during the nine months ended September 30, 2006 from \$2.3 million in the compared 2005 period. For the nine months ended September 30, 2006, \$17.1 million represents gains on trade-ins of revenue equipment which are recognized under SFAS No. 153. For the same period of 2005, \$1.9 million was the recognized under SFAS No. 153. It is important to note that the gains reported for 2006 represent a nine month period while gains for 2005 represent only that period from July 1, 2005, the implementation date of SFAS No. 153. Gains on trade-in were deferred prior to the adoption of SFAS No. 153 on July 1, 2005 as a reduction of the depreciable basis of new revenue equipment. The gains recognized for the 2006 period, to date, are not expected to continue at the same level into the future.

Interest income increased \$3.3 million (62.8%), to \$8.6 million in the nine months ended September 30, 2006 from \$5.3 million in the same period of 2005. The increase is the result of higher average balances of cash, cash equivalents, and short-term investments and higher yields than 2005.

The Company's effective tax rate was 35.5% for the nine months ended September 30, 2006 and 2005.

As a result of the foregoing, the Company's operating ratio (operating expenses as a percentage of operating revenue) was 77.4% during the first nine months of 2006 compared with 81.1% during the same period of 2005. Net income increased \$17.2 million (34.3%), to \$67.5 million during the nine months ended September 30 2006 from \$50.3 million during the compared 2005 period.

### Liquidity and Capital Resources

The growth of the Company's business has required significant investments in new revenue equipment. Historically the Company has been debt-free, funding revenue equipment purchases with cash flow provided by operations. The Company also obtains tractor capacity by utilizing independent contractors, who provide a tractor and bear all associated operating and financing expenses. The Company's primary source of liquidity for the nine months ended September 30,

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

2006, was net cash provided by operating activities of \$88.1 million compared to \$72.8 million in the corresponding 2005 period.

Capital expenditures for property and equipment, primarily revenue equipment net of trade-ins, totaled \$47.4 million for the first nine months of

14

2006 compared to \$28.6 million for the same period in 2005. The Company anticipates new tractor and trailer purchases, net of trades, totaling approximately \$94.4 million in 2006. The Company will buy additional tractors before year-end prior to phase two of the federally mandated engine emissions standards that will become effective in January of 2007.

During the nine months ended September 30, 2006, the Company repurchased 176,700 shares of its common stock in the amount of \$2.5 million. The Company's Board of Directors authorized a repurchase of up to a maximum of 5.0 million shares of the Company's common stock. At September 30, 2006, the Company has 4.9 million shares remaining under the current Board authorization. Future purchases are dependent upon market conditions. The Company paid cash dividends of \$4.9 million and \$4.5 million during the first nine months of 2006 and 2005, respectively. The Company began paying cash dividends in the third quarter of 2003 and has paid a quarterly dividend for thirteen consecutive quarters. The Company declared a \$2.0 million cash dividend in September 2006, payable on October 2, 2006.

Management believes the Company has adequate liquidity to meet its current and projected needs. The Company will continue to have significant capital requirements over the long term. Future capital expenditures are expected to be funded by cash flow provided by operations and from existing cash, cash equivalents, and short-term investments. The Company ended the quarter with \$321.9 million in cash, cash equivalents, and short-term investments and no debt. Based on the Company's strong financial position, management believes outside financing could be obtained, if necessary, to fund capital expenditures.

### Off-Balance Sheet Transactions

The Company's liquidity is not materially affected by off-balance sheet transactions.

### Risk Factors

You should refer to Item 1A of our annual report (Form 10-K) for the year ended December 31, 2005, under the caption "Risk Factors" for specific details on the following factors that are not within the control of the Company and could affect our financial results.

