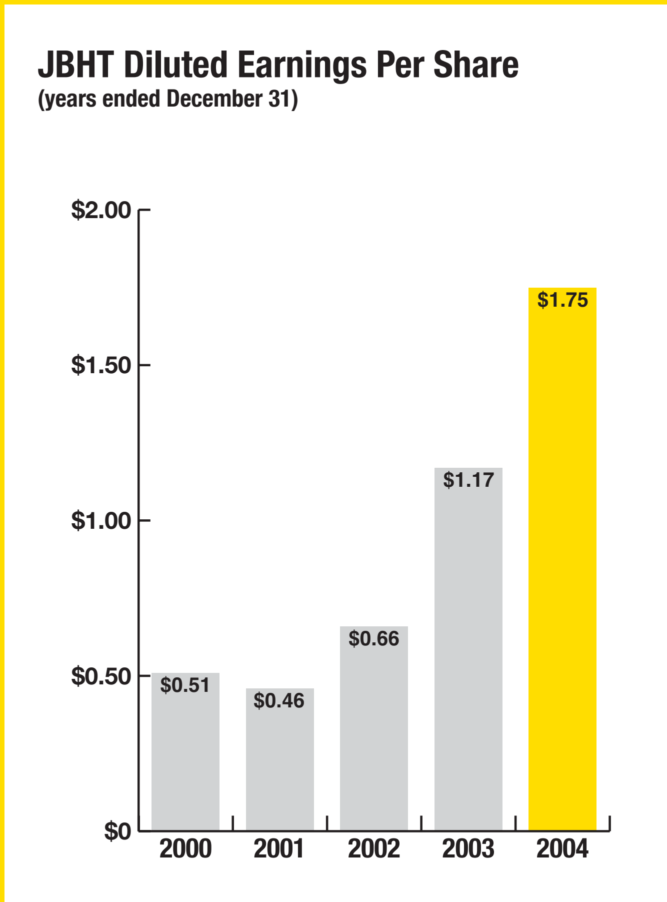
J.B. HUNT TRANSPORT SERVICES, INC.

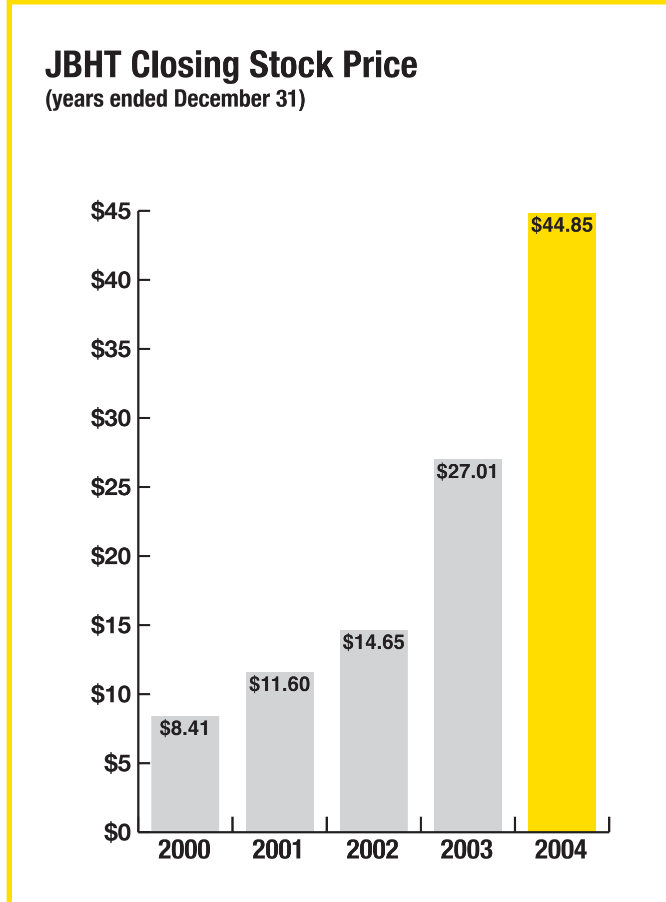
2004

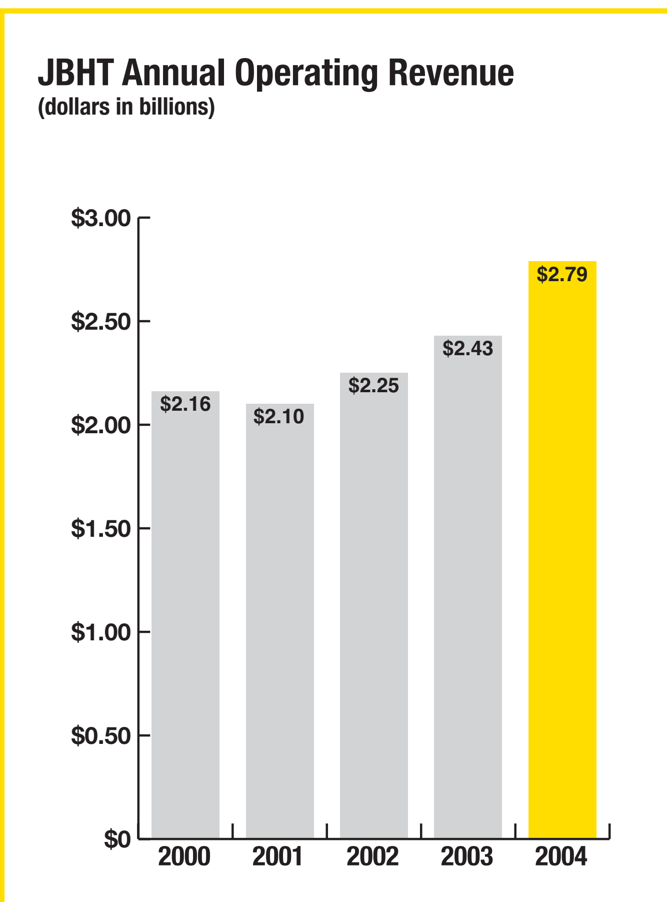
NOTICE OF ANNUAL MEETING, PROXY STATEMENT AND ANNUAL REPORT

J.B. HUNT®

The Transportation Logistics Company


JBHT Diluted Earnings Per Share
(years ended December 31)
$2.00
$1.50
$1.00
$0.50
$0
$0.51
$0.46
$0.66
$1.17
$1.75
2000
2001
2002
2003
2004


JBHT Closing Stock Price
(years ended December 31)
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
$8.41
$11.60
$14.65
$27.01
$44.85
2000
2001
2002
2003
2004


JBHT Annual Operating Revenue
(dollars in billions)
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0
$2.16
$2.10
$2.25
$2.43
$2.79
2000
2001
2002
2003
2004

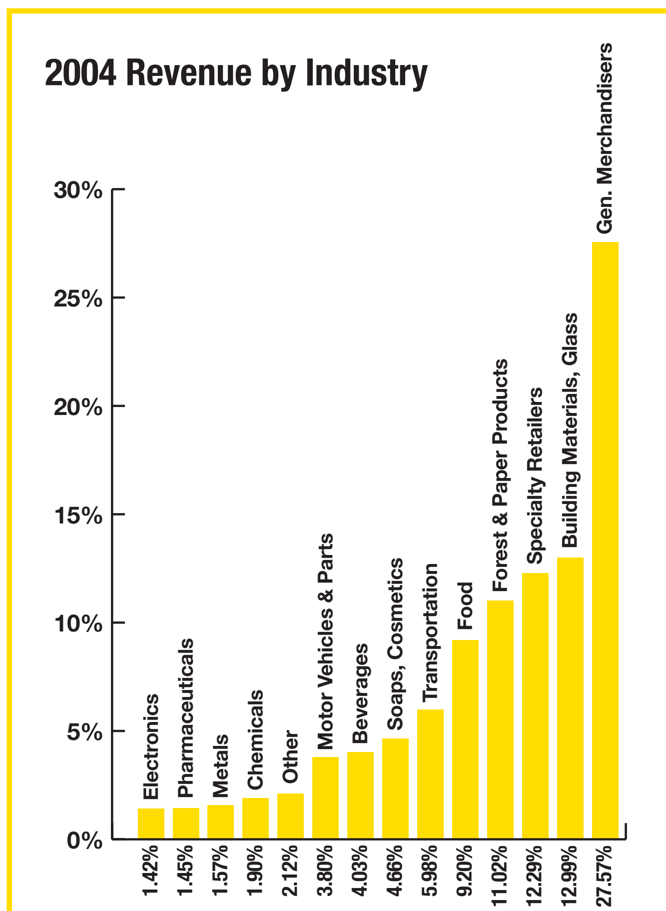

2004 Revenue by Industry
30%
25%
20%
15%
10%
5%
0%
Electronics
Pharmaceuticals
Metals
Chemicals
Other
Motor Vehicles & Parts
Beverages
Soaps, Cosmetics
Transportation
Food
Forest & Paper Products
Specialty Retailers
Building Materials, Glass
Gen. Merchandisers
1.42%
1.45%
1.57%
1.90%
2.12%
3.80%
4.03%
4.66%
5.98%
9.20%
11.02%
12.29%
12.99%
27.57%

TABLE OF CONTENTS

TO OUR STOCKHOLDERS:

2004 was a very good year for J.B. Hunt Transport Services, Inc. The nearly 16,000 people who call J.B. Hunt Transport home provided incredible energy, emotion and expertise to deliver the best financial year in the Company's history. While the Operating Ratio did not achieve the lofty levels of our early years as a much smaller public company, it did exceed anything we had been able to accomplish in recent years. In fact, a glimpse of several financial return statistics paints an impressive year:

Revenue Growth (less fuel surcharges)	12%
Operating Income Growth	67%
Net Earnings Growth	53%
Net Earnings as a % of Revenue	5.3%
Earnings Per Share Growth	50%
Book Value Growth	21%
Operating Ratio	88.9%
Return on Average Assets	10.3%
Return on Average Equity	18.7%
Balance Sheet Debt At Year-End	$ –

Since this is a letter to stockholders, we began by talking about the financial returns, and they are obviously critically important. However, nothing is more important than SAFETY. Again in 2004, we were able to further ingrain our SAFETY culture by focusing intently on reducing accidents and injuries. Based on data from the Federal Motor Carrier Safety Administration and other research groups, J.B. Hunt Transport leads all public carriers (the only carriers that have complete data available) in several categories, including fewest crashes per tractor, fewest crashes resulting in injuries, and fewest crashes resulting in fatalities. Equally impressive, since 1996 the Company has reduced by three and a half times the number of accidents per million miles in the six most serious accident types. The same time frame has seen a reduction of more than 50 percent in injuries per 100 drivers. These SAFETY statistics not only preserved the health and lives of our employees and the driving public, but they positively impacted the bottom line by tens of millions of dollars.

It was a difficult year for some of our fine customers and the shipping public in general, as demand outstripped supply of available capacity for much of the year. Several years of declining margins in the industry and a deterioration of driver pay relative to other professions combined to all but shut down capacity additions for the past few years. While reported truck orders have increased over the past 12-14 months, our research efforts and common sense indicate the vast majority of trucks being built are to replace the nation's aging truck fleet. A review of the data for 1998 through 2000 shows truck orders exceeding 200,000 in each of those years, peaking at more than 250,000 units in 1999. The three years beginning in 2001 saw truck orders plummet to around 150,000 units per year. Since the normal replacement cycle for trucks is around four years, it is clear that many of the trucks purchased in 1998 through 2000 were not replaced and are now five, six and seven years old. 2004 saw an increase in truck builds but did not even approach the deficits of the previous three years. In addition, a host of costs and operational barriers have surfaced in recent years that make adding capacity a different challenge than in previous periods. Drivers remain in chronic short supply. Independent contractors are among some of the hardest hit by the rising costs. Neither group has expanded in recent years. In fact, evidence strongly suggests that drivers and independent contractors have been significantly reduced in number.

Our pledge, as a Company, is to continue delivering best-in-class service and SAFETY for our customers while offering multiple supply chain solutions across our network of Truck, Intermodal and Dedicated Contract Services businesses. Our pledge to our stockholders is to continue managing the company for the best financial results possible while practicing our stewardship responsibilities over the assets of the Company, including cash, for your best interest.

We sincerely appreciate your support.

Kirk Thompson

Wayne Garrison

J.B. HUNT

J.B. HUNT TRANSPORT SERVICES, INC.

615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
(479) 820-0000
Internet Site: www.jbhunt.com

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on April 21, 2005

The Annual Meeting of Stockholders of J.B. Hunt Transport Services, Inc. (the "Company") will be held April 21, 2005, at 10:00 a.m. (CDT) at the Company's headquarters, located at 615 J.B. Hunt Corporate Drive, Lowell, Arkansas, for the following purposes:

(1) To elect four (4) Class I Directors for a term of three (3) years each and one (1) Class II Director for a term of one (1) year

(2) To approve an increase in authorized shares

(3) To amend the Company's Management Incentive Plan

(4) To transact such other business as may properly come before the meeting or any adjournments thereof

Only stockholders of record on January 31, 2005, will be entitled to vote at the meeting or any adjournments thereof. The stock transfer books will not be closed.

The 2004 Annual Report to Stockholders is included in this publication.

By Order of the Board of Directors

JOHNELLE D. HUNT
Secretary

Lowell, Arkansas
March 18, 2005

YOUR VOTE IS IMPORTANT

PLEASE EXECUTE YOUR PROXY WITHOUT DELAY

HOW TO VOTE IF YOU ARE A STOCKHOLDER OF RECORD

Your vote is important. You can save the Company the expense of a second mailing by voting promptly. Stockholders of record can vote by telephone, on the Internet, by mail or by attending the Meeting and voting by ballot as described below. (Please note: if you are a beneficial owner, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.)

