To Our Stockholders:

As we enter our 31st year, we continue to experience one of the toughest operating environments in the history of our company. Record fuel prices and a weakened freight environment have pressed upon even the strong in our industry. As CEO, I can tell you that it has not been easy, however, our steadfast commitment to our core values year-in and year-out over thirty years have put us in a position of strength to ask not "how do we survive?", but "how can we make the best better?". Despite the difficult operating environment in 2007, we move forward confidently. As we prepare for stronger shipping demand of tomorrow, we have challenged ourselves to be better and hold fast in our commitment to provide our customers with the highest of quality service. We are confident tremendous opportunity exists in our industry for those who effectively provide quality service while managing the challenges of today and positioning themselves for tomorrow. I am proud to write that Heartland Express remains financially strong and well positioned as a recognized leader in truckload transportation.

We finished the year with gross revenues of $591.9 million, a $20 million increase over 2006, and net income of $76.2 million. Over the past twenty-one years as a public company, our gross revenues have grown at a compounded rate of 17.1% per year, and our earnings per share has grown at a compounded rate of 16.8%. During 2007, in a difficult operating period, we finished the year with an operating ratio of 81.3% and 12.9% net margin. Our balance sheet remained strong, continuing to be debt free with total assets of $526.3. We ended 2007 with return on assets of 12.7%, return on equity of 18.2% and cash flow from operations for the year of $119.6 million, 20.2% of operating revenues.

With a history of strong operating results, the company has paid cash dividends over the past eighteen consecutive quarters totaling $224.6 million, including a special dividend of $196.5 million in May, 2007. During the past year, the company repurchased and retired 1.3 million shares of the company's common stock, demonstrating continued confidence in our performance and future prospects. Our solid financial position has allowed us to continue to improve shareholder return with cash dividends and share repurchases.

Diesel fuel prices continue to increase to record levels. This coupled with less fuel efficient engines, brought about by stringent engine emission standards mandated by the Environmental Protection Agency, have made effective management of our fuel program more important than ever. We continue to focus on the administration of fuel surcharge billings, management of efficient consumption habits, and management of fuel purchasing to respond to this challenge. We have focused on increasing the use of bulk fuel at our terminals, and taking advantage of new terminal fueling opportunities at our new Phoenix facility. During 2007 we partnered with the U.S. Environmental Protection Agency through the Smartway Transport Partnership, which seeks to increase fuel efficiency and reduce emissions by initiatives such as reducing unnecessary engine idling.

We continue to strengthen our fleet equipment with late model tractors and trailers. During the year we took delivery of 200 new International tractors and 700 new Wabash trailers. The average age of our tractor fleet at year end was 2.1 years while our trailer fleet averaged 3.8 years.

Our history testifies to the importance of quality drivers to our success. We have not wavered in our commitment to them and continue to focus on the hiring of experienced drivers with a history of safe driving. Though we experienced more availability of qualified drivers during 2007, driver hiring remains a challenge to our industry. Our goal remains to have a quality driver in every truck. A driver that understands the importance of safe driving and customer service. Recently, the Federal Department of Transportation *performed a safety compliance review of our operations, and gave our company the highest rating that can be given. I am thankful for the results and credit great people embracing safety and service. A big part of that is all about drivers. The challenges of life on the road for our drivers are not easy. I will continue to champion an industry leading compensation package to ensure a rewarding career for them.*

Regional operations were once again integral to our operations, accounting for 72.6% of our business in the past year. The quality service that our regional operating centers provide within their respective geographic regions remains a core strength of our company. In 2007 we successfully completed construction of a new operational and maintenance facility in Phoenix, Arizona. This new terminal supports a solid footing to our growth and expansion in the Western regions of the United States.

After operating from our Coralville, Iowa location for near 30 years it became apparent that a new location for our corporate headquarters was needed. After much planning and anticipation we relocated to our new facilities in North Liberty, Iowa in July of 2007. The new office and shop facility, visibility located on I-380 and functionally designed for operational efficiency, is all that we expected and more.

It was an especially exciting year to provide exceptional quality service to our customers. Our core beliefs resonate in our company's motto, "Service for Success." We are proud to be recognized by more customers during this past year than in any other year in our company's history. For delivering the highest quality of service, Heartland received thirteen service awards this past year, from some of the finest companies in America, which included:

> *Sears, Carrier of the year; FedEx, "Carrier of the year"; Wal-Mart, "Carrier of the year"; FedEx, "99.96% Platinum Service Award"; Sears, "Partners in Progress Award", FedEx SmartPost, "Carrier of the year"; Eastman, "Supplier Excellence Award"; Schneider Logistics, "Carrier of the year", Kellogg's, "National Carrier of the year"; United Sugars, "Dry van Carrier of the year"; Dupont, "Outstanding Service award"; BP, "Driving Safety Standard Award"; and Transplace, "Best Customer Service".*

Along with these awards, for the fifth consecutive year, Heartland received Logistic Management's coveted "Quest for Quality" award. Heartland is and continues to be branded as one of the best service carriers in America. These awards stand as a complement and a challenge to our people to keep reaching to be the best. Our company is also excited to once again be recognized by Forbes Magazine in 2007 as one of the "Best 200 Small Companies in America" for the sixth consecutive year, and sixteen times in the past twenty-one years. Heartland Express is one of only twelve companies in the nation to be honored on this list for the past six consecutive years. This honor is a reflection of the hard work and dedication of our employees, and their belief in our organization.

As Michael Gerdin nears his second anniversary as President of Heartland you can not imagine how proud I am of Michael and the Heartland team. The same passion and desire exists today in our organization that I had when I started 40 years ago. Though personally battling health issues has pulled me away from the day to day it has given me the opportunity to fully recognize the strength and depth of talent that we have in our organization to carry us forward.

The challenges pressing on our industry are not easy ones but our company has never been better positioned to manage through them. Our consistent execution of our long-term plan makes us stronger every year, in both the tough times as well as the more prosperous. Our solid financial position, our desire and ability to take care of our customers, and the outstanding effort and dedication of our employees combine to give us much confidence and excitement to continue building a strong future in 2008 and beyond. I am truly blessed to lead an organization that has so many that care so much. Thank you for your continued investment and confidence in Heartland Express.

Respectfully,

Russell Gerdin

Russell A. Gerdin
Chairman, Chief Executive Officer

Business

This Annual Report contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may be identified by their use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "intends," and similar terms and phrases. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Readers should review and consider the factors discussed in "Risk Factors" of this Annual Report on Form 10-K, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

General

Heartland Express, Inc. ("Heartland" or the "Company") is a short-to-medium haul truckload carrier with corporate headquarters in North Liberty, Iowa and operating regional terminal locations in eight states outside of Iowa. The Company provides regional dry van truckload services from its eight regional operating centers plus its corporate headquarters. The Company transports freight for major shippers and generally earns revenue based on the number of miles per load delivered. The Company's primary traffic lanes are between customer locations east of the Rocky Mountains. In the second quarter of 2005, the Company expanded to the Western United States with the opening of a terminal in Phoenix, Arizona. The keys to maintaining a high level of service are the availability of late-model equipment and experienced drivers. Management believes that the Company's service standards and equipment accessibility have made it a core carrier to many of its major customers.

Heartland was founded by Russell A. Gerdin in 1978 and became publicly traded in November 1986. Over the twenty-one years from 1986 to 2007, Heartland has grown to $591.9 million in revenue from $21.6 million and net income has increased to $76.2 million from $3.0 million. Much of this growth has been attributable to expanding service for existing customers, acquiring new customers, and continued expansion of the Company's operating regions. More information regarding the Company's revenues and profits for the past three years can be found in our "Consolidated Statements of Income" that is included in this report.

In addition to internal growth, Heartland has completed five acquisitions since 1987 with the most recent in 2002. In June 2002, the Company purchased the business and trucking assets of Chester, Virginia based truckload carrier Great Coastal Express. These five acquisitions have enabled Heartland to solidify its position within existing regions, expand into new operating regions, and to pursue new customer relationships in new markets. The Company will continue to evaluate acquisition candidates that meet its financial and operating objectives.

Heartland Express, Inc. is a holding company incorporated in Nevada, which owns all of the stock of Heartland Express Inc. of Iowa, Heartland Express Services, Inc., Heartland Express Maintenance Services, Inc., and A & M Express, Inc. The Company operates as one reportable operating segment.

Operations

Heartland's operations department focuses on the successful execution of customer expectations and providing consistent opportunity for the fleet of employee drivers and independent contractors, while maximizing equipment utilization. These objectives require a combined effort of marketing, regional operations managers, and fleet management.

The Company's operations department is responsible for maintaining the continuity between the customer's needs and Heartland's ability to meet those needs by communicating customer's expectations to the fleet management group. They are charged with development of customer relationships, ensuring service standards, coordinating proper freight-to-capacity balancing, trailer asset management, and daily tactical decisions pertaining to matching the customer demand with the appropriate capacity within geographical service areas. They assign orders to drivers based on well-defined criteria, such as driver safety and United States Department of Transportation (the "DOT") compliance, customer needs and service requirements, equipment utilization, driver time at home, operational efficiency, and equipment maintenance needs.

Fleet management employees are responsible for driver management and development. Additionally, they maximize the capacity that is available to the organization to meet the service needs of the Company's customers. Their responsibilities include meeting the needs of the drivers within the standards that have been set by the organization and communicating the requirements of the customers to the drivers on each order to ensure successful execution.

Serving the short-to-medium haul market (512-mile average length of haul in 2007) permits the Company to use primarily single, rather than team drivers and dispatch most loads directly from origin to destination without an intermediate equipment change other than for driver scheduling purposes.

Heartland also operates eight specialized regional distribution operations in Atlanta, Georgia; Carlisle, Pennsylvania; Columbus, Ohio; Jacksonville, Florida; Kingsport, Tennessee; Chester, Virginia; Olive Branch, Mississippi; and Phoenix, Arizona in addition to operations at our corporate headquarters. These short-haul operations concentrate on freight movements generally within a 400-mile radius of the regional terminal and are designed to meet the needs of significant customers in those regions.

Personnel at the regional locations manage these operations, and the Company uses a centralized computer network and regular communication to achieve company-wide load coordination.

The Company emphasizes customer satisfaction through on-time performance, dependable late-model equipment, and consistent equipment availability to meet the volume requirements of its large customers. The Company also maintains a high trailer to tractor ratio, which facilitates the positioning of trailers at customer locations for convenient loading and unloading. This minimizes waiting time, which increases tractor utilization and promotes driver retention.

Customers and Marketing

The Company targets customers in its operating area with multiple, time-sensitive shipments, including those utilizing "just-in-time" manufacturing and inventory management. In seeking these customers, Heartland has positioned itself as a provider of premium service at compensatory rates, rather than competing solely on the basis of price. Freight transported for the most part is non-perishable and predominantly does not require driver handling. We believe Heartland's reputation for quality service, reliable equipment, and equipment availability makes it a core carrier for many of its customers.

Heartland seeks to transport freight that will complement traffic in its existing service areas and remain consistent with the Company's focus on short-to-medium haul and regional distribution markets. Management believes that building lane density in the Company's primary traffic lanes will minimize empty miles and enhance driver "home time."

The Company's 25, 10, and 5 largest customers accounted for 69%, 50%, and 36% of revenue, respectively, in 2007. The Company's primary customers include retailers and manufacturers. The distribution of customers is not significantly different from the previous year. One customer accounted for 13% of revenue in 2007 which was also not significantly different from the previous year. No other customer accounted for as much as ten percent of revenue.

Seasonality

The nature of the Company's primary traffic (appliances, automotive parts, consumer products, paper products, packaged foodstuffs, and retail goods) causes it to be distributed with relative uniformity throughout the year. However, seasonal variations during and after the winter holiday season have historically resulted in reduced shipments by several industries. In addition, the Company's operating expenses historically have been higher during the winter months due to increased operating costs and higher fuel consumption in colder weather.

Drivers, Independent Contractors, and Other Employees

Heartland relies on its workforce in achieving its business objectives. As of December 31, 2007, Heartland employed 3,291 persons. The Company also contracted with independent contractors to provide and operate tractors. Independent contractors own their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and highway use taxes. The Company historically has operated a combined fleet of company and independent contractor tractors.