- o Our business is subject to general economic and business factors that are largely out of our control.
- o Our growth may not continue at historic rates.
- o Increased prices, reduced productivity, and restricted availability of new revenue equipment may adversely affect our earnings and cash flow.
- o If fuel prices increase significantly, our results of operations could be adversely affected.
- o Difficulty in driver and independent contractor recruitment and retention may have a materially adverse effect on our business.
- o We operate in a highly regulated industry, and increased costs of compliance with, or liability for violation of, existing regulations could have a materially adverse effect on our business.
- o Our operations are subject to various environmental laws and regulations, the violations of which could result in substantial fines

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

- or penalties.
- o We may not make acquisitions in the future, or if we do, we may not be successful in integrating the acquired company, either of which could have a materially adverse effect on our business.
- o If we are unable to retain our key employees or find, develop, and retain service center managers, our business, financial condition, and results of operations could be adversely affected.
- o We are highly dependent on a few major customers, the loss of one or more of which could have a materially adverse effect on our business.
- o Seasonality and the impact of weather affect our operations profitability.
- o Ongoing insurance and claims expenses could significantly reduce our earnings.
- o We are dependent on computer and communications systems, and a systems failure could cause a significant disruption to our business.

15

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company purchases only high quality, liquid investments. Primarily all investments as of September 30, 2006 have an original maturity or interest reset date of twelve months or less. Due to the short term nature of the investments, the Company is exposed to minimal market risk related to its cash equivalents and investments.

The Company had no debt outstanding as of September 30, 2006 and therefore, had no market risk related to debt.

As of September 30, 2006, the Company did not have any long-term fuel purchase contracts, and had not entered into any other hedging arrangements that protect against fuel price increases. Volatile fuel prices will continue to impact us significantly. A significant increase in fuel costs, or a shortage of diesel fuel, could materially and adversely affect our results of operations.

### Item 4. Controls and Procedures

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

## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings

The Company is a party to ordinary, routine litigation and administrative proceedings incidental to its business. These proceedings primarily involve claims for personal injury, property damage, and workers' compensation incurred in connection with the transportation of freight. The Company

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

maintains insurance to cover liabilities arising from the transportation of freight for amounts in excess of certain self-insured retentions.

### Item 2. Changes in Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Authorization Remaining
7/1/2006 - 7/31/2006	-	-	5,095,333
8/1/2006 - 8/31/2006	176,700	\$14.41	4,918,633
9/1/2006 - 9/30/2006	-	-	4,918,633
	-----	-----	-----
Total	176,700	\$14.41	4,918,633
	=====	=====	=====

### Item 3. Defaults upon Senior Securities

None

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

None

16

### Item 5. Other Information

None

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibit

- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
- 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

#### (b) Reports on Form 8-K

- 1. Report on Form 8-K, dated July 18, 2006, announcing the Company's financial results for the quarter ended June 30, 2006.
- 2. Report on Form 8-K, dated September 8, 2006, announcing the declaration of a quarterly cash dividend.

No other information is required to be filed under Part II of the form.

17

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

HEARTLAND EXPRESS, INC.

Date: November 6, 2006

BY:/s/John P. Cosaert

-----

John P. Cosaert  
Executive Vice President-Finance,  
Chief Financial Officer and Treasurer  
(principal accounting and financial  
officer)

Exhibit No. 31.1

Certification

I, Russell A. Gerdin, Chairman and Chief Executive Officer of Heartland Express, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heartland Express, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or cause such disclosure controls and procedures to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2006

By: /s/ Russell A. Gerdin

-----  
Russell A. Gerdin  
Chairman and Chief Executive Officer

19

Exhibit No. 31.2

### Certification

I, John P. Cosaert, Executive Vice President, Chief Financial Officer and Treasurer of Heartland Express, Inc., certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Heartland Express, Inc. (the "Registrant");
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

- b) Designed such internal control over financial reporting, or cause such disclosure controls and procedures to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2006

By: /s/ John P. Cosaert

-----  
John P. Cosaert  
Executive Vice President-Finance  
Chief Financial Officer and Treasurer  
(principal accounting and financial  
officer)

20

Exhibit No. 32

CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
AND  
CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-Q

I, Russell A. Gerdin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Heartland Express, Inc., on Form 10-Q for the period ended September 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Heartland Express, Inc.

Dated: November 6, 2006

By: /s/ Russell A. Gerdin

-----  
Russell A. Gerdin  
Chairman and Chief Executive Officer

I, John P. Cosaert, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Heartland Express, Inc., on Form 10-Q for the period ended September 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Heartland Express, Inc.

Dated: November 6, 2006

By: /s/ John P. Cosaert

-----  
John P. Cosaert  
Executive Vice President  
and Chief Financial Officer