The Internet and telephone voting procedures are designed to authenticate stockholders by use of a control number and to allow you to confirm that your instructions have been properly recorded. If you vote by telephone or on the Internet, you do not need to return your proxy card. Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day, and will close at 11:59 p.m. on April 20, 2005.

VOTE BY TELEPHONE

You can vote by calling the toll-free telephone number on your proxy card. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded.

VOTE ON THE INTERNET

You also can choose to vote on the Internet. The website for Internet voting is www.eproxyvote.com/jbht. As with the telephone voting, you can confirm that your instructions have been properly recorded. If you vote on the Internet, you can also request electronic delivery of future proxy materials.

VOTE BY MAIL

If you choose to vote by mail, simply mark your proxy, date and sign it, and return it to EquiServe Trust Company, N.A., in the postage-paid envelope provided. If the envelope is missing, please mail your completed proxy card to J.B. Hunt Transport Services, Inc., c/o EquiServe Trust Company, N.A., P.O. Box 8078, Edison, New Jersey 08818-9271.

VOTING AT THE ANNUAL MEETING

The method by which you vote will not limit your right to vote at the Annual Meeting if you decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Meeting.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting. If you sign and return your proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of Directors.

J.B. HUNT TRANSPORT SERVICES, INC.

615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
(479) 820-0000
Internet Site: www.jbhunt.com

PROXY STATEMENT

This Proxy Statement and the accompanying proxy card are being mailed in connection with the solicitation of proxies by the Board of Directors (the "Board") of J.B. Hunt Transport Services, Inc. (the "Company"), for use at the Annual Meeting of Stockholders. This Proxy Statement was first mailed to stockholders of the Company on March 18, 2005.

This introduction is a summary of selected information from this Proxy Statement and may not contain all of the information that is important to you. To better understand the nominees being solicited for Directors and the proposals which are submitted for a vote, you should carefully read this entire document and other documents to which we refer.

The proxies being solicited hereby are being solicited by the Company. The expense of soliciting proxies, including the cost of preparing, assembling and mailing the material submitted herewith, will be paid by the Company. The Company will also reimburse brokerage firms, banks, trustees, nominees and other persons for the expense of forwarding proxy material to beneficial owners of shares held by them of record. Solicitations of proxies may be made personally or by telephone or telegraphic communications, by Directors, officers and regular employees, who will not receive any additional compensation in respect of such solicitations.

When and Where Is the Annual Meeting?

Date: Thursday, April 21, 2005
Time: 10:00 a.m., Central Daylight Time
Location: J.B. Hunt Transport Services, Inc.
Corporate Offices
1st Floor Auditorium
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745

What Is the Purpose of the Annual Meeting?

At the Company's Annual Meeting, stockholders will act upon matters outlined in the accompanying Notice of Annual Meeting, including the election of Directors, the approval of an increase in the number of authorized shares of the Company, and the amendment of the Company's Management Incentive Plan. In addition, the Company's management will report on the performance of the Company during calendar year 2004.

Who Is Entitled to Vote?

Only stockholders of record at the close of business on the record date, January 31, 2005, are entitled to receive the Notice of Annual Meeting and to vote the shares of common stock that they held on that date at the Meeting or at any postponement or adjournment of the Meeting. Each outstanding share entitles its holder to cast one vote on each matter to be voted on.

Who Can Attend the Meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the Meeting, and each may be accompanied by one guest. Seating is limited and will be on a first-come, first-served basis. Registration will begin at 9:30 a.m. and seating will be available at approximately 9:30 a.m.

No cameras, electronic devices, large bags, briefcases or packages will be permitted at the Meeting

Please note that if you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the Meeting.

What Constitutes a Quorum?

The presence at the Meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting the Company to conduct its business. As of the record date, 81,029,821 shares of common stock of the Company were outstanding. Proxies received, but marked as abstentions and broker non-votes, will be included in the calculation of the number of shares considered to be present at the Meeting.

Can a Stockholder Nominate a Director?

The Nominating and Corporate Governance Committee of the Board of Directors will consider a candidate properly and timely recommended for Directorship by a stockholder or group of stockholders of the Company. The recommendation must be submitted by one or more stockholders that own individually, or as a group beneficially, 2% or more of the outstanding common stock. Stockholder recommendations must be submitted to the Chairman of the Nominating and Corporate Governance Committee in writing via Certified U.S. mail not less than 120 days prior to the first anniversary of the date of the Proxy Statement relating to the Company's previous Annual Meeting. Recommendations must be addressed as follows:

J.B. Hunt Transport Services, Inc.
Chairman, Nominating and Corporate Governance Committee
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745
DIRECTOR CANDIDATE RECOMMENDATION

Generally, candidates for Director positions should possess:

- relevant business and financial expertise and experience, including an understanding of fundamental financial statements
- the highest character and integrity and a reputation for working constructively with others
- sufficient time to devote to meetings and consultation on Board matters
- freedom from conflicts of interest that would interfere with performance as a Director

The full text of the Company's "Policy Regarding Director Recommendations by Stockholders" and "Nominating and Corporate Governance Committee Directorship Guidelines and Selection Policy" is published on the Company's website at www.jbhunt.com and can be found under the caption "Who We Are"/"Investor Relations"/"Corporate Governance."

How Can I Communicate Directly with the Board?

Stockholder communications to the Board of Directors, any Committee of the Board of Directors, or any individual Director must be sent in writing via Certified U.S. mail to the Corporate Secretary at the following address:

J.B. Hunt Transport Services, Inc.
Attention: Corporate Secretary
615 J.B. Hunt Corporate Drive
Lowell, Arkansas 72745

The Company's "Stockholder Communications Policy" is published on the Company's website at www.jbhunt.com and can be found under the caption "Who We Are"/"Investor Relations"/"Corporate Governance."

How Do I Vote?

The enclosed proxy card indicates the number of shares you own. There are four ways to vote:

- By Internet at www.eproxyvote.com/jbht We encourage you to vote this way
- By toll-free telephone at the number shown on your proxy card
- By completing and mailing your proxy card
- By written ballot at the Meeting

If you vote by Internet or telephone, your vote must be received before midnight of the day before the Meeting. Your shares will be voted as you indicate. If you do not indicate your voting preferences, Wayne Garrison and Kirk Thompson will vote your shares FOR Proposals 1, 2 and 3.

If you Vote by Telephone or on the Internet, You Do NOT Need to Return Your Proxy Card

If you complete and properly sign the accompanying proxy card and return it to the Company, or tender your vote via telephone or the Internet, it will be voted as you direct. If you attend the Meeting, you may deliver your completed proxy card in person. Proxies duly executed and returned by a stockholder, and not revoked prior to or at the Meeting, will be voted in accordance with the instructions thereon.

If your shares are held in "street name," you will need to contact your broker or other nominee to determine whether you will be able to vote by telephone or Internet.

What Are the Board's Recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth together with each proposal in this Proxy Statement. In summary, the Board recommends a vote:

- **For** the election of the nominated slate of Directors (see pages 8 and 9)
- **For** the authorization to increase the number of authorized shares (see page 20)
- **For** the amendment of the Company's Management Incentive Plan (see pages 20 and 21)

As of the date of this Proxy Statement, the Board knows of no other business that may properly be, or is likely to be, brought before the Annual Meeting. With respect to any other matter that properly comes before the Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, at their own discretion.

What Vote Is Required to Approve Each Proposal?

- **Election of Directors**. The affirmative vote of a plurality of the votes cast at the Meeting is required for the election of Directors. A properly executed proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more of the Directors will not be voted with respect to the Director or Directors indicated, although it will be counted for purposes of determining whether there is a quorum.
- **Other Proposals**. For each other proposal, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked "ABSTAIN" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

If you hold shares in "street name" through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such "broker non-votes" will, however, be counted in determining whether there is a quorum.

Can I Change My Vote After I Return the Proxy Card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Secretary of the Company either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the Meeting in person and so request, although attendance at the Meeting will not by itself revoke a previously granted proxy.

You Should Carefully Read this Proxy Statement in its Entirety

INFORMATION ABOUT THE BOARD

The Board of Directors is currently divided into three classes, each having three year terms that expire in successive years. The term of office of Directors in each class expires at the Annual Meeting held on the following dates:

Class	Year Term Expires
Class I	2005
Class II	2006
Class III	2007

The shares represented by your proxy will be voted at the 2005 Annual Meeting for the election of all nominees unless you instruct otherwise. If any of them should become unavailable to serve as a Director before the election, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

RETIRING DIRECTORS

On December 31, 2004, Mr. J.B. Hunt, founder and Senior Chairman of the Board, submitted his resignation. Mr. Gene George, an original investor and founding Director of the Company, also tendered his resignation on December 31, 2004. The Company wishes to express its sincere gratitude to these gentlemen for the many years of service and great vision each has contributed in making J.B. Hunt Transport Services, Inc. the company it is today.

PROPOSAL ONE – ELECTION OF DIRECTORS

The Board of Directors proposes that the nominees for Class I Directors described below be re-elected for a new term of three years and until their successors are duly elected and qualified. All nominees are currently serving as Class I Directors.

The Board of Directors also recommends the election of Coleman H. Peterson to serve as a Class II Director for a one-year term. Mr. Peterson was appointed in May 2004 to fill a Class II vacancy on the Board. His term, if elected, will expire at the Annual Meeting held in 2006, at the same time the terms of the current Class II Directors expire.

Each of the nominees has consented to serve the term for which he or she is nominated.

The Board of Directors Recommends that Stockholders Vote
FOR
Each of the Nominees Listed Herein

NOMINEES FOR DIRECTOR

CLASS I – FOR TERM EXPIRING 2008

Johnelle D. Hunt **Director Since 1993**

Mrs. Hunt, age 73, is the Corporate Secretary of the Company. Serving as Credit Manager from 1962 to 1987, she was elected Secretary-Treasurer in 1972 and served in that capacity until October 1988, at which time she was elected Corporate Secretary. Johnelle D. Hunt is the wife of founder and former Senior Chairman of the Board, J.B. Hunt, and the mother of Bryan Hunt.

Kirk Thompson **Director Since 1985**

Mr. Thompson, age 51, is President and Chief Executive Officer of the Company. Mr. Thompson, a certified public accountant, joined the Company in 1973. He served as Vice President of Finance from 1979 until 1984, Executive Vice President and Chief Financial Officer until 1985, and President and Chief Operating Officer from 1986 until 1987, when he was elected President and Chief Executive Officer.

Leland E. Tollett **Director Since 2001**

Mr. Tollett, age 68, is a private investor. He served as Chairman of the Board and Chief Executive Officer of Tyson Foods, Inc. from 1995 to 1998, when he retired and became a consultant to that company. A Tyson Foods employee since 1959, he also served as President and Chief Executive Officer from 1991 to 1995. He first became a board member of Tyson Foods, Inc. in 1984 and continues to serve in that capacity.

John A. White **Director Since 1998**

Dr. White, age 65, is Chancellor of the University of Arkansas, a position he has held since July 1997. A graduate of the University of Arkansas (BSIE), Virginia Tech (MSIE) and The Ohio State University (PhD), he also holds honorary doctorates from the Katholieke Universitiet of Leuven in Belgium and from George Washington University. Dr. White is a member of the National Academy of Engineering, Director of the Malcolm Baldridge National Quality Award Foundation, and Director of the National Collegiate Athletic Association. He also serves on the Board of Directors and the Audit Committees of Logility, Inc., Motorola, Inc., and Russell Corporation.

CLASS II – FOR TERM EXPIRING 2006

Coleman H. Peterson **Director by Appointment Since May 3, 2004**

Mr. Peterson, age 56, is President and CEO of Hollis Enterprises LLC, a human resources consulting firm founded in 2004 following his retirement from Wal-Mart Stores, Inc. as its Executive Vice President of the People Division. During his 10-year tenure, Mr. Peterson was responsible for recruitment, retention and development of the world's largest corporate work force. Prior to his experience with Wal-Mart, Mr. Peterson spent 16 years with Venture Stores, with his last position as the Senior Vice President of Human Resources. He holds master's and bachelor's degrees from Loyola University of Chicago. He serves as a member of the Board of Directors and a member of the Compensation Committee for The Service Master Company. He also serves on the Board of Directors for Knockout Holdings Inc. and sits on the Executive Committee of the NAACP, where he serves as Treasurer of the NAACP's Special Contribution Fund.

REMAINING MEMBERS OF THE CURRENT BOARD

The remaining members of the current Board, their experience and qualifications as Board members, the class in which they serve, and the expiration of their terms are as follows:

CLASS II – TERM EXPIRES APRIL 2006

Thomas L. Hardeman **Director Since 1994**

Mr. Hardeman, age 67, is President of BTTB Investments, a private investment company. He served as Corporate Vice President of United Parcel Service from 1984 until his retirement in April 1994. He is the former Chairman of the Advisory Board for the Commercial Vehicle Safety Alliance, former board member of the Professional Truck Driver Institute of America, and served on the American Legislative Exchange Council and the State Government Affairs Council.