Management's strategy for both employee drivers and independent contractors is to (1) hire only safe and experienced drivers; (2) promote retention with an industry leading compensation package, positive working conditions, and targeting freight that requires little or no handling; and (3) minimize safety problems through careful screening, mandatory drug testing, continuous training, and financial rewards for accident-free driving. Heartland also seeks to minimize turnover of its employee drivers by providing modern, comfortable equipment, and by regularly scheduling them to their homes. All drivers are generally compensated on the basis of miles driven including empty miles. This provides an incentive for the Company to minimize empty miles and at the same time does not penalize drivers for inefficiencies of operations that are beyond their control.

Heartland is not a party to a collective bargaining agreement. Management believes that the Company has good relationships with its employees.

Revenue Equipment

Heartland's management believes that operating high-quality, efficient equipment is an important part of providing excellent service to customers. All tractors are equipped with satellite-based mobile communication systems. This technology allows for efficient communication with our drivers to accommodate the needs of our customers. A uniform fleet of tractors and trailers are utilized to minimize maintenance costs and to standardize the Company's maintenance program. In June 2004, the Company began the replacement of its entire tractor fleet with trucks manufactured by Navistar International Corporation. At December 31, 2007, primarily all the Company's tractors are manufactured by Navistar International Corporation. Primarily all of the Company's trailers are manufactured by Wabash National Corporation. The Company operates the majority of its tractors while under warranty to minimize repair and maintenance cost and reduce service interruptions caused by breakdowns. In addition, the Company's preventive maintenance program is designed to minimize equipment downtime, facilitate customer service, and enhance trade value when equipment is replaced. Factors considered when purchasing new equipment include fuel economy, price, technology, warranty terms, manufacturer support, driver comfort, and resale value. Owner-operator tractors are regularly inspected by the Company for compliance with operational and safety requirements of the Company and the DOT.

Effective October 1, 2002, the Environmental Protection Agency (the "EPA") implemented engine requirements designed to reduce emissions. These requirements have been/will be implemented in multiple phases starting in 2002 and require progressively more restrictive emission requirements through 2010. Beginning in January 2007, all newly manufactured truck engines must comply with a new set of more restrictive engine emission requirements. Compliance with the new emission standards have resulted in a significant increase in the cost of new tractors, lower fuel efficiency, and higher maintenance costs. Prior to the new engine emission requirements that became effective January 1, 2007, the Company completed a fleet upgrade of tractors with pre-January 2007 engine requirements. As of December 31, 2007, 100% of the Company's tractor fleet continues to be models with pre-January 2007 engine requirements. Beginning in 2010 a new set of more restrictive engine emission requirements will become effective. The inability to recover tractor cost increases, as a result of new engine emission requirements, with rate increases or cost reduction efforts could adversely affect the Company's results of operations.

Fuel

The Company purchases over-the-road fuel through a network of approximately 22 fuel stops throughout the United States at which the Company has negotiated price discounts. In addition, bulk fuel sites are maintained at the nine Company regional operating centers, including its corporate headquarters, plus two service terminal locations in order to take advantage of volume pricing. Both above ground and underground storage tanks are utilized at the bulk fuel sites. Exposure to environmental clean up costs is minimized by periodic inspection and monitoring of the tanks.

Increases in fuel prices can have an adverse effect on the results of operations. The Company has fuel surcharge agreements with most customers enabling the pass through of long-term price increases. Operating income during the fourth quarter of 2007 was negatively impacted approximately $4.6 million due to an increase in fuel prices. Fuel costs did not have a material effect on operating income during the fourth quarter of 2006. Fuel consumed by empty and out-of-route miles and by truck engine idling time is not recoverable.

Competition

The truckload industry is highly competitive and fragmented with thousands of carriers of varying sizes. The Company competes with other truckload carriers; primarily those serving the regional, short-to-medium haul market. Logistics providers, railroads, less-than-truckload carriers, and private fleets provide additional competition but to a lesser extent. The industry is highly competitive based primarily upon freight rates, service, and equipment availability. The Company competes effectively by providing high-quality service and meeting the equipment needs of targeted shippers. In addition, there is a strong competition within the industry for hiring of drivers and independent contractors.

Safety and Risk Management

We are committed to promoting and maintaining a safe operation. Our safety program is designed to minimize accidents and to conduct our business within governmental safety regulations. The Company hires only safe and experienced drivers. We communicate safety issues with drivers on a regular basis and emphasize safety through equipment specifications and regularly scheduled maintenance intervals. Our drivers are compensated and recognized for the achievement of a safe driving record.

The primary risks associated with our business include cargo loss and physical damage, personal injury, property damage, and workers' compensation claims. The Company self-insures a portion of the exposure related to all of the aforementioned risks. Insurance coverage, including self-insurance retention levels, is evaluated on an annual basis. The Company actively participates in the settlement of each claim incurred.

The Company self-insures auto liability (personal injury and property damage) claims up to $1.0 million per occurrence. In addition, the Company is responsible for the first $2.0 million in the aggregate for all claims in excess of $1.0 million and below $2.0 million. Liabilities in excess of these amounts and up to $50.0 million per occurrence are covered through insurance policies. The Company retains any liability in excess of $50.0 million. Catastrophic physical damage coverage is carried to protect against natural disasters. The Company self-insures workers' compensation claims up to $1.0 million per occurrence. The Company increased the retention amount from $500,000 to $1.0 million effective April 1, 2005. All liabilities in excess of $1.0 million are covered through insurance policies. In addition, primary and excess coverage is maintained for employee medical and hospitalization expenses.

Regulation

The Company is a common and contract motor carrier regulated by the DOT and various state and local agencies. The DOT generally governs matters such as safety requirements, registration to engage in motor carrier operations, insurance requirements, and periodic financial reporting. During February 2008, the DOT performed a safety compliance review of the Company and our satisfactory DOT safety rating was renewed, which is the highest available rating. A conditional or unsatisfactory DOT safety rating could have an adverse effect on the Company, as some of the Company's contracts with customers require a satisfactory rating. Such matters as weight and dimensions of equipment are also subject to federal, state, and international regulations.

In response to the recent decision by the D.C. Circuit Court of Appeals vacating two key provisions of the existing hours of service rules, the Federal Motor Carrier Safety Administration (the "FMCSA") of the U.S. Department of Transportation issued an Interim Final Rule ("IFR") on December 17, 2007 which became effective on December 27, 2007. The FMCSA stated that the IFR temporarily reinstates those two provisions while the agency gathers public comment on its actions. The two rules discussed are the 11 hour driving rule, and the 34 hour restart to the 70 hour rule. Shortly after the IFR was published, an activist group petitioned the court to again vacate the rules. On January 24, 2008, the Court denied the petition to vacate the rules. Accordingly, the IFR remains in effect until a final rule is issued; though, additional challenges to the IFR are still possible.

We may also become subject to new or more restrictive regulations relating to matters such as fuel emissions and ergonomics. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing. Additional changes in the laws and regulations governing our industry could affect the economics of the industry by requiring changes in operating practices or by influencing the demand for, and the costs of providing, services to shippers.

The Company's operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the EPA and similar state regulatory agencies. These laws and regulations include the management of underground fuel storage tanks, the transportation of hazardous materials, the discharge of pollutants into the air and surface and underground waters, and the disposal of hazardous waste. The Company transports an insignificant number of hazardous material shipments. Management believes that its operations are in compliance with current laws and regulations and does not know of any existing condition that would cause compliance with applicable environmental regulations to have a material effect on the Company's capital expenditures, earnings and competitive position. In the event the Company should fail to comply with applicable regulations, the Company could be subject to substantial fines or penalties and to civil or criminal liability.

Available Information

The Company files its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q, Definitive Proxy Statements and periodic Current Reports on Form 8-K with the Securities and Exchange Commission (the "SEC"). The public may read and copy any material filed by the Company with the SEC at the SEC's Public Reference Room at 450 Fifth Street NW, Washington, DC 20549. The public may obtain information from the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K and other information filed with the SEC are available to the public over the Internet at the SEC's website at http://www.sec.gov and through a hyperlink on the Company's Internet website, at http://www.heartlandexpress.com. Information on the Company's website is not incorporated by reference into this annual report on Form 10-K.

RISK FACTORS

Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook.

Our business is subject to general economic and business factors that are largely out of our control.

Our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. The most significant of these factors are recessionary economic cycles, changes in customers' inventory levels, excess tractor or trailer capacity in comparison with shipping demand, and downturns in customers' business cycles. Economic conditions, particularly in market segments and industries where we have a significant concentration of customers and in regions of the country where we have a significant amount of business, that decrease shipping demand or increase the supply of tractors and trailers can exert downward pressure on rates or equipment utilization, thereby decreasing asset productivity. Adverse economic conditions also may harm our customers and their ability to pay for our services. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our allowance for doubtful accounts.

We are subject to factors within the capital markets that may affect our short-term liquidity. Primarily all of the Company's investments as of December 31, 2007 are in short-term investments in auction rate student loan educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days with contractual maturities generally greater than 20 years from the date of original issuance. All investments held by the Company have AAA (or equivalent) ratings from recognized rating agencies. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold in an auction. There is no guarantee that when the Company elects to participate in an auction and therefore sell investments, that a willing buyer will purchase the security and therefore the Company receive cash upon the election to sell. Upon an unsuccessful auction, the interest rate of the underlying investment is reset to a default maximum interest rate as stated in the prospectus of the underlying security. Until a subsequent auction is successful or the underlying security is called by the issuer, the Company will be required to hold the underlying investment until maturity. The Company only holds senior positions of underlying securities. The Company does not invest in asset backed securities and does not have direct securitized sub-prime mortgage loans exposure or loans to, commitments in, or investments in sub-prime lenders. Should the Company have a need to liquidate any of these investments, the Company may be required to discount these securities for liquidity but the Company currently does not have this liquidity requirement. If current conditions in the credit and capital markets continue, we may be required to recognize impairments and/or reclassify these investments from short-term to long-term investments.

We are also subject to increases in costs that are outside of our control that could materially reduce our profitability if we are unable to increase our rates sufficiently. Such cost increases include, but are not limited to, declines in the resale value of used equipment, increases in interest rates, fuel prices, taxes, tolls, license and registration fees, insurance costs, and cost of revenue equipment, and healthcare for our employees. We could be affected by strikes or other work stoppages at customer, port, border, or other shipping locations.

In addition, we cannot predict the effects on the economy or consumer confidence of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures could impair our operating efficiency and productivity and result in higher operating costs.

Our growth may not continue at historic rates.

Historically, we have experienced significant and rapid growth in revenue and profits. There can be no assurance that our business will continue to grow in a similar fashion in the future or that we can effectively adapt our management, administrative, and operational systems to respond to any future growth. Further, there can be no assurance that our operating margins will not be adversely affected by future changes in and expansion of our business or by changes in economic conditions.

Increased prices, reduced productivity, and restricted availability of new revenue equipment may adversely affect our earnings and cash flows.

We have experienced higher prices for new tractors over the past few years, partially as a result of government regulations applicable to newly manufactured tractors and diesel engines, in addition to higher commodity prices and better pricing power among equipment manufacturers. More restrictive Environmental Protection Agency, or EPA, emissions standards that began in 2002 with additional new requirements for 2007 have required vendors to introduce new engines. Additional EPA mandated emission standards will become effective for newly manufactured trucks beginning in January 2010. Our business could be harmed if we are unable to continue to obtain an adequate supply of new tractors and trailers. At December 31, 2007, 100% of our tractor fleet was comprised of tractors with pre-2007 engines that meet EPA-mandated clean air standards. We expect to continue to pay increased prices for equipment. Furthermore, when we do decide to purchase tractors with post-2007 engines, such engines are expected to reduce equipment productivity and lower fuel mileage, thereby, increasing our operating expenses.

In addition, a decreased demand for used revenue equipment could adversely affect our business and operating results. We rely on the sale and trade-in of used revenue equipment to offset the cost of new revenue equipment. The demand for used revenue equipment is currently stable. However, a reversal of this trend could result in lower market values. This would increase our capital expenditures for new revenue equipment, decrease our gains on sale of revenue equipment, or increase our maintenance costs if management decides to extend the use of revenue equipment in a depressed market.

