



NORTH LIBERTY, IOWA

## Quarterly Report to Shareholders

### Third Quarter 2011

---

#### To Our Stockholders:

Heartland Express continues to adhere to our disciplined operating model in this unstable economic environment. Cost controls, a new fleet, and the hiring of only safe experienced drivers continue to be uncompromising fundamentals in these uncertain times as are reflected in our third quarter 2011 operating results. Operating revenues, including fuel surcharge, increased 4.2% to \$132.5 million, while net income decreased 15.8% to \$15.4 million, and earnings per share were \$0.17, a 15.0% decrease over the third quarter of 2010. For the first nine month period, operating revenues, including fuel surcharge, increased 7.3% to \$397.4 million, net income increased 12.8% to \$52.8 million, with earnings per share of \$0.58, an 11.5% increase.

The Company continues to achieve the best operating ratio (operating expenses as a percentage of gross revenues) in our industry. We are very proud of our third quarter operating ratio of 81.0% and our 79.9% year-to-date operating ratio. Our net margin (net income as a percentage of operating revenues) for the third quarter of 2011 was 11.6% and 13.3% for this year's nine month period. These results were achieved in a very uncertain operating environment and are a testament to the strength of our organization. Our fuel expense increased \$9.3 million or 29.3% during the quarter primarily due to an increase in average fuel prices. The U.S. average cost of fuel was \$3.859 per gallon in the third quarter compared to \$2.940 per gallon for the same period of 2010, a 31.3% increase. We continue to focus on fuel economy and efficiency through the management of idle hours, investment in fuel efficient new tractors, trailer skirts, fuel surcharge billings, and strategic fuel purchasing decisions.

We operate one of the newest fleets of tractors and trailers in the industry. The average age of our tractor fleet was 1.8 years and the average age of our trailer fleet was 4.1 years at the end of the third quarter of 2011 and is expected to continue to improve throughout the remainder of 2011. The timing of our fleet upgrade coincides with a favorable used equipment pricing environment which is the result of delayed equipment purchases within the industry over the past few years due to economic factors. The opportunities presented through the favorable used equipment pricing have helped us in setting the table for the future. We have taken delivery of 542 new International ProStar Plus tractors through the first nine months of this year and expect to take delivery of an additional 329 new tractors in the fourth quarter. By year-end, our tractor fleet is expected to be 2010 models and newer. We have taken delivery of 2,451 new Wabash and Great Dane trailers through the first nine months of this year and expect to purchase an additional 149 new trailers in the fourth quarter. We have sold 2,453 used trailers through the first nine months of the year and anticipate the sale of up to 500 additional trailers in the fourth quarter. The trailer fleet upgrade has negatively impacted fleet utilization during the current year due to routing used trailers to various drop locations and picking up new trailers at the two manufacturer locations. We believe the short term impacts to fleet utilization have been outweighed by favorable pricing on our used equipment and taking advantage of the opportunity to significantly upgrade our fleet. We continue to manage the Company with a long-term outlook. We have spent \$50.9 million, net of sales proceeds, on new tractors and trailers over the past four quarters.

Our debt-free balance sheet with total assets of \$544.2 million continues to be a strength of our organization. Our financial stability allows us to make the decisions necessary to prepare for the future. We ended the third quarter of 2011 with cash, cash equivalents, short-term and long-term investments of \$205.6 million, a \$4.2 million decrease from our December 31, 2010 balance sheet. Long-term and short-term investments include \$67.6 million of illiquid auction rate securities which represents 32.4% of our total cash and investments balance. This compares to 92.4% of our cash and investments balance at March 31, 2008 when these investments became illiquid. Since February 2008, the Company has received \$130.9 million in calls, all at par, including \$24.2 million received during 2011 through the third quarter. Cash flows from operations for the first nine months of 2011 of \$71.9 million remain strong at 18.1% of our operating revenues. In addition, we ended the past four quarters with a return on assets of 12.7% and a 19.5% return on equity.