James L. Robo **Director Since 2002**

Mr. Robo, age 42, is President of FPL Energy and Vice President of Corporate Development Strategy of FPL Group. FPL Group is a public company whose two main subsidiaries are Florida Power & Light and FPL Energy. Mr. Robo joined the General Electric Company in 1992 and served as President and Chief Executive Officer of GE Mexico from 1997-1999. He was President and Chief Executive Officer of the GE Capital TIP/Modular Space division from 1992 until February 2002. From 1984-1992 Mr. Robo worked for Mercer Management Consulting and served as Vice President from 1988-1992. He graduated summa cum laude from Harvard College with a BA in European History and subsequently obtained his MBA from Harvard Business School in 1988.

CLASS III – TERM EXPIRES APRIL 2007

John A. Cooper, Jr. **Director Since 1990**

Mr. Cooper, age 66, is Chairman of the Board of Cooper Communities, Inc. (a private community development company). From 1997 to July 2003, Mr. Cooper served as Chief Executive Officer and President of Cooper Communities, Inc.

Wayne Garrison **Director Since 1981**

Mr. Garrison, age 52, is Chairman of the Board and has held this title since 1995. Joining the Company in 1976 as Plant Manager, he has also served the Company as Vice President of Finance in 1978, Executive Vice President of Finance in 1979, President in 1982, Chief Executive Officer in 1987 and Vice Chairman of the Board from January 1986 until May 1991.

Bryan Hunt **Director Since 1991**

Mr. Bryan Hunt, age 46, is President of Best Motor Company, Best Leasing Corporation and Progressive Finance Corporation (all private companies with operations in motor vehicle sales, leasing and financing). He served as Assistant Secretary of the Company from October 1988 until May 2000. Until his retirement from the Company in 1997, he served separate terms as the Company's Treasurer and Chief Operating Officer of the Van Division. Bryan Hunt is the son of J.B. Hunt and Johnelle D. Hunt.

DIRECTOR COMPENSATION

The Company pays only independent, non-employee Directors for their services. Directors who are also officers of the Company are not eligible to receive any of the compensation described below.

At its meeting on July 22, 2004, the Executive Compensation Committee reviewed its current compensation package for its independent, non-employee Directors. The services of an independent consultant were commissioned to survey board compensation practices in the industry and general marketplace. Based on the results reviewed by the Committee, it was determined that it would be in the best interest of the Company and its stockholders to implement modifications suggested by the consultant and initiate a stock ownership requirement for its Directors. As such, effective immediately, Directors of the Company will be required to own three times their estimated annual compensation (approximately $74,000) in stock within a three-year period. All members of the Board have satisfied this requirement, with the exception of Coleman H. Peterson, who was newly appointed to the Board in May 2004. If elected, Mr. Peterson will have until May 2007 to satisfy the requirement.

In calendar year 2004, compensation for independent, non-employee Directors, serving on the Board, was as follows:

- an annual retainer of $50,000 paid in Company stock, cash or any combination thereof
- $4,500 for each Board meeting attended
- $1,500 for each Board Committee meeting attended
- $3,000 to the chairman of each Committee for each Committee meeting attended
- reimbursement of expenses to attend Board and Committee meetings

CORPORATE GOVERNANCE

Duties of the Board

The Board of Directors has the responsibility to serve as the trustee for the stockholders. It also has the responsibility for establishing broad corporate policies and for the overall performance of the Company. The Board, however, is not involved in day-to-day operating details. Members of the Board are kept informed of the Company's business through discussion with the Chairman, Chief Executive Officer and other officers, by reviewing analyses and reports sent to them each month, and by participating in Board and Committee meetings.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities to the Company and its stockholders. The guidelines address, among other items, Director responsibilities, Board committees, and Director compensation. We believe that good corporate governance helps ensure that the Company is managed for the long-term benefit of its stockholders. During the past year, we continued to review our corporate governance policies and practices, the recently adopted and proposed corporate governance rules and regulations of the Securities and Exchange Commission (the "SEC"), and the revised listing standards of the NASDAQ, the stock exchange on which our common stock is traded. These documents are published on our website at www.jbhunt.com under the caption of "Who We Are"/"Investor Relations"/"Corporate Governance."

Director Independence

The Board has determined that no non-employee Director has a material relationship with the Company (either directly or indirectly as a partner, stockholder or officer of an organization that has a relationship with the Company) and all non-employee Directors meet the criteria for independence under the NASD listing standards. The Board has also determined that no member of the Audit Committee, Compensation Committee or Nominating Committee has any material relationship with the Company (either directly or indirectly as a partner, stockholder or officer of an organization that has a relationship with the Company) and that all members of these committees meet the criteria for independence under the NASD listing standards.

The Board has selected John A. White to act as presiding Director of executive sessions to be held on a regular basis by non-employee, independent Directors. This group of Directors met three times in executive session during calendar year 2004. Dr. White presided as Chairman in each of these meetings. It will remain standard practice of the Company to conduct these meetings either before or after each regularly scheduled Board meeting or on an as-needed basis.

BOARD MEETINGS

All members of the Board are strongly encouraged to attend each meeting of the Board and meetings of the Board Committees on which they serve as well as the Annual Meeting. Please refer to the Company's "Director Attendance Policy," published on the Company's website at www.jbhunt.com under the caption "Who We Are"/"Investor Relations"/"Corporate Governance" for further details.

The business of the Company is managed under the direction of the Board of Directors, who meet on a regularly scheduled basis during its calendar year to review significant developments affecting the Company and to act on matters which require Board approval. Special meetings are also held when Board action is required on matters arising between regularly scheduled meetings. The Board of Directors held four regularly scheduled meetings and two telephonic meetings during the 2004 calendar year. During this period all members of the Board participated in at least 75% of all meetings, including the Annual Meeting.

BOARD COMMITTEES

For the calendar year ending December 31, 2004, the Board of Directors had the following committees:

- **Audit**, comprised of Chairman, John A. White, James L. Robo and Leland E. Tollett
- **Executive Compensation**, comprised of Chairman, John A. Cooper, Jr., Gene George (now retired), Thomas L. Hardeman and Coleman H. Peterson
- **Nominating and Corporate Governance**, comprised of Chairman, Thomas L. Hardeman, John A. Cooper, Jr., and James L. Robo

Members of the committees are appointed annually by the Board and serve until their successors are appointed or their earlier resignation or removal.

AUDIT COMMITTEE

The Audit Committee functions are focused primarily on three areas:

(1) the scope and adequacy of the Company's internal controls and financial reporting processes and the reliability of the Company's financial statements
(2) the independence and performance of the Company's independent auditors
(3) the Company's compliance with legal and regulatory requirements related to the filing and disclosure of quarterly and annual financial statements of the Company

All members of the Audit Committee qualify as "independent" Directors under the regulations of the Sarbanes-Oxley Act and the NASD listing standards. The Board believes each member of the Audit Committee is knowledgeable and qualified to review financial statements. In addition, the Board has determined that all members of the Audit Committee qualify as "audit committee financial experts" within the meaning of the regulations of the SEC. The Audit Committee held seven regularly scheduled meetings in calendar year 2004.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In this context, the Committee met seven times and held discussions with management and the independent auditor regarding the fair and complete presentation of the Company's financial results. The Committee has discussed significant accounting policies applied by the Company in its financial statements. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent auditor. The Committee discussed with the independent auditor matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees).

Additionally, the Committee has discussed with the independent auditor the auditor's independence from the Company and its management, including the matters in written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Committee also has considered whether the independent auditor's provision of non-audit services to the Company is compatible with the auditor's independence. The Committee has concluded that the auditor is independent from the Company and its management.

The Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the SEC.

J.B. Hunt Transport Services, Inc.
2004 Audit Committee Members
John A. White, Chairman
James L. Robo
Leland E. Tollett

EXECUTIVE COMPENSATION COMMITTEE

The *Executive Compensation Committee* determines the compensation of senior management of the Company. The Executive Compensation Committee reviews annually the stock incentive and benefit plans of the Company. It evaluates and recommends to the Board of Directors, for their approval, base salaries and stock option grants for the Chairman and Chief Executive Officer and all other "insiders" as defined in Section 16 of the Securities & Exchange Act of 1934. All members of the Committee are "outside/disinterested Directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") for the purpose of administering the Company's performance-based compensation plans. The Executive Compensation Committee met twice in calendar year 2004.

Executive Compensation Committee Interlocks and Insider Participation

Messrs. Cooper, Hardeman and Peterson are non-employee, independent Directors of the Company and Mr. George was a non-employee, independent Director prior to his retirement. None of the members of the Executive Compensation Committee was an officer or an employee of the Company during calendar year 2004. No member of the Committee is a former officer of the Company or had any related-party transactions with the Company in calendar year 2004.

REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE

The Executive Compensation Committee

Compensation of officers and senior executives of the Company is determined by the Executive Compensation Committee of the Board of Directors (the "Committee"). The Committee, comprised entirely of non-employee, independent Directors, meets:

(1) to evaluate and approve the annual salary and bonus plan for executives
(2) to review annual goals and reward annual performance of executives
(3) to grant stock options pursuant to the Company's stock option plan
(4) to establish and certify the achievement of performance goals under the Company's Management Incentive Plan
(5) to evaluate and recommend to the Board of Directors for their approval, base salary and stock option grants for the Company's Chairman and Chief Executive Officer and all other "insiders" as defined in Section 16 of the Securities & Exchange Act of 1934
(6) to review any other executive compensation. In 2003, the Committee retained the services of an independent consultant to review its executive compensation policies and practices.

In 2004, the Committee reviewed the 2003 report and met to discuss current salaries, bonuses and other compensation of the officers and senior executives of the Company, including the Chairman, Chief Executive Officer and the Board of Directors.

General Compensation Policy

The executive compensation package has three main components:

(1) base salary, which is reviewed annually
(2) performance-based bonuses that are directly tied to the Company's earnings per share and are earned annually depending on the achievement of pre-established performance-based goals
(3) incentive awards

This mix of compensation places more of total compensation at risk and emphasizes performance.

The Committee believes that competitive levels of cash compensation, together with equity and other incentive programs, are necessary for the attraction, motivation and retention of the highest caliber employees.

Base Salary

Executives' base salaries are based on the Company's performance for the prior calendar year and upon a subjective evaluation of each executive's contribution to that performance. In evaluating overall Company performance, the primary focus is on the Company's earnings per share.

Performance-Based Bonus

Performance cash bonuses are paid quarterly to executives based on the Company's earnings per share. The amount of the bonus paid is a percentage of the executive's salary. The bonus increases as a percentage of base salary as the Company's earnings per share improves.

Incentive Awards

Incentive awards are made under the Company's Management Incentive Plan. As a person's level of responsibility increases, a greater portion of potential total compensation opportunity is shifted from salary to performance-based incentives and to greater reliance on growing total return to stockholders through stock-based awards. This directly aligns the interest of management with stockholders.

Stock Ownership Guidelines

To motivate the Company's officers and senior management to emulate its stockholders, the Company strongly encourages them to own stock in the Company. Stock ownership is defined as stock owned:

1) directly
2) through the Company's 401(k) Employee Retirement Plan, and/or
3) through the Company's Deferred Compensation Plan.

In 1995, the Company implemented a program that set stock ownership goals for certain categories of officers and senior management, as shown below.

Position	Ownership Multiple of Base Salary
Chief Executive Officer	6 times
Executive Vice Presidents	3.5 times
Senior Vice Presidents and Vice Presidents of Operations	2.75 times
Vice Presidents, Terminal Managers, and Directors of Operations	2 times

The Committee has determined that as of January 31, 2005, all of the Company's officers and members of senior management covered by these guidelines have met their ownership goals.

Chairman and Chief Executive Officer Compensation

The Committee has attempted to set base salary and overall compensation for Messrs. Garrison and Thompson competitively with companies of similar size and aligned with companies in our respective industry. The goal is to reward these executives for corporate performance in line with the interests of the stockholders.

Cash bonuses paid to Messrs. Garrison and Thompson in calendar year 2004 were determined by the previously mentioned formula relating bonuses to earnings per share.

In calendar year 2004, in accordance with the Committee's policy of aligning executive interest with the interests of stockholders, the Committee recommended, and the Board approved, a stock option grant of 50,000 shares to Mr. Thompson. Mr. Thompson's options will vest over a 10-year period in increments of 20% in 2012, 40% in 2013 and 40% in 2014. No stock option grants were awarded to Mr. Garrison in calendar year 2004.

Messrs. Garrison's and Thompson's cash compensation is comparable to other transportation company peers. After evaluating the independent consultant's review of compensation practices and policies, the Committee recommended, and the Board approved, an increase in base salary for Mr. Thompson of $10,000 effective October 21, 2004. No increase in base salary for Mr. Garrison occurred in calendar year 2004. Both Messrs. Garrison and Thompson participate in the Company's 401(k) Employee Retirement Plan.

2005 Performance-Based Compensation

For calendar year 2005, the Company has established, and the Compensation Committee has approved, a cash bonus program for the above named executives and its senior management The amount of the bonus earned will be a percentage of the executive's base salary and will increase by percentage of base salary in direct correlation to the Company's increase in earnings per share.

Tax Deductibility

The Company's incentive bonus and stock incentive plans are designed to be performance-based plans as defined in the Internal Revenue Code. Therefore, under Internal Revenue Code Section 162(m), compensation paid in 2004 under these plans is intended to be fully deductible, and it is our intention to continue to maximize deductibility to the extent practicable.

Our Conclusion

We firmly believe that the quality and motivation of all of the Company's employees, including its managers, make a significant difference in the Company's long-term performance. We also believe that stockholders directly benefit from compensation programs that:

- reward superior performance
- contain an appropriate downside risk element when performance falls short of clearly defined standards
- give appropriate administrative flexibility to achieve their objectives

We believe that the Company's management compensation program meets these requirements and will continue to be an important factor in driving the Company's success.