If fuel prices increase significantly, our results of operations could be adversely affected.

We are subject to risk with respect to purchases of fuel. Prices and availability of petroleum products are subject to political, economic, and market factors that are generally outside our control. Political events in the Middle East, Venezuela, and elsewhere, as well as hurricanes and other weather-related events, may cause the price of fuel to increase. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. Historically, we have sought to recover a portion of short-term increases in fuel prices from customers through fuel surcharges. Fuel surcharges that can be collected do not always fully offset the increase in the cost of diesel fuel. To the extent we are not successful in these negotiations our results of operations may be adversely affected.

Difficulty in driver and independent contractor recruitment and retention may have a materially adverse effect on our business.

Difficulty in attracting or retaining qualified drivers, including independent contractors, could have a materially adverse effect on our growth and profitability. Our independent contractors are responsible for paying for their own equipment, fuel, and other operating costs, and significant increases in these costs could cause them to seek higher compensation from us or seek other opportunities within or outside the trucking industry. In addition, competition for drivers, which is always intense, continues to increase. If a shortage of drivers should continue, or if we were unable to continue to attract and contract with independent contractors, we could be forced to limit our growth, experience an increase in the number of our tractors without drivers, which would lower our profitability, or be required to further adjust our driver compensation package. We have increased our driver compensation on several occasions recently. While no additional pay increases are planned for 2008, increases in driver compensation could adversely affect our profitability if not offset by a corresponding increase in rates.

We operate in a highly regulated industry, and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business.

Our operations are regulated and licensed by various U.S. agencies. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the United States Department of Transportation, including those relating to drug and alcohol testing and hours-of-service. Such matters as weight and equipment dimensions are also subject to U.S. regulations. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours-of-service, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security (the "DHS"), also regulate our equipment, operations, and drivers. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us, or by our suppliers who pass the costs onto us through higher prices, could adversely affect our results of operations.

The DOT, through the Federal Motor Carrier Safety Administration Act, imposes safety and fitness regulations on us and our drivers. The FMCSA has proposed a rule that may require companies with a history of serious hours-of-service violations to install electronic on-board recorders (EOBR) in all of their commercial vehicles. This installation would be for a minimum of two years. On January 30, 2008, The Company completed a full FMSCA compliance review which found no evidence of any serious violations thereby maintaining its Satisfactory Safety Rating. The FMCSA is currently studying rules relating to braking distance and on-board data recorders that could result in new rules being proposed. We are unable to predict the effects, if any, such proposed rules may have on the Company.

In the aftermath of the September 11, 2001 terrorist attacks, federal, state, and municipal authorities have implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. The Transportation Security Administration (the "TSA") of the DHS has adopted regulations that require determination by the TSA that each driver who applies for or renews his or her license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers, which could require us to increase driver compensation, limit our fleet growth, or let trucks sit idle. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so. These security measures could negatively impact our operating results.

Some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. These restrictions could force us to alter our drivers' behavior, purchase on-board power units that do not require the engine to idle, or face a decrease in productivity.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

In addition to direct regulation by the DOT and other agencies, we are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm-water. We operate in industrial areas, where truck terminals and other industrial facilities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain bulk fuel storage and fuel islands at the majority of our facilities.

If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

Our business also is subject to the effects of new tractor engine design requirements implemented by the EPA such as those that became effective October 1, 2002, and additional EPA emission requirements that became effective in January 2007 which are discussed above under "Risk Factors – Increased prices, reduced productivity, and restricted availability of new revenue equipment may adversely affect our earnings and cash flows." Additional changes in the laws and regulations governing or impacting our industry could affect the economics of the industry by requiring changes in operating practices or by influencing the demand for, and the costs of providing, services to shippers.

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.

Historically, acquisitions have been a part of our growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our growth rate could be materially and adversely affected. Any acquisitions we undertake could involve the dilutive issuance of equity securities and/or incurring indebtedness. In addition, acquisitions involve numerous risks, including difficulties in assimilating the acquired company's operations, the diversion of our management's attention from other business concerns, risks of entering into markets in which we have had no or only limited direct experience, and the potential loss of customers, key employees, and drivers of the acquired company, all of which could have a materially adverse effect on our business and operating results. If we make acquisitions in the future, we cannot guarantee that we will be able to successfully integrate the acquired companies or assets into our business.

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.

We are highly dependent upon the services of several executive officers and key management employees. The loss of any of their services could have a short-term, negative impact on our operations and profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. Failing to develop and retain a core group of managers could have a materially adverse effect on our business. The Company has developed a structured business plan and procedures to prevent a long-term effect on future profitability due to the loss of key management employees.

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.

A significant portion of our revenue is generated from several major customers. For the year ended December 31, 2007, our top 25 customers, based on revenue, accounted for approximately 69% of our revenue. This was not significantly different than the previous year. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

Seasonality and the impact of weather affect our operations and profitability.

Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase and fuel efficiency declines because of engine idling and harsh weather which creates higher accident frequency, increased claims, and more equipment repairs. We can also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice storms, and floods that could harm our results or make our results more volatile.

Ongoing insurance and claims expenses could significantly reduce our earnings.

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We also are responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and related expenses. We periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase, or if we experience a claim in excess of our coverage limits, or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

We are dependent on computer and communications systems, and a systems failure could cause a significant disruption to our business.

Our business depends on the efficient and uninterrupted operation of our computer and communications hardware systems and infrastructure. We currently use a centralized computer network and regular communication to achieve system-wide load coordination. Our operations and those of our technology and communications service providers are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, Internet failures, computer viruses, and other events beyond our control. In the event of a significant system failure, our business could experience significant disruption.

We operate in a highly regulated industry and changes in regulations could have a materially adverse effect on our business.

Our operations are regulated and licensed by various government agencies, including the DOT. The DOT, through the Federal Motor Carrier Safety Administration, or FMCSA, imposes safety and fitness regulations on us and our drivers. New rules that limit driver hours-of-service were adopted effective January 4, 2004, and then modified effective October 1, 2005 (the "2005 Rules"). On July 24, 2007, a federal appeals court vacated portions of the 2005 Rules. Two of the key portions that were vacated include the expansion of the driving day from 10 hours to 11 hours, and the "34-hour restart," which allows drivers to restart calculations of the weekly on-duty time limits after the driver has at least 34 consecutive hours off duty. The court indicated that, in addition to other reasons, it vacated these two portions of the 2005 Rules because FMCSA failed to provide adequate data supporting its decision to increase the driving day and provide for the 34-hour restart. Following a request by FMCSA for a 12-month extension of the vacated rules, the court, in an order filed on September 28, 2007, granted a 90-day stay of the mandate and directed that issuance of its ruling be withheld until December 27, 2007, to allow FMSCA time to prepare its response. On December 17, 2007, FMCSA submitted the IFR, which became effective December 27, 2007. The IFR retains the 11 hour driving day and the 34-hour restart, but provides greater statistical support and analysis regarding the increased driving time and the 34-hour restart. On January 23, 2008, a federal court denied an advocacy group's request that it prevent FMCSA from implementing the IFR. Accordingly, the IFR remains in effect; though, challenges to the IFR are still possible. FMCSA is currently taking comments on the IFR, which are due no later than February 15, 2008, and expects to publish a final rule later in 2008. As advocacy groups may continue to challenge the IFR, a court's decision to strike down the IFR could have varying effects, as reducing driving time to 10 hours daily may reduce productivity in some lanes, while eliminating the 34-hour restart could enhance productivity in certain instances. As a result, such a ruling could decrease productivity and cause some loss of efficiency, as drivers and shippers may need to be retrained, computer programming may require modifications, additional drivers may need to be employed or engaged, additional equipment may need to be acquired, and some shipping lanes may need to be reconfigured. We are also unable to predict the effect of any new rules that might be proposed, but any such proposed rules could increase costs in our industry or decrease productivity.

PROPERTIES

Heartland's headquarters are located in North Liberty, Iowa which is located on Interstate 380 near the intersection of Interstates 380 and 80. This represents a centralized location along the Cedar Rapids/Iowa City business corridor. Prior to July 2007, Heartland's headquarters were located adjacent to Interstate 80, near Iowa City, Iowa. The new headquarters was funded with proceeds from the sale of the previous headquarters location, sales of company-owned facilities in Columbus, Ohio, and Dubois, Pennsylvania, and cash flows from operations. The following table provides information regarding the Company's facilities and/or offices:

Company Location	Office	Shop	Fuel	Owned or Leased
North Liberty, Iowa (1)	Yes	Yes	Yes	Owned
Ft. Smith, Arkansas	No	Yes	Yes	Owned
O'Fallon, Missouri	No	Yes	Yes	Owned
Atlanta, Georgia	Yes	Yes	Yes	Owned
Columbus, Ohio	Yes	Yes	Yes	Owned
Jacksonville, Florida	Yes	Yes	Yes	Owned
Kingsport, Tennessee	Yes	Yes	Yes	Owned
Olive Branch, Mississippi	Yes	Yes	Yes	Owned
Chester, Virginia	Yes	Yes	Yes	Owned
Carlisle, Pennsylvania	Yes	Yes	Yes	Owned
Phoenix, Arizona (2)	Yes	Yes	Yes	Owned

(1) The Company moved into its new corporate headquarters in July 2007. Prior to July 2007 the Company's headquarters were located near Iowa City, Iowa and was located on owned and leased property.

(2) The Company leased a facility in Phoenix, Arizona for a portion of 2007. In 2005, the Company acquired fourteen acres of land in Phoenix, Arizona for the construction of a new regional operating facility. Construction began in 2006 and was completed in the second quarter of 2007. Construction was financed by cash flows from operations. The leased facilities did not include fuel facilities.

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

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

Price Range of Common Stock

The Company's common stock trades on the NASDAQ Global Select Market under the symbol HTLD. The following table sets forth, for the calendar periods indicated, the range of high and low price quotations for the Company's common stock as reported by the NASDAQ Global Select Market and the Company's dividends declared per common share from January 1, 2006 to December 31, 2007. The prices and dividends declared have been restated to reflect a four-for-three stock split on May 15, 2006.

Period	High	Low	Dividends Declared per Common Share
Calendar Year 2007			
1st Quarter	$ 17.81	$ 15.14	$.020
2nd Quarter	18.92	15.36	2.02
3rd Quarter	17.46	14.11	.020
4th Quarter	15.80	12.98	.020
Calendar Year 2006			
1st Quarter	$ 18.75	$ 14.55	$.015
2nd Quarter	19.59	15.73	.020
3rd Quarter	18.51	14.10	.020
4th Quarter	17.71	14.79	.020

On January 31, 2008, the last reported sale price of our common stock on the NASDAQ Global Select Market was $16.25 per share.

The prices reported reflect inter-dealer quotations without retail mark-ups, markdowns or commissions, and may not represent actual transactions. As of February 1, 2008, the Company had 193 stockholders of record of its common stock. However, the Company estimates that it has a significantly greater number of stockholders because a substantial number of the Company's shares of record are held by brokers or dealers for their customers in street names.

Dividend Policy

During the third quarter of 2003, the Company announced the implementation of a quarterly cash dividend program. The Company has declared and paid quarterly dividends for the past eighteen consecutive quarters. On March 9, 2007, the Board of Directors announced a quarterly dividend of $0.02 per common share, approximately $2.0 million, which was paid on April 2, 2007 to shareholders of record at the close of business on March 22, 2007. On May 14, 2007 the Company announced that, in addition to the quarterly dividend of $0.02 per common share, the Company would pay a special dividend of $2.00 per common share, or approximately $196.5 million, to shareholders of record on May 24, 2007. On September 7, 2007 the Board of Directors, declared a regular quarterly dividend of $0.02 per common share, or approximately $1.9 million, payable October 2, 2007, and on January 3, 2008, the Company paid a quarterly dividend of approximately $1.9 million at the rate of $0.02 per common share to shareholders of record at the close of business on December 21, 2007. The Company does not currently intend to discontinue the quarterly cash dividend program. However, future payments of cash dividends will depend upon the financial condition, results of operations and capital requirements of the Company, as well as other factors deemed relevant by the Board of Directors.

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.