Heartland Express continues to enhance shareholder value through the payment of dividends and stock repurchases. The Company has now paid cash dividends of \$342.9 million, including two special dividends, over the past thirty-three consecutive quarters. This includes the October 4, 2011 dividend of \$0.02 per share. The continued payment of dividends reflects our confidence in our financial strength and future cash flows. We continue to demonstrate our belief in our long-term business plan by repurchasing shares of our common stock. We repurchased 2.2 million shares of our common stock on the open market in the third quarter at a total cost of \$29.6 million with an additional 1.2 million shares at a total cost of \$16.4 million subsequent to September 30, 2011. These shares represented 3.7% of our total outstanding shares before repurchases.

"Service for Success" is a core foundation for our organization. Our customers know they can count on us to get the job done. We have built a solid customer base through our focus on customer service. We have received fourteen recognitions this year. These awards include the Cost Plus World Market 2010 Premier Carrier Partner Award, the Eastman Chemical 2010 Supplier

Excellence Award for the eighth consecutive year, the 2010 Kellogg Complete Carrier of the Year for the second time in three years, the Lowe's 2010 Gold Carrier Award, the Transplace Platinum Seal of Approval award for the sixth year in a row, the Walmart Transportation 2010 General Merchandise Platinum Carrier of the Year Award for the second consecutive year, the FedEx Carrier of the Year, FedEx Gold Award for 99.83% on time service, FedEx Smartpost National Carrier of the Year, FedEx Smartpost Peak Performance Award, Ford Schneider National Carrier of the Year, Schneider Commercial Growth Award, Logistics Management magazine's Quest for Quality award for the 9<sup>th</sup> consecutive year and the BP Lubricants USA safe driving award for the fifth consecutive year. These awards are a direct reflection upon the caring attitudes of our employees.

The competition for safe and experienced drivers who meet our hiring standards continues to intensify as is reflected in our third quarter operating results. We will not sacrifice safety and customer service for the sake of growing. Instead we have chosen to solidify our business model in preparation for future growth opportunities. Our goal is to brand ourselves one of the safest and most financially strong employers in the industry. We have always been known for operating a new fleet, our industry leading driver pay, and our reputation for customer service. We feel we are well-prepared for regulatory changes that will impact drivers. The new federal Compliance-Safety-Accountability (CSA) program, the proposed changes to hours-of-service regulations and the proposed requirement of electronic on-board recorders (EOBR) to monitor drivers hours-of-service will change our industry and further increase the competition for drivers. Our CSA scores are already amongst the best in the industry. In addition, our entire fleet is now equipped with PeopleNet® on-board mobile communications including electronic on-board recorders and paperless logs. The hiring and retention of qualified drivers who meet our safety and professional standards has always been a primary focus within our organization. This is the biggest challenge facing our industry. The success and satisfaction of our drivers is key to our success.

We will continue to focus on the core fundamentals that have made us one of the strongest companies in the industry. Over the past five years, a period that includes both the best and worst of times for our industry, we have an 82.1% operating ratio and a 12.4% net margin. We have expended a lot of effort and financial resources over the past year to make ourselves even stronger. I have complete confidence in our team. They are hard working and disciplined, and prepared for the challenges ahead.

Thank you for your investment and confidence in Heartland Express.

Respectfully,

A handwritten signature in black ink, appearing to read "Mike Gerdin". The signature is fluid and cursive, with a large initial "M" and "G".

Mike Gerdin

Chief Executive Officer and President

HEARTLAND EXPRESS, INC.

**HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)

<b>ASSETS</b>	<b>September 30 2011</b>	<b>December 31, 2010</b>
<b>CURRENT ASSETS</b>	(Unaudited)	*
Cash, cash equivalents and short-term investments	\$ 152,447	\$ 129,420
Trade receivables, net	44,419	41,619
Prepaid tires	12,698	6,570
Other current assets	6,587	1,725
Income tax receivable	1,447	2,052
Deferred income taxes, net	14,809	12,400
Total current assets	<u>232,407</u>	<u>193,786</u>
<b>PROPERTY AND EQUIPMENT</b>	407,327	386,188
Less accumulated depreciation	161,829	165,736
	<u>245,498</u>	<u>220,452</u>
<b>LONG-TERM INVESTMENTS</b>	53,144	80,394
<b>OTHER ASSETS</b>	13,129	11,403
	<u>\$ 544,178</u>	<u>\$ 506,035</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 16,568	\$ 10,972
Accrued expenses	40,936	37,928
Total current liabilities	<u>57,504</u>	<u>48,900</u>
<b>LONG-TERM LIABILITIES</b>		
Income taxes payable	23,501	27,313
Deferred income taxes, net	56,869	40,917
Insurance accruals less current portion	54,367	54,718
Total long-term liabilities	<u>134,737</u>	<u>122,948</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock, common, \$.01 par value; authorized 395,000 shares; issued, 90,689 shares in 2011 and 2010; outstanding, 88,482 and 90,689 shares in 2011 and 2010, respectively	907	907
Additional paid-in capital	439	439
Retained earnings	383,315	335,922
Treasury stock, at cost; 2,207 shares in 2011	(29,643)	—
Accumulated other comprehensive loss	(3,081)	(3,081)
	<u>351,937</u>	<u>334,187</u>
	<u>\$ 544,178</u>	<u>\$ 506,035</u>

\*Taken from audited financial statements which are not presented in their entirety.

**HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>OPERATING REVENUE</b>	\$ 132,529	\$ 127,245	\$ 397,413	\$ 370,273
<b>OPERATING EXPENSES:</b>				
Salaries, wages, and benefits	\$ 40,903	\$ 42,581	\$ 124,832	\$ 125,439
Rent and purchased transportation	1,832	2,343	5,767	7,270
Fuel	40,966	31,690	122,421	92,242
Operations and maintenance	5,257	5,039	16,504	12,610
Operating taxes and licenses	2,400	2,166	6,952	6,191
Insurance and claims	3,920	1,993	10,373	10,366
Communications and utilities	770	906	2,141	2,668
Depreciation	14,900	15,139	40,942	46,241
Other operating expenses	3,248	4,278	10,119	10,805
Gain on disposal of property and equipment	(6,799)	(7,951)	(22,329)	(10,484)
	<u>107,397</u>	<u>98,184</u>	<u>317,722</u>	<u>303,348</u>
Operating Income	25,132	29,061	79,691	66,925
Interest income	174	347	620	1,166
Income before income taxes	25,306	29,408	80,311	68,091
Federal and state income taxes	9,907	11,111	27,501	21,254
Net Income	<u>\$ 15,399</u>	<u>\$ 18,297</u>	<u>\$ 52,810</u>	<u>\$ 46,837</u>
Earnings per share	<u>\$ 0.17</u>	<u>\$ 0.20</u>	<u>\$ 0.58</u>	<u>\$ 0.52</u>
Weighted average shares outstanding	<u>90,129</u>	<u>90,689</u>	<u>90,500</u>	<u>90,689</u>
Dividends declared per share	<u>\$ 0.02</u>	<u>\$ 1.02</u>	<u>\$ 0.06</u>	<u>\$ 1.06</u>

Statements by the Company in reports to its stockholders and public filings, as well as oral public statements by Company representatives may contain certain forward looking information that is subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Without limitation, these risks and uncertainties include economic recessions or downturns in customers' business cycles, excessive increases in capacity within truckload markets, decreased demand for transportation services offered by the Company, rapid inflation and fuel price increases, increases in interest rates, and the availability and compensation of qualified drivers and owner-operators. Readers should review and consider the various disclosures made by the Company in its reports to its stockholders and reports on forms 10-K and 10-Q.