J.B. Hunt Transport Services, Inc.
2004 Executive Compensation Committee Members
John A. Cooper, Jr., Chairman
Gene George (now retired)
Thomas L. Hardeman
Coleman H. Peterson

SUMMARY COMPENSATION

The following table sets forth information concerning total compensation earned or paid by the Company or any of its subsidiaries to the Chairman (as one of the five highest-paid executives other than the Chief Executive Officer), the Chief Executive Officer, and the three highest-paid executive officers of the Company for such period in all capacities in which they served.

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Other Annual Compensation ($) (2)	Securities Underlying Options/SARs (#) (3)	All Other Compensation ($) (4)
Wayne Garrison	2004	400,000	492,000	7,944	0	6,000
Chairman of the	2003	394,231	234,375	6,873	20,000	6,000
Board	2002	375,000	187,500	32,417	300,000	5,500
Kirk Thompson	2004	551,923	676,500	7,783	50,000	6,000
President and	2003	509,748	296,875	3,258	50,000	6,000
CEO	2002	453,846	225,000	5,395	80,000	5,499
Jerry Walton	2004	336,923	412,050	5,225	20,000	5,846
EVP, Finance/	2003	339,423	203,125	4,541	20,000	6,000
Administration and CFO	2002	325,000	162,500	4,571	30,000	6,000
Paul Bergant	2004	292,885	356,700	9,981	20,000	6,000
EVP, Marketing,	2003	292,692	175,000	8,049	20,000	6,000
CMO, President of Intermodal	2002	280,000	140,000	9,406	30,000	6,000
Craig Harper	2004	277,885	338,250	0	24,000	6,000
EVP, Operations,	2003	272,885	162,500	0	24,000	6,000
and COO	2002	251,538	125,000	0	40,000	5,297

(1) All bonuses are reported in the year in which they are earned. Bonus and salary totals shown above may include amounts transferred into deferred compensation.

(2) Calendar year 2004 amounts consist of:
- Wayne Garrison, $7,944 for professional fees.
- Kirk Thompson, $1,000 for professional fees, $2,289 for club dues, and $4,494 for personal use of the Company plane.
- Jerry Walton, $5,225 for club dues.
- Paul Bergant, $1,100 for professional fees, $7,115 for club dues, and $1,766 for personal use of the Company plane.

Calendar year 2003 amounts consist of:
- Wayne Garrison, $6,500 for professional fees and $373 for personal use of a Company vehicle.
- Kirk Thompson, $500 for professional fees, $1,621 for club dues, and $1,137 for personal use of the Company plane.
- Jerry Walton, $4,541 for club dues.
- Paul Bergant, $765 for professional fees, $6,368 for club dues, and $916 for personal use of the Company plane.

Calendar year 2002 amounts consist of:
- Wayne Garrison, $10,217 for professional fees, $21,357 for personal use of the Company plane, and $843 for use of a Company car.
- Kirk Thompson, $350 for professional fees, $1,621 for club dues, and $3,424 for personal use of the Company plane.
- Jerry Walton, $4,571 for club dues.
- Paul Bergant, $765 for professional fees, $5,817 for club dues, and $2,824 for personal use of the Company plane.

(3) There were no restricted stock awards or stock appreciation rights (SARs) granted in calendar years 2004, 2003 or 2002.

(4) Includes matching contributions to the Company's 401(k) retirement plan on behalf of each of the above named executives.

COMPENSATION UNDER MANAGEMENT INCENTIVE PLAN

The Board of Directors believes it is in the best long-term interests of the stockholders of the Company to maintain a progressive stock-based incentive program in order to attract and retain officers, key employees and Directors and to encourage their greater financial investment in the Company.

The Company's Management Incentive Plan (the "Plan") was originally adopted and approved by the Board of Directors on March 17, 1989, and subsequently approved by the stockholders on May 11, 1995. Amendments to the Plan were approved by the stockholders on April 16, 1998, and April 20, 2000. The Plan was adopted for the purpose of providing key employees the opportunity to acquire a proprietary interest in the Company through the purchase or awarding of shares of common stock or the awarding of SARs, share units or money credits, thereby more closely aligning management's interests with that of the Company's stockholders. The term "key employee" is defined to include employees, officers, directors, consultants and independent contractors who render services which tend to materially contribute to the success of the Company.

The Plan generally provides for the grant of stock options, restricted stock, SARs, share units or money credits which may be granted either alone or simultaneously in any combination. In order to comply with the Omnibus Budget Reconciliation Act of 1993 and avoid the possible loss of future federal income tax deductions attributable to stock options and SARs granted under the Plan, the Board amended the Plan to set the maximum number of its shares of common stock that may be subject to stock options, restricted stock, SARs, share units or money credits, to an executive officer during any calendar year, as 2% of the total shares authorized for issuance under the Plan or its dollar equivalent at the share's fair market value at date of grant.

Under currently applicable provisions of the Internal Revenue Code, an optionee will not be deemed to receive any income for federal income tax purposes upon the grant of any option under the Plan, nor will the Company be entitled to a tax deduction at that time. Upon the exercise of a non-qualified option, the optionee will be deemed to have received compensation in an amount equal to the difference between the market price and exercise price of the shares received on the exercise date. The Company will be allowed an income tax deduction equal to the excess of market value on the shares on the date of exercise over the cost of such shares to the optionee.

OPTION GRANTS DURING CALENDAR YEAR 2004

This table shows all options to acquire shares of the common stock granted to the Chairman, President and CEO, and three highest-paid executives of the Company during the calendar year ended December 31, 2004.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ($) (3)	
Name	Number of Securities Underlying Options Granted (#) (1)	Percent of Total Options Granted (%)	Option Price ($/Sh) (2)	Expiration Date	5%	10%
Wayne Garrison	0	N/A	N/A	N/A	N/A	N/A
Kirk Thompson	50,000	6.44	40.73	10/21/15	1,446,606	3,773,872
Jerry Walton	20,000	2.58	40.73	10/21/12	388,935	931,567
Paul Bergant	20,000	2.58	40.73	10/21/11	331,624	772,825
Craig Harper	24,000	3.09	40.73	10/21/15	694,371	1,811,459

(1) The above table reflects options only. The Company has no SARs or restricted stock at the present time.

(2) These options were granted at an exercise price of $40.73 per share, which was the fair market value of the underlying shares on the date of grant.

(3) Caution is recommended in interpreting the financial significance of these figures. Potential realizable values are required to be based on the assumption that the Company's common stock will appreciate 5% or 10% each year, compounded annually, from the grant date of the option to the end of the option term. The figures are not intended to forecast possible future appreciation, if any, of the price of common stock or establish a present value of the options.

AGGREGATED OPTION EXERCISES DURING CALENDAR YEAR 2004 AND OPTION VALUES ON DECEMBER 31, 2004

This table shows all stock options exercised by the Chairman, the President and CEO, and the three highest-paid executives of the Company during the calendar year ended December 31, 2004, and the number and value of options they held at calendar year end.

Name	Shares Acquired on Exercise (#) (1)	Value Realized ($) (2)	Number of Securities Underlying Unexercised Options at 12/31/04 (#) Exercisable/ Un-exercisable	Value of Unexercised In-the-Money Options at 12/31/04 ($) (3) Exercisable/ Un-exercisable
Wayne Garrison	276,000	6,490,560	0 E 252,000 U	0 E 8,301,360 U
Kirk Thompson	120,424	3,008,204	0 E 455,446 U	0 E 13,918,123 U
Jerry Walton	206,200	5,138,415	0 E 181,000 U	0 E 5,469,050 U
Paul Bergant	81,870	2,388,871	0 E 193,670 U	0 E 5,949,640 U
Craig Harper	49,886	1,353,850	0 E 223,842 U	0 E 6,863,325 U

The above table reflects options only. The Company has no SARs or restricted stock at the present time.

(1) Either all or a portion of the shares acquired on exercise shown in the above table for Messrs. Garrison, Thompson, Walton and Harper were acquired through a cashless exercise. Shares held by the individual for more than six months (mature shares) are tendered to the Company to pay the option price and tax withholdings. Such a transaction allows an individual to increase ownership in Company stock without openly selling shares in the marketplace. Shares tendered to the Company are added back to the authorized shares under the Management Incentive Plan approved by the stockholders on April 20, 2000.

Shares tendered from the above transactions were as follows: Wayne Garrison, 150,929 shares; Kirk Thompson, 59,078 shares; Jerry Walton, 51,348 shares; and Craig Harper, 11,988 shares.

(2) Values were earned over multiple year periods. Election to exercise an option in calendar year 2004 should not be interpreted to mean that all value was earned in the year the option was exercised.

(3) Values are calculated by subtracting the exercise price from the fair market value of the underlying common stock. For purposes of this table, fair market value is deemed to be $44.85, which is the closing market price reported by NASDAQ on December 31, 2004.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee develops and maintains the corporate governance policies of J.B. Hunt Transport Services, Inc. and assists the Company's Board of Directors in:

(1) identifying, screening and recruiting qualified individuals to become Board members
(2) determining the composition of the Board and its Committees
(3) assisting the Board in assessing the Board's effectiveness

All members of the Committee are qualified as non-employee, independent Directors as determined by the rules of the SEC and NASD listing standards. Further detail regarding qualifications and responsibilities is outlined in the Committee's charter published on the Company's website at www.jbhunt.com under the caption of "Who We Are"/"Investor Relations"/"Corporate Governance." The Committee met three times in 2004.

The Nominating and Corporate Governance Committee guidelines outline the qualification the Committee looks for in a nominee. Generally, the candidate should possess:

- relevant business and financial expertise and experience, including an understanding of fundamental financial statements
- the highest character and integrity and a reputation for working constructively with others
- sufficient time to devote to meetings and consultation on Board matters
- freedom from conflicts of interest that would interfere with performance as a Director
- other desirable qualifications and experience as established by the Committee

After assessing and considering prevailing business conditions of the Company, legal and listing standard requirements for Board composition, the size and composition of the current Board, and the skills and experience of current Board members, any of the Chairman, the Committee or any Board member may identify the need to add a Board member to meet specific criteria or to fill a vacancy on the Board. The Committee identifies qualified Director nominees from among persons known to the members of the Committee, by reputation or otherwise, and through referrals from trusted sources, including senior management, existing Board members, stockholders and independent consultants hired for such purpose. The Committee may request that senior officers of the Company assist the Committee in identifying and assessing prospective candidates who meet the criteria established by the Board.

Candidates are evaluated based upon their qualifications or other relevant information, including a personal interview. The Committee convenes a meeting and approves the candidates to be presented to the Board. The Board considers the recommendations of the Committee and approves candidates for nomination.

CODES OF BUSINESS CONDUCT AND ETHICS

The Board has adopted codes of business conduct and ethics that apply to all of the Company's Directors, officers and employees. The purpose of these codes is to focus our Directors and employees on areas of ethical risk, provide guidance to help them recognize and deal with ethical issues, provide mechanisms to report unethical or unlawful conduct, and help enhance and formalize our culture of integrity, honesty, and accountability. These codes are published in their entirety on the Company's website at www.jbhunt.com under the caption of "Who We Are"/"Investor Relations"/"Corporate Governance." The Company will post on its website any amendment to this code and any waivers of any provision of this code made for the benefit of any of our senior executive officers or Directors.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

To abide by the new directives implemented by the Sarbanes-Oxley Act of 2002, the Company discontinued the funding of annual premium advances for the J.B. and Johnelle D. Hunt Life Insurance Trust in calendar year 2002. Mr. and Mrs. J.B. Hunt personally guaranteed the premium advances and accrued interest thereon in the amount of $11,241,033, and on December 29, 2004, the J.B. and Johnelle D. Hunt Life Insurance Trust repaid that amount to the Company.

Johnelle D. Hunt is the wife of founder and former Senior Chairman of the Board, J.B. Hunt, and Bryan Hunt is the son of J.B. and Johnelle D. Hunt. There are no other family relationships among the foregoing Directors.

J.B. and Johnelle D. Hunt were employees of the Company in calendar year 2004. Mr. Hunt received $382,211 in salary, $217,550 for professional services, and $3,054 for personal use of the Company airplane. Mr. Hunt retired from the Company on December 31, 2004, and will receive no compensation in 2005. Mrs. Hunt received $100,000 in salary for her services as the Company's Corporate Secretary. She will continue to serve in 2005.

A son-in-law of Mr. Thompson, President and Chief Executive Officer of the Company, was employed by the Company in calendar year 2004 and received calendar year 2004 compensation that exceeded $60,000. He was employeed in calendar year 2000, prior to becoming his son-in-law.

In April 2004, the Company sold its aircraft hanger to Pinnacle Air Facilities LLC (Pinnacle) for $988,000. Mr. Hunt, founder and Senior Chairman of the Company, is a principal and director of Pinnacle. Pursuant to the Charter of the Company's Nominating and Corporate Governance Committee, the committee reviewed and approved the transaction and further secured a vote of approval from each independent, non-employee member of the board of directors. Mr. Hunt retired from the Company on December 31, 2004.

SECTION 16(a) BENEFICIAL OWNERSHIP

Section 16 of the Securities and Exchange Act of 1934, as amended, requires each Director, officer, and any individual beneficially owning more than 10% of the Company's common stock to file reports of holdings and transactions in J.B. Hunt Transport Services, Inc. with the SEC and NASDAQ within specified time frames. These specified time frames were shortened by the SEC during 2003 and generally require the reporting of changes in ownership within two business days of the transaction. To the Company's knowledge, all required Section 16(a) filings were timely and correctly made during 2004.