Stock Repurchase

In September 2001, the Board of Directors approved the repurchase of up to 15.4 million shares, adjusted for stock splits, of Heartland Express, Inc. common stock in open market or negotiated transactions using available cash, cash equivalents, and short term investments. During the years ended December 31, 2007 and 2006, approximately 1.3 million and 0.2 million shares were repurchased, respectively, in the open market and pursuant to the above-referenced plan, a trade plan under Rule 10b5-1, for $19.4 million and $2.5 million, respectively, at an approximate weighted average price of $14.86 and $14.41 per share, respectively, and the shares were retired. The cost of such shares purchased and retired in excess of their par value in the amount of approximately of $19.4 million and $2.5 million during the years ended December 31, 2007 and 2006 was charged to retained earnings. The authorization to repurchase remains open at December 31, 2007 and has no expiration date but may be suspended or discontinued at any time without prior notice. Approximately 12.3 million shares remain authorized for repurchase under the Board of Director's approval.

Share Based Compensation

On March 7, 2002, the Company's chief executive officer transferred 181,500 of his own shares establishing a restricted stock plan on behalf of key employees. The shares vested 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 was amortized over a five year period as compensation expense. Compensation expense of $0.1 million, $0.4 million, and $0.4 million for the years ended December 31, 2007, 2006, and 2005, respectively, is recorded in salaries, wages, and benefits on the consolidated statement of income. All unvested shares are included in the Company's 96.9 million outstanding shares as of December 31, 2007. As of December 31, 2007 there are no securities authorized for issuance under equity compensation plans.

A summary of the Company's non-vested restricted stock as of December 31, 2007 and 2006, and changes during the twelve months ended December 31, 2007 and 2006 is presented in the table below:

	Shares	Grant-date Fair Value
Non-vested stock outstanding at January 1, 2006	68,200	$ 11.00
Granted	-	-
Vested	(34,000)	11.00
Forfeited	-	-
Non-vested stock outstanding at December 31, 2006	34,200	11.00
Non-vested stock outstanding at January 1, 2007	34,200	11.00
Granted	-	-
Vested	(34,000)	11.00
Forfeited	-	-
Non-vested stock outstanding at December 31, 2007	200	$ 11.00

The fair value of the shares vested was $544,020, $578,245 and $549,201 for the twelve months ended December 31, 2007, 2006 and 2005, respectively.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," ("SFAS No. 123(R)") 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 was recorded as additional paid-in capital effective January 1, 2006 through December 31, 2007. The implementation of SFAS No. 123(R) had no effect on the Company's results of operations for the years ended December 31, 2007 and 2006.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included in Item 8 of this Form 10-K.

	Year Ended December 31, (in thousands, except per share data)				
	2007	2006	2005	2004	2003
Statements of Income Data:					
Operating revenue	$ 591,893	$ 571,919	$ 523,792	$ 457,086	$ 405,116
Operating expenses:					
Salaries, wages, and benefits (3)	196,303	189,179	174,180	157,505	141,293
Rent and purchased transportation	21,421	24,388	29,635	36,757	49,988
Fuel	164,285	146,240	123,558	83,263	62,218
Operations and maintenance	12,314	12,647	14,955	12,939	13,298
Operating taxes and licenses	9,454	9,143	8,968	8,996	8,403
Insurance and claims (3)	18,110	16,621	17,938	16,545	2,187
Communications and utilities	3,857	3,721	3,554	3,669	3,605
Depreciation (2)	48,478	47,351	38,228	29,628	26,534
Other operating expenses	17,380	17,356	16,697	14,401	12,539
Gain on disposal of property and equipment (2)	(10,159)	(18,144)	(8,032)	(175)	(46)
	481,443	448,502	419,681	363,528	320,019
Operating income (2)	110,450	123,417	104,111	93,558	85,097
Interest income	10,285	11,732	7,373	3,071	2,046
Income before income taxes	120,735	135,149	111,484	96,629	87,143
Federal and state income taxes	44,565	47,978	39,578	34,183	29,922
Net income (2)	$ 76,170	$ 87,171	$ 71,906	$ 62,446	$ 57,221
Weighted average shares outstanding (1)	97,735	98,359	99,125	100,000	100,000
Earnings per share (1) (2)	$ 0.78	$ 0.89	$ 0.73	$ 0.62	$ 0.57
Dividends declared per share (1)	$ 2.080	$ 0.075	$ 0.060	$ 0.050	$ 0.020
Balance Sheet data:					
Net working capital	$ 182,546	$ 294,252	$ 271,263	$ 242,472	$ 186,648
Total assets	526,294	669,070	573,508	517,012	448,407
Stockholders' equity	342,759	495,024	433,252	389,343	331,516

The Company had no long-term debt during any of the five years presented.

(1) Periods 2003 through 2005 reflect the four-for-three stock split of May 15, 2006.
(2) Effective July 1, 2005, the Company adopted SFAS No. 153, "Exchanges of Non-monetary Assets—An Amendment of Accounting Principles Board Opinion No. 29, Accounting for Non-monetary Transactions" ("SFAS 153"). The prospective application of SFAS 153 after June 30, 2005 resulted in the immediate recognition of gains from the trade-in of revenue equipment rather than reduction in the cost of the new revenue equipment. The recognition of gains from trade-in of revenue equipment is offset over the equipment life by increased depreciation expense. For the twelve month periods of 2007 and 2006, and the six month period of 2005, gains resulting from the adoption of SFAS 153 were $1.9 million, $17.6 million and $6.5 million, respectively.
(3) The Company increased the amount accrued for workers' compensation by $2.9 million and decreased the amount accrued for accident liability claims by $11.2 million during the 2003 period as a result of actuarial studies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, not including operations at the corporate headquarters, accounted for 64.5% and 62.6% of the 2007 and 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 December 31, 2007, the Company's tractor fleet had an average age of 2.1 years while the trailer fleet had an average age of 3.8 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 year with operating revenues of $591.9 million, including fuel surcharges, net income of $76.2 million, and earnings per share of $0.78 on average outstanding shares of 97.7 million. The Company posted an 81.3% operating ratio (operating expenses as a percentage of operating revenues) and a 12.9% net margin (net income as a percentage of operating revenues). The Company ended the year with cash, cash equivalents, and short-term investments of $196.6 million and a debt-free balance sheet. The Company has total assets of $526.3 million at December 31, 2007. The Company achieved a return on assets of 12.7% and a return on equity of 18.2%. The Company's cash flow from operations for the year of $119.6 million was 20.2% of operating revenues.

The years ended December 31, 2007 and 2006 and six-month period from July 1 to December 31, 2005 periods have been favorably impacted by gains on the trade-in of revenue equipment. Prior to the implementation of 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. For the years ended December 31, 2007, 2006 and 2005, gains from the trade-in of revenue equipment were $1.9 million, $17.6 million and $6.5 million, respectively. Also during 2007 the Company recorded gains of approximately $6.8 million related to sales of real estate and the remaining gains during 2007 related to sales of equipment that did not involve trades.

The decline in the demand for freight services and an overcapacity of trucks has negatively impacted the operating results of 2007. The soft freight demand has resulted in downward pressures on freight and fuel surcharge rates and has resulted in higher empty miles and lower equipment utilization. Fuel expense, net of fuel surcharge recoveries, increased 18% to $81.9 million during the year ended December 31, 2007 compared to $69.5 million for the year ended December 31, 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 by $0.03 per mile during both the first quarters of 2004 and 2005. Effective October 2, 2004, the Company began paying all drivers an incremental amount for miles driven in the upper Northeastern United States. In 2006, the Company implemented additional pay increases for drivers in selected operations groups and a fleet-wide incentive for all drivers maintaining a valid hazardous materials endorsement on their commercial driver's license. The Company has solidified its position as an industry leader in driver compensation with these aforementioned increases.

The Company has been recognized as one of the Forbes magazine's "200 Best Small Companies in America" sixteen times in the past twenty-one years and for the past six consecutive years. The Company has paid cash dividends over the past eighteen consecutive quarters, including a special dividend of $196.5 million in May, 2007. The Company became publicly traded in November, 1986 and is traded on the NASDAQ National Market under the symbol HTLD.

Results of Operations

The following table sets forth the percentage relationships of expense items to total operating revenue for the years indicated.

	Year Ended December 31,		
	2007	2006	2005
Operating revenue	100.0%	100.0%	100.0%
Operating expenses:			
Salaries, wages, and benefits	33.2%	33.1%	33.3%
Rent and purchased transportation	3.6	4.3	5.7
Fuel	27.8	25.6	23.6
Operations and maintenance	2.1	2.2	2.9
Operating taxes and license	1.6	1.6	1.7
Insurance and claims	3.1	2.9	3.4
Communications and utilities	0.7	0.7	0.7
Depreciation	8.2	8.3	7.3
Other operating expenses	2.9	3.0	3.2
Gain on disposal of property and equipment	(1.7)	(3.2)	(1.5)
	81.3%	78.4%	80.1%
Operating income	18.7%	21.6%	19.9%
Interest income	1.7	2.1	1.4
Income before income taxes	20.4%	23.6%	21.3%
Income taxes	7.5	8.4	7.6
Net income	12.9%	15.2%	13.7%

Year Ended December 31, 2007 Compared With Year Ended December 31, 2006

Operating revenue increased \$20.0 million (3.5%), to \$591.9 million for the year ended December 31, 2007 from \$571.9 million in the 2006 period. The increase in revenue resulted from the Company's expansion of its fleet, increased freight miles, and improved freight rates. Operating revenue for both periods was positively impacted by fuel surcharges assessed to customers. Fuel surcharge revenue increased \$5.2 million, (6.4%) to \$86.6 million for the year ended December 31, 2007 from \$81.4 million in the compared 2006 period.

Salaries, wages, and benefits increased \$7.1 million (3.8%), to \$196.3 million for the year ended December 31, 2007 from \$189.2 million in the 2006 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. The Company increased driver pay by \$0.01 per mile in January 2006 for all drivers maintaining a valid hazardous materials endorsement on their commercial driver's license and implemented quarterly pay increases in 2006 for selected operating divisions. The cumulative impact of the quarterly increases to driver compensation in 2006 resulted in a cost increase of approximately \$1.8 million for the year ended December 31, 2007. During the year ended December 31, 2007, employee drivers accounted for 95% and independent contractors for 5% of the total fleet miles, compared with 94% and 6%, respectively, for 2006. Additional miles in 2007 by company drivers accounted for approximately \$4.0 million increase in wages over 2006. Workers' compensation expense increased \$2.3 million (53.6%) to \$6.5 million for the year ended December 31, 2007 from \$4.2 million in for the same period in 2006 due to an increase in frequency and severity of claims. Health insurance expense decreased \$1.4 million (16.2%) to \$7.1 million for the year ended December 31, 2007 from \$8.5 million in the same period of 2006 due to a decrease in frequency and severity of claims. The remaining increase was the result of non-driver payroll increases.

Rent and purchased transportation decreased \$3.0 million (12.2%), to \$21.4 million for the year ended December 31, 2007 from \$24.4 million in the compared period of 2006. 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. In the first quarter of 2006, the Company increased the independent contractor base mileage pay by \$0.01 per mile for all independent contractors maintaining a hazardous materials endorsement on their commercial driver's license, and an additional \$0.01 per mile per quarter in 2006 beginning on April 1, 2006. These base mileage pay increases of approximately $0.3 million in 2007 were offset by a decrease attributable to fewer miles driven by independent contractors.

Fuel increased $18.0 million (12.3%), to $164.3 million for the year ended December 31, 2007 from $146.2 million for the same period of 2006. The increase is the result of an increase in fuel cost per gallon, an increased reliance on company-owned tractors, and a decrease in fuel economy associated with certain EPA mandated clean air engine requirements on tractor models acquired during 2006. The Company's fuel cost per company-owned tractor mile increased 9.3% during 2007 compared to 2006. Fuel cost per mile, net of fuel surcharge, increased 14.7% in 2007 compared to 2006. The Company's fuel cost per gallon increased 7.2% in 2007 and average miles per gallon decreased 2.2% compared to 2006.

Operations and maintenance decreased $0.3 million (2.6%), to $12.3 million for the year ended December 31, 2007 from $12.6 million for the compared 2006 period due to an increase in preventative maintenance and parts replacement.