PRINCIPAL STOCKHOLDERS OF THE COMPANY

The authorized common stock of the Company consists of 100,000,000 shares at $.01 par value. As of the close of business on January 31, 2005, there were 81,029,821 shares outstanding held by 1,324 stockholders of record. There are no other classes of capital stock of the Company authorized.

Holdings of Executive Officers and Directors

The following table lists shares owned as of January 31, 2005, by each Director of the Company, by each named executive officer, by all officers and Directors as a group, and by all persons known to be the beneficial owner of more than five percent of the Company's common stock.

Directors and Officers	Shares Owned (1)	Right to Acquire (2)	Percent of Outstanding Shares (3)
Paul Bergant	274,810	0	*
John A. Cooper, Jr.	29,330	0	*
Wayne Garrison	3,419,173	60,000	4.29
Thomas L. Hardeman	8,188	0	*
Craig Harper	89,675	0	*
Bryan Hunt	5,723	33,200	*
Johnelle D. Hunt	481,962 (4)	0	*
Coleman H. Peterson	1,384	0	*
James L. Robo	6,270	0	*
Kirk Thompson	222,887	0	*
Leland E. Tollett	6,146	0	*
Jerry W. Walton	204,670 (5)	0	*
John A. White	14,268	0	*
All executive officers and Directors as a group (20 persons)	5,059,075	217,280	6.51

*Less than one percent

Other Principal Stockholders			
J.B. Hunt, LLC (4) (6) 807 W. Bowen Fayetteville, Arkansas 72701	16,420,758		20.27
Barclay's Global Investors, N.A. (7) 45 Fremont Street San Francisco, California 94105	7,882,207		9.72
Putnam Investments (7) One Post Office Square Boston, Massachusetts 02109	4,161,931		5.13

(1) Includes shares for which the named person:
- has sole voting and investment power
- has shared voting and investment power with a spouse, or
- holds shares in the Company's 401(k) Employee Retirement Plan, and/or Deferred Compensation Plan, unless otherwise indicated in the footnotes

Excludes shares that:
- are restricted stock holdings, or
- may be acquired through non-vested stock option exercises

(2) Shares that can be acquired by exercise of stock options exercisable through February 28, 2005.

(3) The percentages are based on shares that equal the outstanding shares of the Company as of January 31, 2005.

(4) Includes shares owned by Mr. and Mrs. J.B. Hunt in family limited liability companies in which they are co-managers.

(5) Includes 66,198 shares held in trusts in which Mr. Walton is designated as the trustee but claims no beneficial interest.

(6) As reported on Form 4 reports filed with the SEC and on file as of December 31, 2004. J.B. and Johnelle Hunt are co-managers of this entity.

(7) Statistics obtained from NASDAQ Corporate Services Network, Source: FactSet Research Systems, Inc. and Form 13Gs filed with the SEC.

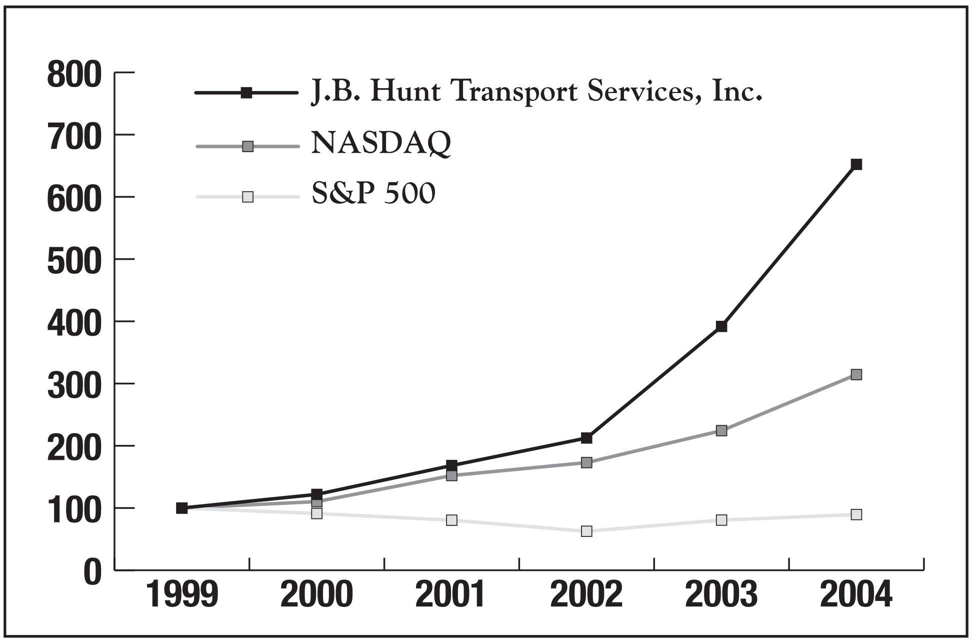
PERFORMANCE GRAPH

The following graph presents a five-year comparison of cumulative total returns for the Company, the S&P 500 composite index and NASDAQ Trucking Stocks (CRSP Transportation Index). The CRSP Transportation Index was prepared by the Center for Research in Security Prices and includes all NASDAQ motor freight and warehousing companies classified under SIC codes 4200-4299. A listing of the companies included in the CRSP Transportation Index is available upon request from the Company. The values on the graph show the relative performance of an investment of $100 made on December 31, 1999, in Company common stock and in each of the indices.

Comparison of Five-Year Cumulative Total Return

Total Return for Index Dollars

	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04
J.B. Hunt	100.0	121.9	168.3	212.5	391.8	652.2
S&P 500	100.0	91.2	80.4	62.6	80.6	89.5
NASDAQ	100.0	110.3	152.2	173.4	224.3	314.4



PROPOSAL TWO –
TO INCREASE THE NUMBER OF AUTHORIZED SHARES

The Board recommends your approval of an amendment to the Fifth Article of the Company's Amended and Restated Articles of Incorporation to increase the number of total authorized shares of the Company's common stock (the "Shares") from 100,000,000 to 1,000,000,000.

As of January 31, 2005, there were a total of 81,029,821 Shares issued and outstanding.

The Board approved a two-for-one stock split with a payable date of August 29, 2003. Upon completion of this stock split, a total of 80,026,986 Shares were issued and outstanding. At January 31, 2005, a total of 18,970,179 Shares were available for future issuance. The Shares remaining available for issuance would not be adequate for another two-for-one split if the Board thought it was advisable.

The proposed increase ensures that an adequate supply of authorized unissued Shares are available for general corporate needs, such as future stock dividends, options, or splits, raising additional capital or financing acquisitions. The additional Shares proposed to be authorized would be available for issuance without further action by the stockholders, unless required by the Company's Restated and Amended Articles of Incorporation, Bylaws, applicable law or NASD rules.

The Board has the authority to issue Shares on any terms it deems appropriate, subject to applicable law. Issuance of additional Shares may, among other things, have a dilutive effect on earnings per share and on the equity and voting power of existing stockholders. However, until the Board determines the specific use and price for the Shares that may be issued, the actual effect on the holders of the presently issued Shares cannot be ascertained. Similarly, the tax impact, if any, on the Company and existing stockholders cannot be determined until such actions are taken.

Under certain circumstances, the Company could use the additional unissued Shares to create impediments for persons seeking to acquire control of the Company. However, the proposed increase in the Shares is not designed to deter or prevent a change of control.

The Board has unanimously adopted resolutions setting forth the proposed amendment to the Restated and Amended Articles of Incorporation, declaring its advisability and directing that the proposed amendment be submitted to the stockholders for their approval at the Annual Meeting. If approved by the stockholders, the amendment will become effective upon filing an appropriate certificate of amendment with the Arkansas Secretary of State.

Voting on the Amendment

If a quorum is present at the Annual Meeting, approval of the amendment requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the Meeting and entitled to vote with respect to the amendment. Proxies marked to abstain from voting with respect to the amendment will have the effect of proxies voted against the amendment.

The Board of Directors Recommends a Vote FOR Proposal Two

PROPOSAL THREE –
TO AMEND THE COMPANY'S MANAGEMENT INCENTIVE PLAN

The stockholders of the Company are requested to approve an amendment to the Management Incentive Plan (previously defined as the "Plan") to increase the number of shares reserved for issuance from 17,000,000 to 22,000,000, which has been approved by the Compensation Committee and the Board of Directors.

Purpose of the Amendment

The Plan currently provides an aggregate of 17,000,000 shares of common stock to be available for options and awards under the Plan. As of December 31, 2004, approximately 1,000,000 shares were remaining for future grants. Approximately 225 persons are currently participating in the Plan. Although the Company has not determined who the future recipients of awards under the Plan will be, their positions, or the number of options that may be granted, the Company believes that the number of shares of common stock reserved by the Plan are not adequate to meet the ongoing purpose of the Plan.

The amendment would increase the maximum amount of shares authorized for issuance under the Plan to 22,000,000.

The following table provides a summary of share activity in the Company's Management Incentive Plan from inception in 1989 to date.

Management Incentive Plan – Historical Share Activity

Transaction	Date	Number of Shares	Cumulative Number of Shares
Shares approved by the Board of Directors	March 17, 1989	2,000,000	2,000,000
Three-for-two stock split	March 13, 1992	+ 1,000,000	3,000,000
Additional shares approved by stockholders	May 11, 1995	+ 2,000,000	5,000,000
Additional shares approved by stockholders	April 16, 1998	+ 1,500,000	6,500,000
Additional shares approved by stockholders	April 20, 2000	+ 2,000,000	8,500,000
Two-for-one stock split	August 29, 2003	+ 8,500,000	17,000,000
Request to stockholders for approval of additional shares to the Plan	April 21, 2005	+ 5,000,000	22,000,000

Reference to the Plan's general terms and purpose are further described on page 15 of this document.

Voting on the Amendment

If a quorum is present at the Annual Meeting, approval of the amendment requires the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote with respect to the amendment. Proxies marked to abstain from voting with respect to the amendment will have the effect of proxies voted against the amendment.

The Board of Directors Recommends a Vote FOR Proposal Three

INDEPENDENT AUDITORS

KPMG LLP has served as the Company's independent auditors since its appointment in 1982. Representatives of KPMG LLP are expected to be present at the Annual Meeting to respond to appropriate questions. The auditors will also have the opportunity to make a statement, if they desire to do so.

Audit and Non-Audit Fees

The following table represents fees paid for professional audit services rendered by KPMG LLP for the audit of the Company's annual financial statements for the years ended December 31, 2004, and December 31, 2003.

	2004	2003
Audit fees (1)	$ 1,012,440	$ 410,077
Audit-related fees (2)	$ 27,828	$ 26,888
Tax fees (3)	$ 346,792	$ 223,058
All other fees (4)	–	–

(1) Audit fees consisted of audit work performed in the preparation of financial statements, as well as work generally only the independent auditor can reasonably be expected to provide, such as statutory audits.

(2) Audit-related fees consisted principally of audits of employee benefit plans and special procedures related to regulatory filings.

(3) Tax fees consisted principally of assistance with tax compliance and reporting.

(4) KPMG LLP did not bill the Company for any non-audit services in calendar years 2004 and 2003.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee has the responsibility of appointing, setting compensation and overseeing the work of the independent auditor, and has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

(1) **Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services, and consultation regarding financial accounting and/or reporting standards.

(2) **Audit-related** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

(3) **Tax** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and include fees in the areas of tax compliance, tax planning and tax advice.

(4) **Other fees** are those associated with services not captured in the other categories. The Company generally doesn't request such services from the independent auditor.

Prior to the engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee required specific pre-approval before engaging the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member(s) to whom such authority is delegated must report, for informational purposes only, the pre-approval decisions to the Audit Committee at its next scheduled meeting.

Expenses Related to Sarbanes-Oxley Compliance

The Company remains proactive in its approach to implementing and adhering to the regulations imposed by the Sarbanes-Oxley Act of 2002. As such, the Company incurred a substantial amount of additional expense due to the increase in legal, accounting, insurance, Board and Committee fees. For calendar year 2003, the Company incurred $1.8 million in additional expense. It is estimated that the Company has incurred additional expense of $2.2 million in calendar year 2004. It is anticipated that at least $1.0 million of the expenses will continue to recur each year.

SUBMISSION OF STOCKHOLDER PROPOSALS

In order for a proposal by a stockholder to be presented at an Annual Meeting of the Company's stockholders, the proposal must be included in the related Proxy Statement and proxy form. For a stockholder proposal to be included in the Proxy Statement and proxy form for the Annual Meeting of Stockholders in 2006, the proposal must: 1) be received by the Company at its home office, 615 J.B. Hunt Corporate Drive, Lowell, Arkansas 72745, Attention: Johnelle D. Hunt, Secretary, on or before November 4, 2005, and 2) concern a matter that may be properly considered and acted upon at the Annual Meeting in accordance with applicable laws, including the Company's Bylaws and Rule 14a-8 of the Securities Act.

WHERE YOU CAN FIND MORE INFORMATION

The Company files reports, Proxy Statements, and other information with the SEC. You can read and copy these reports, Proxy Statements, and other information concerning the Company at the SEC's public reference room at 450 Fifth Street N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including the Company.

STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE URGED TO VOTE BY TELEPHONE, MAIL OR INTERNET

IF YOU VOTE BY TELEPHONE OR THE INTERNET, DO NOT RETURN YOUR PROXY CARD

By Order of the Board of Directors
JOHNELLE D. HUNT
Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2004	Commission file number 0-11757

J.B. HUNT TRANSPORT SERVICES, INC.
(Exact name of registrant as specified in its charter)

Arkansas (State or other jurisdiction of incorporation or organization)	**71-0335111** (I.R.S. employer identification no.)
615 J.B. Hunt Corporate Drive **Lowell, Arkansas** (Address of principal executive offices)	**72745** (Zip code)

Registrant's telephone number, including area code:
(479) 820-0000

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. Yes __X__ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes __X__ No _____

The aggregate market value of 54,917,894 shares of the registrant's $.01 par value common stock held by non-affiliates of the registrant as of January 31, 2005, was $2.423 billion (based upon $44.12 per share being the closing sale price on that date, as reported by NASDAQ). In making this calculation, the issuer has assumed, without admitting for any purpose, that all executive officers and directors of the registrant, and no other persons, are affiliates.

The number of shares outstanding of each of the registrant's classes of common stock as of January 31, 2005: 81,029,821.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Notice and Proxy Statement for the Annual Meeting of the Stockholders, to be held April 21, 2005, are incorporated by reference into Part III of this Form 10-K.

FORWARD-LOOKING STATEMENTS

This report, including documents which are incorporated by reference, and other documents which we file periodically with the Securities and Exchange Commission (SEC), contains statements that may be considered to be "forward-looking statements." Such statements relate to our predictions concerning future events or operations and are within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are inherently uncertain, subject to risks, and should be viewed with caution. These statements are based on our belief or interpretation of information currently available. Stockholders and prospective investors are cautioned that actual results and future events may differ materially from the forward-looking statements as a result of many factors. Some of the factors and events that are not within our control and that could have a material impact on future operating results include: general economic and business conditions, competition and competitive rate fluctuations, cost and availability of diesel fuel, ability to attract and retain qualified drivers, a loss of one or more major customers, interference with or termination of our relationships with certain railroads, insurance costs and availability, claims expense, retention of key employees, terrorist attacks or actions, acts of war, adverse weather conditions, new or different environmental or other laws and regulations, increased costs for new revenue equipment or decreases in the value of used equipment and the ability of revenue equipment manufacturers to perform in accordance with agreements for guaranteed equipment trade-in values. Current and future changes in fuel prices could result in significant fluctuations of quarterly earnings.

You should understand that many important factors, in addition to those listed above, could impact us financially. Our operating results may fluctuate as a result of these and other risk factors or events as described in our filings with the SEC. Some important factors that could cause our actual results to differ from estimates or projections contained in the forward-looking statements are described under "Risk Factors" in Item 7. We assume no obligation to update any forward-looking statement to the extent we become aware that it will not be achieved for any reason.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are one of the largest surface transportation companies in North America. J.B. Hunt Transport Services, Inc. (JBHT) is a publicly held holding company, which together with our wholly owned subsidiaries and associated companies provides a wide range of transportation services to a diverse group of customers throughout the continental United States, Canada and Mexico. We were incorporated in Arkansas on August 10, 1961, and have been a publicly held company since our initial public offering in 1983. Our service offerings include transportation of full truck-load containerizable freight, which we directly transport utilizing our company-controlled revenue equipment and company drivers or independent contractors. We also manage and provide tailored, technology-driven freight services which may employ equipment and transportation services provided by all major North American rail carriers, an associated logistics company or by unrelated third parties in the industry.

Our business operations are primarily organized through three distinct, but complementary, business segments. These segments include full truck-load dry-van (JBT), intermodal (JBI) and dedicated contract services (DCS). In addition, we operated a logistics business segment from 1992 until mid-2000. Effective July 1, 2000, we, along with five other publicly held transportation companies, contributed our logistics business to a new, commonly owned company, Transplace, Inc. For the calendar year ended December 31, 2004, our consolidated revenue totaled $2.8 billion. Of this total, $1.12 billion, or 40%, was generated by our JBI business segment. Our JBT segment generated $928 million, or 33%, of total revenue and DCS represented $760 million, or 27%.

Additional general information about us is available from our Internet website at www.jbhunt.com. We make a number of reports and other information available free of charge on our website including our annual report on Form 10-K, our quarterly reports on Form 10-Q, as well as earnings releases. Our website also contains corporate governance guidelines, codes of conduct, our whistleblower policy, committee charters for our board of directors and officer certifications of our filings with the SEC.

BUSINESS STRATEGY

We seek to add value to each of our customer's supply chain by providing superior service at competitive rates while controlling or minimizing our customers' costs through network density, transportation mode conversion and dedicated fleets. We believe that our operating strategy can add value to customers and increase our profits and returns to stockholders.

RECENT FOCUS

During the past four years, we have taken significant steps to re-establish a primary focus on the profitability of our three business segments. In each segment we have implemented capacity management decision-making processes that result in the deployment of our assets where we believe they will generate more profit. We continually seek to replace less-profitable freight with higher-margin freight and lanes. Selective pricing actions and ensuring that we properly charge for all services provided have also been areas of major focus. We have also worked to ingrain safety into our corporate culture, which has reduced our accident and injury costs during 2003 and 2004.

JBT SEGMENT

Our primary transportation service offerings classified in this segment include full truck-load, dry-van freight which is predominantly transported utilizing company-controlled tractors. We pick up our freight at the dock or specified location of the shipper and transport the load directly to the location of the consignee. Most of our loads are transported entirely by our company-owned tractors and employee drivers, or by independent contractors (ICs) who agree to transport freight in our trailers. We also assign freight to be handled by third-party motor carriers other than ICs. Typically, in these cases, the charges for the entire movement are billed to the customer by us, and we, in turn, pay the third party for their portion of the transportation services provided.

We operate utilizing certain Canadian authorities, allowing us to transport freight to and from all points in the continental United States to Quebec, British Columbia and Ontario. We have authorization to operate directly in all the Canadian provinces, but to date we have served limited points in Canada, primarily through interchange operations with Canadian motor carriers. We operated our JBT and JBI segments in combined fashion in periods prior to January 1, 2000. This combined operation was reported as Van/Intermodal ("Van") in prior periods. In late 2000, we began utilizing ICs in the JBT segment and at December 31, 2004, we had 1,113 ICs operating in the JBT segment. JBT gross revenue for calendar year 2004 was $928 million, compared with $841 million in 2003. At December 31, 2004, the JBT segment operated 4,280 company-controlled tractors and employed 5,846 people, 4,866 of whom were drivers.

JBI SEGMENT

The transportation service offerings of our JBI segment utilize agreements with most major North American rail carriers to provide intermodal freight solutions for our customers throughout the continental United States, Canada and Mexico. Our JBI segment began operations in 1989 with a unique partnership with the former Santa Fe Railway (now the Burlington Northern Santa Fe), a watershed event in the industry and the first agreement that linked major rail and truck-load carriers in a joint marketing environment. Essentially, JBI draws on the intermodal (also known as "container on flatcar") services of rail carriers for the underlying linehaul movement of its equipment and performs the pickups and deliveries ("drayage") for customers at the origin and destination rail terminal locations. We may directly provide the drayage service at either the origin or destination rail ramp utilizing our company-controlled tractors, or we purchase these services from third parties. JBI provides seamless coordination of the rail and over-the-road transport movements for our customers and delivers single billing for the complete door-to-door service.

Our intermodal program has grown from 20 loads in late 1989 to nearly 582,000 in 2004. JBI operates more than 22,000 company-controlled containers system wide. The entire fleet is comprised of 53-foot, high-cube containers and is designed to take advantage of intermodal double-stack economics and superior ride quality. JBI also manages a fleet of 1,192 tractors and 1,535 drivers in support of intermodal operations. At December 31, 2004, the total JBI employee count was 1,759, including 1,535 drivers. Gross revenue for the JBI segment in calendar year 2004 was $1.12 billion, compared with $936 million in 2003. As we have previously reported, we are engaged in an arbitration process with Burlington Northern Santa Fe Railroad to clarify certain terms of our Joint Service Agreement. See "Risk Factors" in Item 7 of this Form 10-K.

DCS SEGMENT

Since 1992, we have offered dedicated contract carriage as a service option. DCS segment operations specialize in the design, development, and execution of customer specific fleet solutions. Capitalizing on advanced systems and technologies, DCS offers transportation engineering solutions that support private fleet conversion, dedicated fleet creation and transportation system augmentation. DCS operations typically provide customized services that are governed by long-term contracts and currently include dry-van, flatbed, temperature-controlled and local operations.

DCS operations focus on reducing costs and enhancing customer value through leveraging the JBHT network for backhaul repositioning freight. Network freight may be used to reposition equipment near outbound domiciles, thereby reducing inefficient empty miles and system cost. DCS also frequently finds synergy in shared resources with the JBT and JBI segments, including terminals, drivers, maintenance shops, bulk fuel locations, and trailer pools providing further economies of scale. DCS gross revenue for calendar year 2004 was $760 million, compared with $671 million in 2003. In early 2004, we began utilizing ICs in the DCS segment and at December 31, 2004, we had 188 ICs operating in the DCS segment. At December 31, 2004, the DCS segment operated 4,679 company-controlled and 178 customer-owned tractors, and employed 5,733 people, 5,082 of whom were drivers.

LOGISTICS BUSINESS AND ASSOCIATED COMPANY

We officially began offering transportation logistics services in 1992 through a wholly owned subsidiary, J.B. Hunt Logistics (JBL). JBL services frequently included an arrangement whereby a shipper might outsource a substantial portion of its entire distribution and transportation process to one organization. The JBL segment business included a wide range of comprehensive transportation and management services, including experienced professional managers, information and optimization technology and the actual design or redesign of system solutions. A new logistics customer or service arrangement frequently required a significant amount of up-front analysis and design time, during which alternatives were considered and custom systems and software were developed. Effective July 1, 2000, we contributed substantially all of our JBL segment business, all related intangible assets and $5 million of cash to a newly formed company, Transplace, Inc. (TPI).

TPI is an Internet-based global transportation logistics company. TPI commenced operations in July 2000 and initially included substantially all of the logistics business of JBHT, Covenant Transport, Inc., Swift Transportation Co., Inc., U.S. Xpress Enterprises, Inc., and Werner Enterprises, Inc. TPI gross revenue for calendar year 2004 was $705 million, compared with $655 million in 2003. We initially had an approximate 27% ownership interest in TPI. In November 2002, we agreed to purchase a portion of Werner Enterprises, Inc.'s (Werner) ownership interest in TPI. Effective January 1, 2003, our interest in TPI increased from 27% to 37% and Werner's interest declined from 15% to 5%. The financial results of TPI are included on a one-line, non-operating item included on our Consolidated Statements of Earnings entitled "Equity in loss of associated companies."

OPERATIONS IN MEXICO

We have provided transportation services to and from Mexico since 1989. These services frequently involve equipment interchange operations with various Mexican motor carriers. In addition, a joint venture agreement with Transportacion Maritima Mexicana (TMM), one of the largest transportation companies in Mexico, was signed in 1992. The joint venture, Comercializadora Internacional de Carga S.A. de C.V. and its subsidiaries, originated and completed northbound and southbound international truck movements between the United States and Mexico. The joint venture also provided Mexican domestic irregular route truck service, refrigerated freight services, Mexican dedicated contract business and short-haul drayage to and from the Mexican maritime ports and rail heads.

As previously reported, we sold our joint venture interest in Mexico to TMM during the first quarter of 2002 in exchange for $22.5 million, including a $18.1 million note receivable. We have received approximately $18.0 million of principal and interest related to this note. At December 31, 2004, we have a $1.7 million account receivable from TMM and expect to receive these remaining funds during the first quarter of 2005. These transactions have had no net impact on our earnings. We still provide transportation services to and from Mexico primarily by utilizing the services of a variety of Mexican carriers.

MARKETING AND OPERATIONS

We transport, or arrange for the transportation of, a wide range of freight, including forest and paper products, building materials, general merchandise, food and beverages, chemicals and automotive parts. Our customer base is extremely diverse and includes a growing list of Fortune 500 companies. Our ability to offer multiple services, utilizing our three business segments and a full complement of logistics services through third parties, represents a competitive advantage. We have been reasonably successful providing a broad range of transportation services to larger shippers that seek to use a limited number of "core" carriers. Our largest customer in 2004 was Wal-Mart Stores, Inc., which accounted for approximately 15% of our total revenue.

We generally market all of our service offerings through a nationwide sales and marketing network. We do have some sales and marketing functions managed at the business unit level, particularly for our DCS segment. In accordance with our typical arrangements, we bill the customer for all services and we, in turn, pay all third parties for their portion of transportation services provided. In recent years, we have re-established a primary focus on improving the profitability of each of our business segments and charging a fair price for all services provided.

PEOPLE

We believe that one of the factors differentiating us from our competitors is our service-oriented people. As of December 31, 2004, we had approximately 15,850 employees, including 11,483 company drivers. We also had arrangements with 1,301 ICs to transport freight in our trailing equipment. In addition, we employed 1,072 mechanics and 3,295 office personnel at the end of 2004. None of our employees are represented by unions or covered by collective bargaining agreements.

Our industry has periodically had a difficult time attracting and retaining enough qualified truck drivers. It is also common for the driver turnover rate of individual carriers to exceed 100%. It has been our practice during the past few years to compensate our drivers at an above-average level in order to attract a high caliber of experience and minimize turnover. During 2004, we increased company driver and IC compensation in order to attract and retain an adequate supply of qualified drivers. While we have, to date, not experienced significant operational disruptions due to driver shortages, we expect costs to recruit, train and retain company drivers and ICs will continue to rise in the foreseeable future.