Operating taxes and licenses increased $0.3 million (3.4), to $9.5 million for the year ended December 31, 2007 from $9.1 million in the compared 2006 period due an increase in the property taxes associated with new facilities in Phoenix, Arizona and North Liberty, Iowa and an increase in fuel taxes paid.

Insurance and claims increased $1.5 million (9.0%), to $18.1 million for the year ended December 31, 2007 from $16.6 million in the same period of 2006 due to an increase in the frequency of larger claims and development increases on existing liability claims.

Depreciation increased $1.1 million (2.4%), to $48.5 million during the year ended December 31, 2007 from $47.4 million in the compared 2006 period. This increase is attributable to the growth of our company-owned tractor and trailer fleet, and an increased cost of new tractors and trailers relative to the costs of those units being replaced. Our tractor and trailer fleet have grown approximately 3.4% and 5.7% respectively in comparison to the same period in 2006. This contributed to a $0.6 million increase in revenue equipment depreciation during 2007. Also, higher depreciation on new corporate headquarters facilities and new Phoenix terminal contributed to an increase of $0.5 million in other property and equipment depreciation.

Other operating expenses were essentially unchanged during the year ended December 31, 2007 compared to the same period of 2006. 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 decreased $8.0 million (44.0%), to $10.2 million during the year ended December 31, 2007 from $18.1 million in the same period of 2006. The decline is attributable to an 87% decrease in the total number of tractors and trailers traded during the 2007 period compared to the same period of 2006. A tractor fleet upgrade was completed in December 2006. During 2007 the Company sold real estate in Columbus, Ohio, Coralville, Iowa, and Dubois, Pennsylvania recording total gains of approximately $6.8 million. The proceeds received from these sales were used in the financing of the new corporate headquarters.

Interest income decreased $1.4 million (12.3%), to $10.3 million during the year ended December 31, 2007 from $11.7 million in the same period of 2006 because of the decrease in cash, cash equivalents, and investments associated with the payment of the special dividend in May 2007 offset by improved rate of return on cash, cash equivalents, and short-term investments.

The Company's effective tax rate was 36.9% and 35.5%, respectively, for the years ended December 31, 2007 and 2006. The increase is primarily attributable to a higher effective state rate as a result of the adoption of FASB Interpretation No. 48 ("FIN 48") effective January 1, 2007.

As a result of the foregoing, the Company's operating ratio (operating expenses as a percentage of operating revenue) was 81.3% during the year ended December 31, 2007 compared with 78.4% during the year ended December 31, 2006. Net income decreased $11.0 million (12.6%), to $76.2 million for the year ended December 31, 2007 from $87.2 million during the compared 2006 period as a result of the net effects discussed above.

Year Ended December 31, 2006 Compared With Year Ended December 31, 2005

Operating revenue increased $48.1 million (9.2%), to $571.9 million in 2006 from $523.8 million in 2005, as a result of the Company's expansion of its fleet and customer base as well as improved freight rates. Operating revenue for both periods was positively impacted by fuel surcharges assessed to the customer base. Fuel surcharge revenue increased $21.7 million, (36.3%) to $81.4 million in 2006 from $59.7 million reported in 2005.

Salaries, wages, and benefits increased $15.0 million (8.6%), to $189.2 million in 2006 from $174.2 million in 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 a driver pay increase. The Company increased driver pay by $0.01 per mile in January 2006 for all drivers maintaining a valid hazardous materials endorsement on their commercial driver's license and implemented quarterly pay increases for selected operating divisions. These increases to driver compensation resulted in a cost increase of approximately $5.6 million in 2006. During 2006, employee drivers accounted for 94% and independent contractors 6% of the total fleet miles, compared with 92% and 8%, respectively, in 2005. Workers' compensation expense increased $0.6 million (18.0%) to $4.2 million in 2006 from $3.6 million in 2005 due to an increase in frequency and severity of claims. Health insurance expense increased $0.8 million (10.3%) to $8.5 million in 2006 from $7.7 million in 2005 due to an increase in frequency and severity of claims and increased reliance on employee drivers.

Rent and purchased transportation decreased $5.2 million (17.7%), to $24.4 million in 2006 from $29.6 million in 2005. This reflected the Company's decreased reliance upon independent contractors. Rent and purchased transportation for both periods includes amounts paid to independent contractors for fuel stabilization. The Company increased the base mileage rate for independent contractors by $0.03 per mile in the first quarter of 2005 for the second consecutive year. In the first quarter of 2006, the Company increased the independent contractor base mileage pay by $0.01 per mile 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 $22.7 million (18.4%), to $146.3 million in 2006 from $123.6 million in 2005. The increase is the result of increased fuel prices and an increased reliance on company-owned tractors. The Company's fuel cost per company-owned tractor mile increased 13.8% in 2006 compared to 2005. Fuel cost per mile, net of fuel surcharge, decreased 2.3% in 2006 compared to 2005. The Company's fuel cost per gallon increased 11.7% in 2006 compared to 2005 primarily due to continued instability in the Middle East and concerns over domestic inventory levels.

Operations and maintenance decreased $2.3 million (15.4%), to $12.6 million in 2006 from $14.9 million in 2005. The decrease is primarily attributed to the improved 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 3.1 years. In 2005, the average age of tractors was 1.5 years with trailers averaging 3.2 years.

Insurance and claims decreased $1.3 million (7.3%), to $16.6 million in 2006 from $17.9 million in 2005 due to a decrease in the frequency and severity of claims.

Depreciation increased $9.1 million (23.9%), to $47.3 million in 2006 from $38.2 million in 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, a fleet upgrade during 2006, 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 December 31, 2006, 100% of the Company's tractor fleet had the EPA clean air engine compared to 68.6% at December 31, 2005. For the year ended December 31, 2006, as a result of SFAS No. 153, approximately $2.8 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 $369,000. 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 $0.7 million (4.0%), to $17.4 million in 2006 from $16.7 million in 2005. Other operating expenses consist 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 $10.1 million (125.9%), to $18.1 million in 2006 from $8.0 million in the 2005 period. The 2006 period includes $17.6 million from gains on trade-ins of revenue equipment which are recognized under SFAS No. 153 compared to $6.5 million for the same period of 2005. Prior to the implementation of SFAS No 153, gains from trade-ins of revenue equipment were deferred as a reduction of the basis of the new equipment. Management does not believe gains in the future will be at similar levels realized in the 2006 period.

Interest income increased $4.3 million (59.1%), to $11.7 million in 2006 from $7.4 million in 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 2006 and 2005, respectively. Income taxes have been provided for at the statutory federal and state rates, adjusted for certain permanent differences between financial statement income and income for tax reporting.

As a result of the foregoing, the Company's operating ratio (operating expenses as a percentage of operating revenue) was 78.4% during the year ended December 31, 2006 compared with 80.1% for 2005. Net income increased $15.3 million (21.2%), to $87.2 million for the year ended December 31, 2006 from $71.9 million for the year ended December 31, 2005.

Inflation and Fuel Cost

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, the most significant effects of inflation have been on revenue equipment prices and the compensation paid to the drivers. Innovations in equipment technology, EPA mandated new engine emission requirements on tractor engines manufactured after January 1, 2007, and comfort have resulted in higher tractor prices, and there has been an industry-wide increase in wages paid to attract and retain qualified drivers. The Company historically has limited the effects of inflation through increases in freight rates and certain cost control efforts. In addition to inflation, fluctuations in fuel prices can affect profitability. Most of the Company's contracts with customers contain fuel surcharge provisions. Although the Company historically has been able to pass through most long-term increases in fuel prices and operating taxes to customers in the form of surcharges and higher rates, shorter-term increases are not fully recovered.

Fuel prices have remained high throughout 2005, 2006, and 2007, thus increasing our cost of operations. In addition to the increased fuel costs, the reduced fuel efficiency of the new EPA engines has put additional pressure on profitability due to increased fuel consumption. Competitive conditions in the transportation industry, such as lower demand for transportation services, could affect the Company's ability to obtain rate increases or fuel surcharges.

Liquidity and Capital Resources

The growth of the Company's business requires 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 year ended December 31, 2007, was net cash provided by operating activities of $119.6 million compared to $128.1 million in 2006 due primarily to net income (excluding non-cash depreciation, deferred tax and amortization of unearned compensation, and gains on disposal of equipment) being approximately $6.8 million lower in 2007 compared to 2006 and a decrease in operating assets and liabilities decrease of approximately $1.7 million. The net decrease in cash provided by operating assets and liabilities was primarily the result of changes in insurance accruals and accrued compensation. Cash flow from operating activities was 20.2% of operating revenues in 2007 compared with 22.4% in 2006.

Capital expenditures for property and equipment, net of trade-ins, totaled $43.6 million for 2007 compared to $76.1 million during 2006. We currently expect capital expenditures for property and equipment, net of trades in 2008, to be comparable to capital expenditures for property and equipment, net of trades in 2007. Total expenditures for the new corporate headquarters, including furniture and fixtures, and shop facility in North Liberty, Iowa and Phoenix facility were approximately $19.7 million during 2007.

The Company paid cash dividends of $204.3 million in 2007 compared to $6.9 million in 2006. The Company paid a one-time special dividend of $196.5 million during the second quarter of 2007. The Company declared a $1.9 million cash dividend in December 2007, included in accounts payable and accrued liabilities at December 31, 2007, which was paid on January 3, 2008.

The Company paid income taxes of $41.6 million in 2007 which was essentially unchanged compared to $41.3 million paid in 2006.

In September, 2001, the Board of Directors of the Company authorized a program to repurchase 15.4 million shares, adjusted for stock splits, of the Company's Common Stock in open market or negotiated transactions using available cash and cash equivalents. The authorization to repurchase remains open at December 31, 2007 and has no expiration date. During the year ended December 31, 2007, approximately 1.3 million shares of the Company's common stock were repurchased for approximately $19.4 million at approximately $14.86 per share. This compares to approximately 0.2 million shares of the Company's common repurchased for $2.5 million at approximately $14.41 per share during the year ended December 31, 2006. The repurchased shares were subsequently retired. At December 31, 2007, the Company has approximately 12.3 million shares remaining under the current Board of Director repurchase authorization. Future purchases are dependent upon market conditions.

Management believes the Company has adequate liquidity to meet its current and projected needs. Management believes the Company will continue to have significant capital requirements over the long-term which are expected to be funded from cash flow provided by operations and from existing cash, cash equivalents, and short-term investments. The Company ended the year with $196.6 million in cash, cash equivalents, and short-term investments and no debt. Net working capital for the year ended December 31, 2007 decreased by $111.7 million over 2006. The most significant transaction causing the decrease was the sale of short-term investments of approximately $134.2 million to fund the special dividend payment of $196.5 million discussed above. Working capital was positively impacted by the $21.4 million reduction in current tax liabilities due to the adoption of FIN 48. Based on the Company's strong financial position, management believes outside financing could be obtained, if necessary, to fund capital expenditures.

Primarily all of the Company's investments as of December 31, 2007 are in short-term investments in auction rate student loan educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days with contractual maturities generally greater than 20 years from the date of original issuance. All investments held by the Company have AAA (or equivalent) ratings from recognized rating agencies. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold in an auction. There is no guarantee that when the Company elects to participate in an auction and therefore sell investments, that a willing buyer will purchase the security and therefore the Company receive cash upon the election to sell. The Company has not historically experienced any failures in auctions of such investments when it has elected to sell an investment, but has experienced unsuccessful auctions during February 2008 (as discussed in the footnotes to the financials). Upon an unsuccessful auction, the interest rate of the underlying investment is reset to a default maximum interest rate as stated in the prospectus of the underlying security. Until a subsequent auction is successful or the underlying security is called by the issuer, the Company will be required to hold the underlying investment until maturity. The Company only holds senior positions of underlying securities. The Company does not invest in asset backed securities and does not have direct securitized sub-prime mortgage loans exposure or loans to, commitments in, or investments in sub-prime lenders. Should the Company have a need to liquidate any of these investments, the Company may be required to discount these securities for liquidity, but the Company currently does not have this liquidity requirement. Based on historical and current operating cash flows, the Company does not currently anticipate a requirement to liquidate underlying investments at discounted pricing. If current conditions in the credit and capital markets continue, we may be required to recognize impairments and/or reclassify these investments from short-term to long-term investments. Further, the Company may be required to seek alternative financing arrangements.

Off-Balance Sheet Transactions

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

Contractual Obligations and Commercial Commitments

As of December 31, 2007 the Company did not have any purchase obligations, significant operating lease obligations, capital lease obligations or outstanding long-term debt obligations.

At December 31, 2007, the Company had a total of $25.7 million in gross unrecognized tax benefits. Of this amount, $16.7 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. These unrecognized tax benefits relate to the state income tax filing position for the Company's corporate subsidiaries. The total amount of accrued interest and penalties for such unrecognized tax benefits was $14.9 million as of December 31, 2007. Interest and penalties related to income taxes are classified as income tax expense in our consolidated financial statements. The federal statute of limitations remains open for the years 2004 and forward. Tax years 1997 and forward are subject to audit by state tax authorities depending on the tax code of each state.

A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the expiration of the statute of limitations, examinations or other unforeseen circumstances. As of December 31, 2007, the Company did not have any ongoing examinations or outstanding litigation related to tax matters. At this time, management's best estimate of the reasonably possible change in the amount of unrecognized tax benefits to be a decrease of approximately $2.5 to $3.5 million mainly due to the expiration of certain statute of limitations.

Critical Accounting Policies

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

The Company's management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. The Company has identified certain accounting policies, described below, that are the most important to the portrayal of the Company's current financial condition and results of operations.

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

* Revenue is recognized when freight is delivered.
* Selections of estimated useful lives and salvage values for purposes of depreciating tractors and trailers. Depreciable lives of tractors and trailers are 5 and 7 years, respectively. Estimates of salvage value are based upon the expected market values of equipment at the end of the expected useful life.
* Management estimates accruals for the self-insured portion of pending accident liability, workers' compensation, physical damage and cargo damage claims. These accruals are based upon individual case estimates, including reserve development, and estimates of incurred-but-not-reported losses based upon past experience.
* Management judgment is required to determine the provision for income taxes and to determine whether deferred income taxes will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. A valuation allowance is required to be established for the amount of deferred income tax assets that are determined not to be realizable. A valuation allowance for deferred income tax assets has not been established due to the profitability of the Company's business. Further, management judgment is required in the accounting for uncertainty in income taxes recognized in the financial statements based on recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management periodically re-evaluates these estimates as events and circumstances change. These factors may significantly impact the Company's results of operations from period-to-period.

New Accounting Pronouncements

See Note 1 of the consolidated financial statements for a full description of recent accounting pronouncements and the respective dates of adoption and effects on results of operations and financial position.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Primarily all of the Company's investments as of December 31, 2007 are in short-term investments in auction rate student loan educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days with contractual maturities generally greater than 20 years from the date of original issuance. All investments held by the Company have AAA (or equivalent) ratings from a recognized rating agency. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold in an auction. There is no guarantee that when the Company elects to participate in an auction and therefore sell investments, that a willing buyer will purchase the security and therefore the Company receive cash upon the election to sell. The Company has not historically experienced any failures in auctions of such investments when it has elected to sell an investment but has experienced unsuccessful auctions during February 2008 (as discussed in the footnotes to the financials). Upon an unsuccessful auction , the interest rate of the underlying investment is reset to a default maximum interest rate as stated in the prospectus of the underlying security. Until a subsequent auction is successful or the underlying security is called by the issuer, the Company will be required to hold the underlying investment until maturity. The Company only holds senior positions of underlying securities. The Company does not invest in asset backed securities and does not have direct securitized sub prime mortgage loans exposure or loans to, commitments in, or investments in sub prime lenders. Should the Company have a need to liquidate any of these investments, the Company may be required to discount these securities for liquidity but the Company currently does not have this liquidity requirement. Based on historical and current operating cash flows, the Company does not currently anticipate a requirement to liquidate underlying investments at discounted pricing. If current conditions in the credit and capital markets continue, we may be required to recognize impairments and/or reclassify these investments from short-term to long-term investments.

Assuming we maintain our short term investment balance consistent with balances as of December 31, 2007, $188.6 million, and if market rates of interest on our short term investments decreased by 100 basis points, the estimated reduction in annual interest income would be approximately $1.9 million.

The Company has no debt outstanding as of December 31, 2007 and therefore, has no market risk related to debt.

Volatile fuel prices will continue to impact us significantly. Based on the Company's historical experience, the Company is not able to pass through to customers 100% of fuel price increases. For the year ended December 31, 2007 and 2006, fuel expense, net of fuel surcharge, was $81.9 million and $69.5 million or 20.5% and 18.7%, respectively, of the Company's total operating expenses, net of fuel surcharge. A significant increase in fuel costs, or a shortage of diesel fuel, could materially and adversely affect our results of operations. In February 2007, the Board of Directors authorized the Company to begin hedging activities related to commodity fuels. In the event of hedging activities, the Company will implement the provisions of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" and contract with an unrelated third party to transact the hedge. It is expected any such transactions will be accounted for on a mark-to-market with changes reflected in the statement of income as a component of fuel costs. As of December 31, 2007, the Company has no derivative financial instruments to reduce its exposure to diesel fuel price fluctuations.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of KPMG LLP, the Company's independent registered public accounting firm, financial statements of the Company and its consolidated subsidiaries and the notes thereto, and the financial statement schedule are included in this report beginning on page 24. Selected quarterly data is presented on page 36.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures – The Company has established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of December 31, 2007, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in

Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting – The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission as of December 31, 2007. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. The Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting, which is included in this filing on page 23.

Changes in Internal Control Over Financial Reporting – There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

KPMG

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Heartland Express, Inc.:

We have audited Heartland Express, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Heartland Express, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Heartland Express, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 28, 2008 expressed an unqualified opinion on those consolidated financial statements.

Des Moines, Iowa
February 28, 2008

KPMG LLP

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Heartland Express, Inc.:

We have audited the accompanying consolidated balance sheets of Heartland Express, Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II (as listed in Part IV, Item 15(a)(2) herein). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heartland Express, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 2 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* as of January 1, 2007. As discussed in note 2 to the consolidated financial statements, the Company changed its method of quantifying errors in 2006. In addition, as discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 153, *Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29,* on July 1, 2005.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2008, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Des Moines, Iowa
February 28, 2008

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,960	$ 8,459
Short-term investments	188,643	322,829
Trade receivables, net of allowance for doubtful accounts of $775 at December 31, 2007 and 2006	44,359	43,499
Prepaid tires	4,764	5,076
Other prepaid expenses	1,692	1,635
Income tax receivable	57	-
Deferred income taxes	30,443	29,177
Total current assets	277,918	410,675
PROPERTY AND EQUIPMENT		
Land and land improvements	17,264	12,016
Buildings	25,413	18,849
Furniture & fixtures	2,220	1,114
Shop & service equipment	4,685	2,839
Revenue equipment	320,776	309,506
	370,358	344,324
Less accumulated depreciation	132,545	96,293
Property and equipment, net	237,813	248,031
GOODWILL	4,815	4,815
OTHER ASSETS	5,748	5,549
	$ 526,294	$ 669,070
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 13,073	$ 15,076
Compensation & benefits	14,699	15,028
Income taxes payable	-	21,419
Insurance accruals	60,882	56,652
Other accruals	6,718	8,248
Total current liabilities	95,372	116,423
LONG-TERM LIABILITIES		
Income taxes payable	37,593	-
Deferred income taxes	50,570	57,623
Total long-term liabilities	88,163	57,623
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01; authorized 5,000 shares; none issued	-	-
Capital stock; common, $.01 par value; authorized 395,000 shares; issued and outstanding 96,949 in 2007 and 98,252 in 2006	970	983
Additional paid-in capital	439	376
Retained earnings	341,350	493,665
	342,759	495,024
	$ 526,294	$ 669,070

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

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Years Ended December 31,		
	2007	2006	2005
OPERATING REVENUE	$ 591,893	$ 571,919	$ 523,792
OPERATING EXPENSES:			
Salaries, wages, benefits	$ 196,303	$ 189,179	$ 174,180
Rent and purchased transportation	21,421	24,388	29,635
Fuel	164,285	146,240	123,558
Operations and maintenance	12,314	12,647	14,955
Operating taxes and licenses	9,454	9,143	8,968
Insurance and claims	18,110	16,621	17,938
Communications and utilities	3,857	3,721	3,554
Depreciation	48,478	47,351	38,228
Other operating expenses	17,380	17,356	16,697
Gain on disposal of property & equipment	(10,159)	(18,144)	(8,032)
	481,443	448,502	419,681
Operating income	110,450	123,417	104,111
Interest income	10,285	11,732	7,373
Income before income taxes	120,735	135,149	111,484
Federal and state income taxes	44,565	47,978	39,578
Net Income	$ 76,170	$ 87,171	$ 71,906
Earnings per share	$ 0.78	$ 0.89	$ 0.73
Weighted average shares outstanding	97,735	98,359	99,125
Dividends declared per share	$ 2.080	$ 0.075	$ 0.060

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

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Capital Stock, Common	Additional Paid-In Capital	Retained Earnings	Unearned Compen-sation	Total
Balance, January 1, 2005	$ 751	$ 8,511	$ 380,906	$ (824)	$ 389,344
Net income	-	-	71,906	-	71,906
Dividends on common stock, $0.060 per share	-	-	(5,941)	-	(5,941)
Stock purchase	(12)	(8,493)	(13,914)	-	(22,419)
Forfeiture of stock awards		(18)	(4)	22	-
Amortization of share based compensation	-	-	-	363	363
Balance, December 31, 2005	739	-	432,953	(439)	433,253
Net income	-	-	87,171	-	87,171
Impact of adopting SAB 108	-	-	(15,854)		(15,854)
Dividends on common stock, $0.075 per share	-	-	(7,375)	-	(7,375)
Stock split	246	-	(246)	-	-
Stock repurchase	(2)	-	(2,545)	-	(2,547)
Reclassification of share based compensation	-	-	(439)	439	-
Amortization of share based compensation	-	376	-	-	376
Balance, December 31, 2006	983	376	493,665	-	$ 495,024
Net income	-	-	76,170	-	76,170
Impact of adopting FIN 48	-	-	(4,798)	-	(4,798)
Dividends on common stock, $2.08 per share	-	-	(204,312)	-	(204,312)
Stock repurchase	(13)	-	(19,375)	-	(19,388)
Amortization of share based compensation	-	63	-	-	63
Balance, December 31, 2007	$ 970	$ 439	$ 341,350	$ -	$ 342,759

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

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2007	2006	2005
OPERATING ACTIVITIES			
Net income	$ 76,170	$ 87,171	$ 71,906
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,486	47,371	38,248
Deferred income taxes	494	5,101	(2,630)
Amortization of share based compensation	63	376	363
Gain on disposal of property and equipment	(10,159)	(18,144)	(8,032)
Changes in certain working capital items:			
Trade receivables	(860)	(639)	(5,758)
Prepaid expenses	166	(2,325)	(611)
Accounts payable, accrued liabilities, and accrued expenses	2,731	7,609	11,308
Accrued income taxes	2,506	1,554	146
Net cash provided by operating activities	119,597	128,074	104,940
INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	13,228	1,966	2,310
Purchases of property and equipment, net of trades	(43,579)	(76,056)	(49,154)
Net sale (purchases) of municipal bonds	134,186	(40,574)	(25,528)
Change in other assets	(207)	(889)	(433)
Net cash provided by (used in) investing activities	103,628	(115,553)	(72,805)
FINANCING ACTIVITIES			
Cash dividend	(204,336)	(6,882)	(5,960)
Stock repurchase	(19,388)	(2,547)	(22,419)
Net cash used in financing activities	(223,724)	(9,429)	(28,379)
Net (decrease) increase in cash and cash equivalents	(499)	3,092	3,756
CASH AND CASH EQUIVALENTS			
Beginning of year	8,459	5,367	1,611
End of year	$ 7,960	$ 8,459	$ 5,367
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes, net	$ 41,564	$ 41,323	$ 42,062
Noncash investing activities:			
Fair value of revenue equipment traded	$ 6,429	$ 45,669	$ 41,866
Purchased property and equipment in accounts payable at year end	459	2,638	68
Common stock dividends declared in accounts payable at year end	1,954	1,978	1,488

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

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Nature of Business:

Heartland Express, Inc., (the "Company") is a short-to-medium-haul truckload carrier of general commodities. The Company provides nationwide transportation service to major shippers, using late-model equipment and a combined fleet of company-owned and owner-operator tractors. The Company's primary traffic lanes are between customer locations east of the Rocky Mountains. In 2005, the Company expanded to the Western United States with the opening of a terminal in Phoenix, Arizona. The Company operates the business as one reportable segment.