REVENUE EQUIPMENT

As of December 31, 2004, we operated 10,151 company-controlled tractors. In addition, our 1,301 contracted ICs operate their own tractors, but transport freight in our trailing equipment. We operate with standardized tractors in as many fleets as possible, particularly in our JBT and JBI fleets. Based on customer preference and the actual business application, our DCS fleet is more diversified. We believe operating with relatively newer revenue equipment provides better customer service, attracts quality drivers and lowers maintenance expense. At December 31, 2004, the average age of our combined tractor fleet was 2.0 years, our trailers were 4.1 years old and our containers were 6.4 years old. We perform routine servicing and preventative maintenance of our equipment at most of our regional terminal facilities.

We typically operate newer revenue equipment in our JBT segment to minimize downtime and maximize utilization. However, during 2003, the age of our JBT tractor fleet increased, primarily due to our decision to delay trades. Our JBI segment utilizes high-cube containers, which can be separated from the chassis and double-stacked on rail cars. We are currently in the process of expanding our container fleet and reconditioning our chassis fleet. The composition of our DCS trailing fleet varies with specific customer requirements and may include dry-vans, flatbeds, temperature-controlled, curtain-side vans, or even straight trucks.

Effective October 1, 2002, the Environmental Protection Agency (EPA) required that most newly manufactured heavy-duty tractor engines comply with certain new emission standards. In November 2002, we ordered approximately 2,100 new tractors, primarily for our JBI and DCS fleets, which were equipped with Mercedes engines. These engines were exempt from the EPA's October 1, 2002, rules. Except for these new tractors, which were utilized primarily for local and regional operations, we limited our new tractor purchases while we tested a limited number of the new engines. In late 2003, we commenced receiving new tractors with the 2002 EPA-compliant engines. At December 31, 2004, approximately 4,870 of our company-controlled fleet consisted of tractors with these compliant engines. In addition to higher initial purchase prices, these tractors also experience an approximate 3% to 5% reduction in fuel efficiency. We are uncertain if future maintenance costs will be higher, on the average, for these tractors as they age. We do anticipate continued increases in tractor ownership costs and fuel costs as regular replacements and additions increase the percentage of our fleet with these newer engines. In addition, higher worldwide steel prices have resulted in increased acquisition costs for new revenue equipment. A new set of proposed fuel-emission standards mandated by the EPA is expected to become effective in 2007. We are unable to predict the impact these proposed standards will have on our future operations and financial results.

COMPETITION

According to the American Trucking Associations (ATA), all modes of domestic freight carriers in the United States generated approximately $610 billion of revenue in 2003. Of this total, truck transportation represented about 87%, or $531 billion. ATA also estimated that approximately 54% of the nation's 2003 truck revenue related to for-hire carriers, while 46% related to private carriers. As of July 2004, there were more than 573,000 private, for-hire, U.S. Mail and other U.S. interstate motor carriers on file with the Federal Motor Carrier Safety Administration (FMCSA). The top ten for-hire truck-load carriers only generate about 3% of the total revenue in this segment, and we represent approximately 1% of this segment's revenue. The market in which we compete is frequently referred to as highly fragmented and includes thousands of carriers, many of which are very small. While we compete with a number of smaller carriers on a regional basis, only a limited number of companies represent competition in all markets across the country.

REGULATION

Our operations as a for-hire motor carrier are subject to regulation by the U.S. Department of Transportation (DOT), and certain business is also subject to state rules and regulations. The DOT periodically conducts reviews and audits to ensure our compliance with all federal safety requirements, and we report certain accident and other information to the DOT. Our operations into and out of Canada and Mexico are also subject to regulation by those countries.

Effective January 4, 2004, the FMCSA, which is a separate administration within the DOT, changed the regulations that govern driver hours of service. These new rules were the most significant changes to driver hours of service in more than 40 years. In general, the new rules allow a driver to drive for up to 11 consecutive hours, instead of 10, but require 10 hours of off-duty time, rather than 8, and reduce the total number of driving hours to 14 in a 24-hour period, compared to 15 under the old rules. In addition, more off-duty "sleeper berth" time is required before on-duty time is allowed. In July 2004, the United States Court of Appeals for the District of Columbia rejected the new hours-of-service (HOS) rules, which had been newly effective in January 2004. The Court's rejection was based on concerns regarding driver's health, as well as other issues such as driving time, rest periods and monitoring compliance. In September 2004, the current HOS rules were extended for one year or the time at which FMCSA develops a set of new rules. In February 2005, the Bush administration proposed legislation that would convert the current HOS regulations into statutory law, a move that would keep the current rules in effect despite the Court of Appeals action to overturn them. We cannot predict the final resolution of this rules action. However, if the current HOS rules remain in effect, we do not anticipate a significant adverse effect on our operations or earnings.

ITEM 2. PROPERTIES

Our corporate headquarters are in Lowell, Arkansas. We occupy a number of buildings in Lowell which we utilize for administrative support, data center, primary customer service and freight dispatch. We maintain a backup data center for disaster recovery, maintenance shop and driver operations facility in Lowell. In June 2004, we commenced construction of a new, approximate 110,000 square foot office building located adjacent to our existing corporate office in Lowell, Arkansas. We anticipate occupying this new building during the third quarter of 2005. We also own or lease other significant facilities where we perform maintenance on our equipment, provide bulk fuel and employ personnel to support operations. In addition to our principal properties listed below, we lease a number of small offices and parking yards throughout the country which support our customers' business needs.

A summary of our principal facilities follows:

Location	Acreage	Maintenance Shop (square feet)	Office Space (square feet)
Atlanta, Georgia	28	29,800	10,400
Cedar Rapids, Iowa	12	28,500	4,500
Chicago, Illinois	27	50,000	14,000
Columbus, Ohio	10	28,100	8,500
Concord, North Carolina	6	12,200	–
Dallas, Texas	14	24,000	7,800
East Brunswick, New Jersey	19	20,000	3,200
Houston, Texas	21	24,700	7,200
Kansas City, Missouri	10	31,000	6,700
Louisville, Kentucky	14	40,000	10,000
Little Rock, Arkansas	24	29,200	7,200
Lowell, Arkansas (corporate headquarters)	59	–	150,000
Lowell, Arkansas	42	50,200	14,000
Lowell, Arkansas (office and data center)	2	–	20,000
Lowell, Arkansas (office)	2	–	20,000
Memphis, Tennessee	10	26,700	8,000
Niles, Ohio	5	9,500	–
Phoenix, Arizona	15	15,200	5,300
Portland, Oregon	8	20,000	3,300
San Bernardino, California	9	18,300	9,300
South Gate, California	12	25,000	5,500
Stockton, California	7	10,600	3,500
Syracuse, New York	13	19,000	8,000

ITEM 3. LEGAL PROCEEDINGS

We are involved in certain claims and pending litigation arising from the normal conduct of business. Based on the present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of claims and pending litigation will not have a material adverse effect on our financial condition or our results of operations.

As mentioned above, we are currently engaged in an arbitration process with Burlington Northern Santa Fe Railroad to clarify certain terms of our Joint Service Agreement. See "Risk Factors" in Item 7 of this Form 10-K.

The Internal Revenue Service (IRS) has proposed to disallow the tax benefits associated with certain sale-and-leaseback transactions. See "Risk Factors" in Item 7 of this Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of 2004 to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to our executive officers is set forth below:

Name	Age	Position with JBHT	Executive Officer Since
Wayne Garrison	52	Chairman of the Board; Director	1979
Johnelle D. Hunt	73	Secretary; Director	1972
Kirk Thompson	51	President and Chief Executive Officer; Director	1984
Paul R. Bergant	58	Executive Vice President, Marketing and Chief Marketing Officer	1985
Bob D. Ralston	58	Executive Vice President, Equipment and Properties	1989
Jerry W. Walton	58	Executive Vice President, Finance and Administration and Chief Financial Officer	1991
Craig Harper	47	Executive Vice President, Operations and Chief Operations Officer	1997
John N. Roberts III	40	Executive Vice President and President, Dedicated Contract Services	1997
Kay J. Palmer	41	Executive Vice President and Chief Information Officer	1999

On December 23, 2004, Mr. J.B. Hunt, founder and Senior Chairman of the Board, announced that he was stepping down as Senior Chairman and as a member of the Board of Directors effective December 31, 2004. Mr. Hunt had been an executive officer since 1961.

On December 23, 2004, Mr. Gene George, who was an original investor and founding Director of the Company, also announced that he was retiring effective December 31, 2004. Mr. George had been a Director for 43 years.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

PRICE RANGE OF COMMON STOCK

Our common stock is traded in the over-the-counter market under the symbol "JBHT." The following table sets forth, for the calendar years indicated, the range of high and low sales prices for our common stock as reported by the National Association of Securities Dealers Automated Quotations National Market System (NASDAQ). The following sales prices all reflect a two-for-one stock split paid on August 29, 2003.

	2004		2003	
Period	High	Low	High	Low
1st Quarter	$29.45	$25.29	$15.55	$11.62
2nd Quarter	38.97	28.12	19.70	13.36
3rd Quarter	39.65	31.76	27.60	18.85
4th Quarter	45.30	35.84	28.74	23.75

On January 31, 2005, the high and low sales prices for our common stock as reported by the NASDAQ were $44.18 and $42.52, respectively. As of January 31, 2005, we had 1,324 stockholders of record.

From time to time, our Board of Directors authorizes the repurchase of our common stock. We did not repurchase any of our common stock during the years 2002 through 2004. As previously announced in December 2004, our Board authorized the purchase of up to $100 million of our common stock during the next year. We commenced repurchases of our common stock in January 2005.

DIVIDEND POLICY

We paid quarterly dividends during calendar year 1999 and in a number of years prior to 1999. In early 2000, we announced a decision to discontinue dividend payments. In April 2004, we re-initiated a quarterly cash dividend of $.03 per share. This re-initiation was based on our lower debt levels and improving cash flows. We also paid a cash dividend of $.03 per share in July and October 2004. In December 2004, we announced an increase in our quarterly cash dividend from $.03 to $.12. Our first $.12 per share dividend was paid on February 18, 2005, to stockholders of record on January 31, 2005. We currently intend to continue paying cash dividends on a quarterly basis. However, no assurance can be given that future dividends will be paid, since such payments are dependent on earnings, cash flows and other factors.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
	(A)	(B)	(C)
Equity compensation plans approved by security holders	6,920,084	$14.31	1,046,944
Equity compensation plans not approved by security holders	–	–	–
Total	6,920,084	$14.31	1,046,944

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in millions, except per share amounts)

Years Ended December 31	2004	2003	2002	2001	2000
Operating revenues	$2,786.2	$2,433.5	$2,247.9	$2,100.3	$2,160.4
Operating income	310.2	185.6	101.0	72.2	63.4
Net earnings (1)	146.3	95.5	51.8	32.9	36.1
Basic earnings per share (1)	1.81	1.20	.68	.46	.51
Diluted earnings per share (1)	1.75	1.17	.66	.46	.51
Cash dividends per share	.09	–	–	–	.03
Total assets	1,491.7	1,356.2	1,322.7	1,261.2	1,237.8
Long-term debt and lease obligations	–	–	219.0	353.6	300.4
Stockholders' equity	860.9	703.1	590.5	458.3	417.8

(1) Reflects $33.6 million reserve, including accrued interest expense in 2004, and $7.7 million reversal of non-cash tax benefit in 2003. See "Risk Factors" in Item 7.

PERCENTAGE OF OPERATING REVENUE

Years Ended December 31	2004	2003	2002	2001	2000
Operating revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Salaries, wages and employee benefits	29.8	32.5	36.4	37.6	35.6
Rents and purchased transportation	33.5	32.8	31.1	28.8	32.1
Fuel and fuel taxes	10.4	9.6	9.4	10.8	11.3
Depreciation and amortization	5.4	6.2	6.5	6.8	6.2
Operating supplies and expenses	4.5	4.9	5.8	6.9	6.1
Insurance and claims	2.0	2.6	2.5	2.0	1.8
Operating taxes and licenses	1.3	1.4	1.4	1.6	1.5
General and administrative expenses, net of gains	1.4	1.4	1.3	0.9	1.3
Communication and utilities	0.8	1.0	1.1	1.2	1.2
Total operating expenses	88.9	92.4	95.5	96.6	97.1
Operating income	11.1	7.6	4.5	3.4	2.9
Interest income	0.1	0.1	0.1	0.1	–
Interest expense	0.3	0.8	1.2	1.4	1.1
Equity in loss (earnings) of associated companies	0.1	–	0.1	–	(0.2)
Earnings before income taxes	10.8	6.9	3.3	2.1	2.0
Income taxes (1)	5.5	3.0	1.0	0.5	0.3
Net earnings	5.3%	3.9%	2.3%	1.6%	1.7%

(1) Reflects $33.6 million reserve, including accrued interest expense in 2004, and $7.7 million reversal of non-cash tax benefit in 2003. See "Risk Factors" in Item 7.

The following table sets forth certain operating data.

Years Ended December 31	2004	2003	2002	2001	2000
Total loads	2,883,504	2,857,176	2,847,377	2,565,915	2,697,582
Average number of company-operated tractors during the year	10,042	10,293	10,712	10,710	10,055
Company tractors operated (at year end)	10,151	9,932	10,653	10,770	10,649
Independent contractors (at year end)	1,301	994	679	336	16
Trailers/containers (at year end)	48,317	46,747	45,759	44,318	44,330
Company tractor miles (in thousands)	943,064	943,054	981,818	1,022,677	1,000,127

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

The following discussion of our results of operations and financial condition should be read in conjunction with our financial statements and related notes in Item 8. This discussion contains forward-looking statements. Please see "Forward-looking Statements" and "Risk Factors" for a discussion of items, uncertainties, assumptions and risks associated with these statements.