Principles of Consolidation:

The accompanying consolidated financial statements include the parent company, Heartland Express, Inc., and its subsidiaries, all of which are wholly owned. All material intercompany items and transactions have been eliminated in consolidation.

Use of Estimates:

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") 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.

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 $5.7 million in 2007 and $5.5 million in 2006 are classified as other assets. The restricted funds represent those required by state agencies for self-insurance purpose and designated funds that are earmarked for a specific purpose not for general business use.

Short-term Investments:

The Company's investments are primarily in the form of tax free short-term auction rate educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold. All investments have AAA (or equivalent) ratings from recognized rating agencies. These investments are reported at amortized cost and reviewed for impairment as deemed necessary. Investment income received is generally exempt from federal income taxes and accrued as earned.

Trade Receivables and Allowance for Doubtful Accounts:

Revenue is recognized when freight is delivered creating a credit sale and an accounts receivable. Credit terms for customer accounts are typically on a net 30 day basis. The Company uses a percentage of aged receivable method in determining the allowance for bad debts. The Company reviews the adequacy of its allowance for doubtful accounts on a monthly basis. The Company is aggressive in its collection efforts resulting in a low number of write-offs annually. Conditions that would lead an account to be considered uncollectible include; customers filing bankruptcy and the exhaustion of all practical collection efforts. The Company will use the necessary legal recourse to recover as much of the receivable as is practical under the law.

Property, Equipment, and Depreciation:

Property and equipment are reported at cost, net of accumulated depreciation, while maintenance and repairs are charged to operations as incurred. Tires are capitalized separately from revenue equipment and are amortized over two years.

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 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 years ended December 31, 2007, 2006 and 2005 were favorably impacted by $1.9 million, $17.6 million and $6.5 million, respectively, from gains on the trade-in of revenue equipment. SFAS No. 153 was adopted prospectively July 1, 2005, thus trade-ins that occurred prior to July 1, 2005 did not impact gain on sale.

Depreciation for financial statement purposes is computed by the straight-line method for all assets other than tractors. Tractors are depreciated by the 125% declining balance method. Tractors are depreciated to salvage values of $15,000 while trailers are depreciated to salvage values of $4,000.

Lives of the assets are as follows:

	Years
Land improvements and building	3-30
Furniture and fixtures	3-5
Shop & service equipment	3-10
Revenue equipment	5-7

Advertising Costs:

The Company expenses all advertising costs as incurred. Advertising costs are included in other operating expenses in the consolidated statements of income. Advertising expense was $2.3 million, $3.0 million and $3.4 million for the years ended December 31, 2007, 2006 and 2005.

Goodwill:

Goodwill is tested at least annually for impairment by applying a fair value based analysis in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets". Management determined that no impairment charge was required for the years ended December 31, 2007, 2006 and 2005.

Workers' Compensation and Accident Costs:

Insurance accruals reflect the estimated cost for auto liability, cargo loss and damage, bodily injury and property damage (BI/PD), and workers' compensation claims, including estimated loss and loss adjustment expenses incurred but not reported, not covered by insurance. The cost of cargo and BI/PD insurance and claims are included in insurance and claims expense, while the costs of workers' compensation insurance and claims are included in salaries, wages, and benefits in the consolidated statements of income.

Revenue and Expense Recognition:

Revenue, drivers' wages and other direct operating expenses are recognized when freight is delivered. Sales taxes and other taxes collected from customers and remitted to the government are recorded on a net basis. Fuel surcharge revenue charged to customers is included in operating revenue.

Earnings per Share:

Earnings per share are based upon the weighted average common shares outstanding during each year. The Company has no common stock equivalents; therefore, diluted earnings per share are equal to basic earnings per share. All earnings per share data presented reflect the four-for-three stock split on May 15, 2006.

Share-Based Compensation:

The Company recorded share-based compensation arrangements in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment." This standard requires that share-based transactions be accounted for and recognized in the statement of income based on their fair value. At December 31, 2006, the Company had one share-based compensation program, which is further detailed in Note 7. That program expired in March of 2007 and, at this date, the Company does not plan any additional share-based programs.

Impairment of Long-Lived Assets:

The Company periodically evaluates property and equipment for impairment upon the occurrence of events or changes in circumstances that indicate the carrying amount of assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount over which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment charges recognized during the years ended December 31, 2007, 2006, and 2005.

Income Taxes:

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Beginning with the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) as of January 1, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

New Accounting Pronouncements:

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measures. SFAS No. 157 is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt SFAS No. 157 beginning on January 1, 2008. SFAS No. 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In November 2007, the FASB proposed a one-year deferral of SFAS No. 157's fair-value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. As of December 31, 2007, management believes that SFAS No. 157 will have no effect on the financial position, results of operations, and cash flows of the Company.

In 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"), which provides the Company the option to measure many financial instruments and certain other items at fair value that are not currently required or permitted to be measured at fair value. SFAS No. 159 is effective for the Company January 1, 2008. Management believes that SFAS No. 159 will have no effect on the financial position, results of operations, and cash flows of the Company.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R") and SFAS Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51* ("SFAS 160") (collectively, "the Statements"). The Statements require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value" and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The Statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations occurring after the effective date. SFAS 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. The Company is currently evaluating the impact of adopting the Statements on its results of operations and financial position.

2. Adopted Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), a revision of SFAS No. 123, *Accounting for Stock Based Compensation*. SFAS 123R 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 for and recognized in the statement of income based on their fair value. SFAS 123R 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. 123R on January 1, 2006. The unamortized portion of unearned compensation was reclassified to retained earnings upon adoption. The amortization of unearned compensation is being recorded as additional paid-in capital effective January 1, 2006. All remaining unearned compensation was amortized as of December 31, 2007. The implementation of SFAS No. 123R had no effect on the Company's results of operations for the twelve months ended December 31, 2007 and 2006.

In September 2006, the 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 an entity to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB 108 was effective as of the beginning of the Company's 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. The Company adopted the provisions of SAB No. 108 and recorded a $15.9 million cumulative adjustment to the January 1, 2006 retained earnings for a previously unrecorded state income tax exposure liability and related deferred tax liability. The amount recorded pertains to potential state income tax liabilities for the years 1996 through 2005 and the impact on deferred tax liabilities for those same years. These errors were considered immaterial under the Company's previous method of evaluating misstatements.

In June 2006, the FASB issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (an interpretation of FASB Statement No. 109) ("FIN 48"), which is effective for fiscal years beginning after December 15, 2006. 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. The Company recorded a cumulative adjustment of approximately $4.8 million to decrease the January 1, 2007 retained earnings upon adoption as allowed under the interpretation's transition provisions.

3. Concentrations of Credit Risk and Major Customers

The Company's major customers represent the consumer goods, appliances, food products and automotive industries. Credit is granted to customers on an unsecured basis. The Company's five largest customers accounted for 36% of total gross revenues for the year ended December 31, 2007 and 35% and 32% for the years ended December 31, 2006 and 2005 respectively. Operating revenue from one customer exceeded 10% of total gross revenues in 2007, 2006, and 2005. Annual revenues for this customer were $77.1 million, $79.5 million, and $66.2 million, for the years ended December 31, 2007, 2006, and 2005, respectively.

4. Income Taxes

Deferred income taxes are determined based upon the differences between the financial reporting and tax basis of the Company's assets and liabilities. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets and liabilities as of December 31 are as follows:

	2007		2006	
	(in thousands)			
Long-term deferred income tax liabilities, net				
Property and equipment	$	59,557	$	57,623
Indirect tax benefits of FIN48 tax accruals		(8,987)		-
	$	50,570	$	57,623
Current deferred income tax assets, net:				
Allowance for doubtful accounts	$	305	$	306
Accrued expenses		6,548		6,691
Insurance accruals		23,941		22,351
Other		(351)		(171)
	$	30,443	$	29,177

The Company has not recorded a valuation allowance. In management's opinion, it is more likely than not that the Company will be able to utilize its deferred tax assets in future periods as a result of the Company's history of profitability, taxable income and reversal of deferred tax liabilities.

The income tax provision is as follows:

	2007		2006		2005	
Current income taxes:			(in thousands)			
Federal	$	37,800	$	35,821	$	37,709
State		6,271		7,056		4,499
		44,071		42,877		42,208
Deferred income taxes:						
Federal		(746)		4,758		(1,825)
State		1,240		343		(805)
		494		5,101		(2,630)
Total	$	44,565	$	47,978	$	39,578

The income tax provision differs from the amount determined by applying the U.S. federal tax rate as follows:

	2007		2006		2005	
			(in thousands)			
Federal tax at statutory rate (35%)	$	42,257	$	47,302	$	39,019
State taxes, net of federal benefit		5,515		4,809		2,401
Non-taxable interest income		(3,451)		(4,039)		(2,540)
Other		244		(94)		698
	$	44,565	$	47,978	$	39,578

As stated in Note 2 above, the Company adopted SAB 108 by recording a $15.9 million cumulative adjustment to retained earnings during the year ended December 31, 2006. The Company adjusted retained earnings due to a previously unrecorded state income tax exposure liability of $11.8 million and related increase in the deferred tax liability of $4.1 million.

In July 2006, the FASB issued FIN 48. The Company adopted the provisions of FIN 48, effective January 1, 2007. 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.

The Company recognized additional tax liabilities of $4.8 million with a corresponding reduction to beginning retained earnings as of January 1, 2007 as a result of the adoption of FIN 48. The total amount of gross unrecognized tax benefits was $25.2 million as of January 1, 2007, the date of adoption. At December 31, 2007, the Company had a total of $25.7 million in gross unrecognized tax benefits. Of this amount, $16.7 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. These unrecognized tax benefits relate to risks associated with state income tax filing positions for the Company's corporate subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(in thousands)
Balance at January 1, 2007	$ 25,180
Additions based on tax positions related to current year	3,320
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	-
Reductions due to lapse of applicable statute of limitations	(2,824)
Settlements	-
Balance at December 31, 2007	$ 25,676

The total amount of accrued interest and penalties for such unrecognized tax benefits was $13.1 million as of January 1, 2007, the date of adoption, and was $14.9 million at December 31, 2007 and is included in income taxes payable. Interest and penalties related to unrecognized tax benefits are classified as income tax expense in our consolidated statements of income and was $1.8 million for the year ended December 31, 2007. Management's estimate of the range of the reasonably possible change in the amount of unrecognized tax benefits is a decrease of $2.5 to $3.5 million during the next 12 months mainly due to the expiration of certain statute of limitations. The Company does not currently anticipate any significant increases in unrecognized tax benefits within the next 12 months. The federal statute of limitations remains open for the years 2004 and forward. Tax years 1997 and forward are subject to audit by state tax authorities depending on the tax code of each state.

5. Related Party Transactions

Prior to moving into the new corporate headquarters in July 2007, the Company leased two office buildings and a storage building from its chief executive officer under a lease which provided for monthly rentals of approximately $0.03 million plus the payment of all property taxes, insurance and maintenance, which are reported in the Company's consolidated financial statements. The lease was renewed for a five year term on June 1, 2005 increasing the monthly rental from approximately $0.025 million to approximately $0.03 million. The lease was terminated in February 2007 with no penalties for early termination. The Company currently rents storage space from its chief executive officer on a month-to-month lease, which provides monthly rentals that are not significant. In the opinion of management, the rates paid are comparable to those that could be negotiated with a third party.

Rent expense paid to the Company's chief executive officer totaled approximately $0.06 million, $0.3 million and $0.3 million for the years ended December 31, 2007, 2006 and 2005 respectively. Rent expense is included in rent and purchased transportation per the consolidated statements of income. There were not any amounts due and not paid under these leases as of December 31, 2007.

During the first quarter of 2006, the Company purchased 16.7 acres of land in North Liberty from the Company's chief executive officer for $1.25 million. 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.

The Company acquired a new corporate headquarters and shop facility from its CEO on July 12, 2007 for $15.4 million. This amount represents the actual cost of the facilities. This transaction was consummated to facilitate a like-kind exchange for the benefit of the Company and was approved by the Board of Directors.

6. Accident and Workers' Compensation Insurance Liabilities

The Company acts as a self-insurer for auto liability involving property damage, personal injury, or cargo up to $1.0 million for any individual claim. In addition, the Company is responsible for $2.0 million in the aggregate for all claims in excess of $1.0 million and below $2.0 million. Liabilities in excess of these amounts are assumed by an insurance company up to $50.0 million. The Company increased the retention amount from $0.5 million to $1.0 million for each claim effective April 1, 2003.

The Company acts as a self-insurer for workers' compensation liability up to $1.0 million for any individual claim. The Company increased the retention amount from $0.5 million to $1.0 million effective April 1, 2005. Liabilities in excess of this amount are assumed by an insurance company. The State of Iowa has required the Company to deposit $0.7 million into a trust fund as part of the self-insurance program. This deposit has been classified in other assets on the consolidated balance sheet. In addition, the Company has provided its insurance carriers with letters of credit of approximately $2.5 million in connection with its liability and workers' compensation insurance arrangements. There were no outstanding balances due on the letters of credit at December 31, 2007 or 2006.

Accident and workers' compensation accruals include the estimated settlements, settlement expenses and an estimate for claims incurred but not yet reported for property damage, personal injury and public liability losses from vehicle accidents and cargo losses as well as workers' compensation claims for amounts not covered by insurance.

Accident and workers' compensation accruals are based upon individual case estimates, including reserve development, and estimates of incurred-but-not-reported losses based upon past experience. Since the reported liability is an estimate, the ultimate liability may be more or less than reported. If adjustments to previously established accruals are required, such amounts are included in operating expenses in the current period.

7. Stockholders' Equity

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 reflect the stock split for all periods presented.

In September, 2001, the Board of Directors of the Company authorized a program to repurchase 15.4 million shares, adjusted for stock splits after the approval, of the Company's Common Stock in open market or negotiated transactions using available cash and cash equivalents. In 2007, 2006, and 2005, respectively, 1.3 million, 0.2 million, and 1.2 million shares were repurchased in the open market and pursuant to a trade plan under Rule 10b5-1, and retired. The authorization to repurchase remains open at December 31, 2007 and has no expiration date. Approximately 12.3 million shares remain authorized for repurchase under the Board of Director's approval.

On March 7, 2002, the principal stockholder awarded approximately 0.2 million shares of his common stock to key employees of the Company. These shares had a fair market value of $11.00 per share on the date of the award. The shares vested over a five-year period subject to restrictions on transferability and to forfeiture in the event of termination of employment. Any forfeited shares were returned to the principal stockholder. The fair market value of these shares, approximately $2.0 million on the date of the award, was treated as a contribution of capital and was amortized on a straight-line basis over the five year vesting period as compensation expense. Compensation expense of approximately $0.10 million, $0.4 million, and $0.4 million, was recognized for the years ended December 31, 2007, 2006, and 2005, respectively. The original value of forfeited shares is treated as a reduction of additional paid in capital and unearned compensation in the consolidated statements of shareholders' equity. There were no shares forfeited during the years ended December 31, 2007 and 2006. There were 2,000 shares forfeited in 2005 and no shares forfeited in 2004.

In addition to quarterly dividends declared during 2007, the Company announced a one-time special dividend of $2.00 per common share, approximately $196.5 million, paid May 30, 2007 to stockholders of record on May 24, 2007.

8. Profit Sharing Plan and Retirement Plan

The Company has a retirement savings plan (the "Plan") for substantially all employees who have completed one year of service and are 19 years of age or older. Employees may make 401(k) contributions subject to Internal Revenue Code limitations. The Plan provides for a discretionary profit sharing contribution to non-driver employees and a matching contribution of a discretionary percentage to driver employees. Company contributions totaled approximately $1.4, million, $1.4 million, and $1.1 million, for the years ended December 31, 2007, 2006, and 2005, respectively.

9. Commitments and Contingencies

The Company is a 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.

10. Quarterly Financial Information (Unaudited)

	First	Second	Third	Fourth
	(In Thousands, Except Per Share Data)			
Year ended December 31, 2007				
Operating revenue	$ 143,429	$ 149,103	$ 146,575	$ 152,786
Operating income	31,288	28,070	26,509	24,583
Income before income taxes	34,604	30,976	28,250	26,905
Net income	22,553	19,841	17,145	16,631
Earnings per share	0.23	0.20	0.18	0.17
Year ended December 31, 2006				
Operating revenue	$ 134,999	$ 143,059	$ 147,057	$ 146,804
Operating income	28,099	35,499	32,534	27,284
Income before income taxes	30,605	38,406	35,675	30,462
Net income	19,740	24,772	23,011	19,648
Earnings per share (1)	0.20	0.25	0.23	0.20

(1) The above earnings per share data reflect the May 15, 2006 four-for-three stock split.

11. Subsequent Events

On January 3, 2008, the Company paid the $1.9 million dividend declared during the fourth quarter of 2007.

Subsequent to December 31, 2007, the Company has repurchased approximately 0.8 million shares of common stock for an aggregate purchase price of approximately $10.6 million. As a result of the stock repurchase, retained earnings was decreased approximately $10.6 million subsequent to December 31, 2007.

During February 2008, the Company experienced approximately $110 million in unsuccessful auctions of short-term investments. The Company will be required to hold such investments until a successful auction occurs or the underlying securities are called by the issuer. Management believes that current amounts of cash and cash equivalents along with cash flows from operations are sufficient to meet the Company's short term cash flow requirements which would not require the sale of such short-term investments at discounted pricing. The Company will continue to explore other financing alternatives to meet cash flow requirements although no requirement currently exists.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(In Thousands, Except Per Share Data)

Column A	Column B	Column C		Column D	Column E
		Charges To			
Description	Balance At Beginning of Period	Cost And Expense	Other Accounts	Deductions	Balance At End of Period
Allowance for doubtful accounts:					
Year ended December 31, 2007	$ 775	$ 44	$ -	$ 44	$ 775
Year ended December 31, 2006	775	221	-	221	775
Year ended December 31, 2005	775	84	-	84	775

HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES

CORPORATE INFORMATION

DIRECTORS

Russell A. Gerdin
Chairman of the Board and
Chief Executive Officer, Heartland Express, Inc.

Richard O. Jacobson
Retired Chairman of the Board
Jacobson Warehouse Company, Inc.

Dr. Benjamin J. Allen
President, University of Northern Iowa

Michael J. Gerdin
President, Heartland Express, Inc.

Lawrence D. Crouse
President
Oak Creek Ranch, LLC

James G. Pratt
Secretary and Treasurer,
Hills Bancorporation

OFFICERS

Russell A. Gerdin
Chairman of the Board and
Chief Executive Officer, Heartland Express, Inc.

Michael J. Gerdin
President, Heartland Express, Inc.

John P. Cosaert
Executive Vice President,
Finance and Treasurer, Heartland Express, Inc.

Richard L. Meehan
Executive Vice President of
Marketing and Operations, Heartland Express, Inc.

Thomas E. Hill
Vice President, Controller,
and Secretary, Heartland Express, Inc.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021

ANNUAL MEETING

Heartland's Annual Meeting will be held at 8:00 a.m. local time on May 8, 2008 at The Holiday Inn & Conference Center, 1220 First Avenue, Coralville, IA 52241

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, Iowa 50309

COMMON STOCK

NASDAQ Global Select Market - HTLD

CORPORATE COUNSEL

Scudder Law Firm, P.C., L.L.O
411 South 13th Street, Second Floor
Lincoln, NE 68508

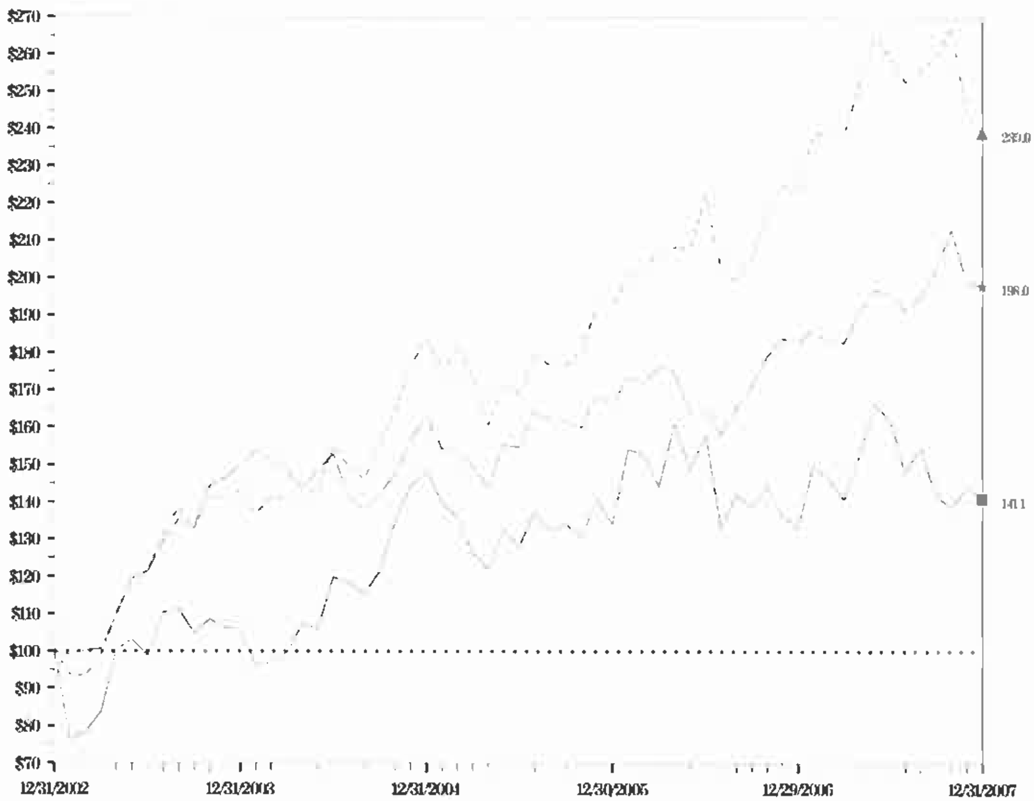
CORPORATE HEADQUARTERS

Heartland Express, Inc.
901 North Kansas Avenue
North Liberty, IA 52317-4726

A copy of our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the Securities and Exchange Commission, may be obtained by stockholders of record without charge upon written request to Thomas E. Hill, at the Company.

STOCK PERFORMANCE GRAPH

The following graph compares the five-year cumulative total stockholder returns of the Company's Common Stock with the cumulative total stockholder return of the Nasdaq Stock Market (U.S. Companies) and the Nasdaq Trucking & Transportation Stocks commencing December 31, 2002, and ending December 31, 2007.



Legend

Symbol	CRSP Total Returns Index for:	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
——— ■	Heartland Express, Inc.	100.0	105.7	147.9	134.1	133.0	141.1
— — — *	Nasdaq Stock Market (US Companies)	100.0	149.5	162.7	166.2	182.6	198.0
- - - - - ▲	Nasdaq Trucking & Transportation Stocks SIC 3700−3799, 4200−4299, 4400−4599, 4700−4799 US & Foreign	100.0	143.2	183.6	191.8	223.0	239.0

Notes:

A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
C. If the monthly interval, based on the fiscal year−end, is not a trading day, the preceding trading day is used.
D. The index level for all series was set to $100.0 on 12/31/2002.

The stock performance graph assumes $100 was invested on December 31, 2002. There can be no assurance that the Company's stock performance will continue into the future with the same or similar trends depicted in the graph above. The Company will not make or endorse any predictions as to future stock performance. The CRSP Index for Nasdaq Trucking & Transportation Stocks includes all publicly held truckload motor carriers traded on the Nasdaq Stock Market, as well as all Nasdaq companies within the Standard Industrial Code Classifications 3700-3799, 4200-4299, 4400-4599, and 4700-4799 US and Foreign. The Company will provide the names of all companies in such index upon request.