YEAR IN REVIEW

Our financial results for calendar year 2004 represented the third consecutive year of record revenues and earnings driven by strong performance from each of our segments. Our 2004 net earnings of $146.3 million, or $1.75 per diluted share, were up 53% over the $95.4 million, or $1.17 per diluted share, earned in 2003. While each of our three business segments contributed to our higher levels of profitability, the increase in operating income in the JBT segment was most evident. A significant part of the increased JBT operating income in 2004 was a result of our continued focus on capacity management. Capacity management is a continuous process of reviewing our freight to determine whether business which is generating low or negative margins can be replaced by different business with better margins. We also are continuing to analyze our business to ensure we are charging for all services provided. Primarily due to our capacity management actions and rate increases required to offset certain non-fuel cost increases, our 2004 JBT segment revenue per loaded mile, excluding fuel surcharges (FSC), rose 8.7% over 2003.

During 2004, we also focused on revenue per load, revenue per mile and revenue per tractor per day in our JBI and DCS business segments. Primarily due to our focus on rate increases and capacity management, we were able to increase 2004 revenue per loaded mile, excluding FSC, by 3.4% in our JBI segment and net revenue per tractor per week by 6.0% in our DCS segment. These increases significantly contributed to our higher net earnings in 2004.

Our increase in consolidated 2004 net earnings was also a result of significantly lower insurance, claims and workers' compensation costs. We have continued to ingrain safety into our company culture and ask each of our drivers and other employees to make safety a daily priority. Our 2004 combined insurance claims and workers' compensation expense declined approximately $23 million from 2003 and increased our current year earnings per diluted share by approximately $.13.

Our 2004 consolidated operating ratio (operating expenses divided by total operating revenues) was 88.9%, compared with 92.4% in 2003 and 95.5% in 2002. The current year was the first time in over ten years that we have achieved an operating ratio for a full year below 90%. We also paid off all of our remaining balance sheet debt and capital lease obligations in 2004. We re-initiated paying a quarterly cash dividend in early 2004 and in December 2004, increased our quarterly dividend from $.03 to $.12 per share and announced plans to repurchase up to $100 million of our common stock.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that impact the amounts reported in our consolidated financial statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenues, expenses and associated disclosures of contingent assets and liabilities are affected by these estimates. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recognized in the accounting period in which the facts that give rise to the revision become known.

We consider our critical accounting policies and estimates to be those that require us to make more significant judgments and estimates when we prepare our financial statements and include the following:

WORKERS' COMPENSATION AND ACCIDENT COSTS

We purchase insurance coverage for a portion of expenses related to employee injuries (workers' compensation), vehicular collisions and accidents and cargo claims. Most insurance arrangements include a level of self-insurance (deductible) coverage applicable to each claim, but provide an umbrella policy to limit our exposure to catastrophic claim costs that are completely insured. The amounts of self-insurance change from time to time based on certain measurement dates and policy expiration dates. During 2004, we were self-insured for a portion of our claims exposure resulting from cargo loss, personal injury, property damage, workers' compensation and health claims for amounts up to the first $2 million for auto accidents and $1 million for workers' compensation claims. These same levels of self-insurance are in effect for 2005.

Our claims accrual policy for all self-insured claims is to recognize a liability at the time of the incident based on our analysis of the nature and severity of the claims, analyses provided by third-party claims administrators, as well as legal, economic and regulatory factors. Our safety and claims personnel work directly with representatives from the insurance companies to continually update the estimated cost of each claim. The ultimate cost of a claim develops over time as additional information regarding the nature, timing and extent of damages claimed becomes available. Accordingly, we use an actuarial method to develop current claim information to derive an estimate of our ultimate claim liability. This process involves the use of loss-development factors based on our historical claims experience. In doing so, the recorded ultimate liability considers future claims growth and provides an allowance for incurred-but-not-reported claims. We do not discount our estimated losses. At December 31, 2004, we had approximately $19 million of estimated net claims payable. In addition, we are required to pay certain advanced deposits and monthly premiums. At December 31, 2004, we had a prepaid insurance asset of approximately $58 million, which represented pre-funded claims and premiums. We are also substantially self-insured for loss of and damage to our owned and leased revenue equipment.

REVENUE EQUIPMENT

We operate a significant number of tractors, trailers and containers in connection with our business. This equipment may be purchased or acquired under capital or operating lease agreements. In addition, we may rent revenue equipment from third parties and various railroads under short-term rental arrangements. Revenue equipment which is purchased is depreciated on the straight-line method over the estimated useful life down to an estimated salvage or trade-in value. Equipment acquired under capital leases is initially recorded at the net present value of the minimum lease payments and amortized on the straight-line method over the lease term or the estimated useful life, whichever is shorter. We had no revenue equipment under capital lease arrangements at December 31, 2004.

We have an agreement with our primary tractor supplier for guaranteed residual or trade-in values for certain new equipment acquired since 1999. During the fourth quarter of 2003, we reviewed the useful lives and salvage values of our tractor fleet. We have utilized the guaranteed trade-in values as well as other operational information, such as anticipated annual miles, in accounting for purchased and leased tractors. If our tractor supplier was unable to perform under the terms of our agreement for guaranteed trade-in values, it could have a materially negative impact on our financial results. We periodically review the useful lives and salvage values of our revenue equipment and evaluate our long-lived assets for impairment. We have not identified any impairments to our existing assets.

REVENUE RECOGNITION

We recognize revenue based on the relative transit time of the freight transported. Accordingly, a portion of the total revenue which will be billed to the customer once a load is delivered is recognized in each reporting period based on the percentage of the freight pickup and delivery service that has been completed at the end of the reporting period.

SEGMENTS

We operated three segments during calendar year 2004. The operation of each of these businesses is described in footnote (11). The following tables summarize financial and operating data by segment.

	For Years Ended December 31 (in millions of dollars)		
Operating Revenue by Segment	**2004**	**2003**	**2002**
JBT	$ 928	841	827
JBI	1,115	936	809
DCS	760	671	628
Subtotal	2,803	2,448	2,264
Inter-segment eliminations	(17)	(15)	(16)
Total	$ 2,786	2,433	2,248

	For Years Ended December 31 (in millions of dollars)		
Operating Income by Segment	**2004**	**2003**	**2002**
JBT	$ 103	49	27
JBI	131	91	55
DCS	75	45	20
Other	1	1	(1)
Total	$ 310	186	101

Operating Data By Segment	For Years Ended December 31 2004	2003	2002
JBT			
Operating ratio	88.9%	94.1%	96.8%
Total loads	932,818	959,551	970,055
Revenue (excl. fuel surcharge) per tractor per week	$ 2,999	2,739	2,678
Length of haul in miles	543	535	556
Revenue per loaded mile (excl. fuel surcharge)	$ 1.659	1.526	1.443
Average number of tractors during the period	5,420	5,592	5,751
Tractors at end of period			
Company owned	4,280	4,429	4,924
Independent contractor	1,113	994	679
Total tractors	5,393	5,423	5,603
Average effective trailing equipment usage *	14,852	14,979	15,591
JBI			
Operating ratio	88.2%	90.3%	93.3%
Total loads	581,849	527,404	473,856
Net change in revenue per loaded mile (excl. fuel surcharge)	3.4%	0.7%	0.6%
Tractors at end of period	1,192	1,047	917
Average effective trailing equipment usage *	21,409	19,719	18,517
DCS			
Operating ratio	90.2%	93.3%	96.9%
Revenue (excl. fuel surch. & pur. trans.) per tractor per week	$ 2,791	2,644	2,499
Average number of tractors during the period	4,892	4,669	4,732
Tractors at end of period	5,045	4,608	4,957
Average effective trailing equipment usage *	11,237	11,448	10,860

* *Reflects average use of corporate-wide trailing equipment*

RESULTS OF OPERATIONS

2004 Compared With 2003

Overview of 2004

Our consolidated net earnings for calendar year 2004 totaled a record $146 million. This compares with our previous record net earnings of $95 million in 2003. Diluted earnings per share were $1.75 in 2004, also a record number, compared with $1.17 in 2003. The average number of diluted shares outstanding in 2004 was approximately 2% higher than the comparable number in 2003. Consolidated operating revenues were $2.79 billion in 2004, an increase of 14% over the $2.43 billion in 2003.

Each of our business segments contributed to our improved financial results in 2004. While the overall economy and level of freight activity were not particularly strong during 2004, a number of factors contributed to our improved level of earnings. We have continued our focus on capacity management, as well as individual load and lane profitability. A number of new proprietary technology tools and increased management focus have allowed us to reduce the amount of unprofitable lanes and freight, and to properly charge for equipment and services provided to customers. In addition, the levels of available capacity in the industry have been reduced by significant increases in insurance, fuel, equipment and driver compensation costs. The availability of qualified drivers has also limited carriers' ability to expand the size of their fleets.

JBT Segment

JBT segment gross revenue was $928 million in 2004, up 10% over the $841 million in 2003. Higher fuel surcharge (FSC) revenue in 2004 impacted this comparison. If the amount of FSC revenue was excluded from both years, 2004 JBT segment revenue rose 7.9% over 2003. The average tractor count in 2004 declined 3.1% from 2003. However, revenue per loaded mile, excluding FSC, was 8.7% above 2003, offsetting the decrease in the tractor fleet and enhancing operating income. Current year revenue growth was also up approximately 2% from outsourced freight activity.

Operating income of the JBT segment rose to $103 million in 2004, from $49 million in 2003. The significant increase in revenue per loaded mile, excluding FSC, accounted for the majority of this operating income improvement. In addition, lower JBT accident and workers' compensation costs positively impacted current year operating income.

JBI Segment

JBI segment gross revenue grew by 19%, to $1,115 million in 2004, from $936 million in 2003. Higher FSC revenue in 2004 impacted this comparison. If FSC revenue was excluded from both years, 2004 JBI segment revenue increased 15.8% over 2003. A significant portion of this revenue growth was driven by a 10.3% increase in loads. Revenue per loaded mile, excluding FSC, was 3.4% above 2003 levels. The remaining portion of revenue growth was primarily a result of freight mix changes.

Operating income in the JBI segment increased to $131 million in 2004 from $91 million in 2003. The increase in current year JBI operating income levels was partly a result of the higher revenue per loaded mile, excluding FSC, increased load volume and lower revenue equipment ownership costs, partly offset by higher rail and dray purchased transportation expenses.

DCS Segment

DCS segment revenue grew over 13% to $760 million in 2004 from $671 in 2003. The higher level of FSC revenue in 2004 impacted this comparison. If FSC revenue was excluded from both years, 2004 DCS segment revenue rose 10% over 2003. The average number of trucks in the dedicated fleet increased nearly 5% in 2004. The additional revenue growth in the current year was primarily a result of a 6% increase in net revenue per tractor.

Operating income increased 65% to $75 million in 2004 versus $45 million in 2003. During 2004, we have conducted reviews of our underperforming dedicated accounts and identified opportunities to either improve margins or redeploy assets. We have also implemented cost controls and raised rates as appropriate. These efforts have improved our DCS segment operating ratio to 90.2% in 2004 from 93.3% in 2003.

The following table sets forth items in our Consolidated Statements of Earnings as a percentage of operating revenues and the percentage increase or decrease of those items as compared with the prior year.

	Percentage of Operating Revenue		Percentage Change Between Years
	2004	2003	2004 vs. 2003
Operating revenues	100.0%	100.0%	14.5%
Operating expenses:			
Salaries, wages and employee benefits	29.8%	32.5%	4.8%
Rents and purchased transportation	33.5	32.8	16.6
Fuel and fuel taxes	10.4	9.6	24.2
Depreciation and amortization	5.4	6.2	(0.3)
Operating supplies and expenses	4.5	4.9	4.1
Insurance and claims	2.0	2.6	(13.8)
Operating taxes and licenses	1.3	1.4	5.4
General and administrative expenses, net of gains	1.4	1.4	10.7
Communication and utilities	0.8	1.0	(1.8)
Total operating expenses	88.9	92.4	10.2
Operating income	11.1	7.6	67.1
Interest income	0.1	0.1	(30.9)
Interest expense	0.3	0.8	(63.1)
Equity in loss of associated companies	0.1	–	255.9
Earnings before income taxes	10.8	6.9	80.2
Income taxes	5.5	3.0	69.4
Net earnings	5.3%	3.9%	88.4%

Consolidated Operating Expenses

Total operating expenses increased 10.2% in 2004 over 2003, while operating revenues increased 14.5%. The combination of the change in these two categories resulted in our operating ratio improving by 350 basis points to 88.9% in 2004, from 92.4% in 2003. As previously mentioned, increases in revenue per loaded mile, excluding fuel surcharges, and lower casualty and workers' compensation claims costs were two of the more significant factors driving these changes. We also increased the number of ICs in our JBT and DCS fleets to 1,301 at December 31, 2004, from 994 at the end of 2003. When we replace company-operated tractors and driver employees with ICs, certain costs such as salaries, wages, employee benefits and fuel are reduced and other costs such as purchased transportation increase.

The expense category of salaries, wages and employee benefits declined to 29.8% of revenue in 2004 from 32.5% in 2003 and the total expense dollars only increased 4.8% from 2003, compared with the 14.5% increase in revenue. While we did increase compensation levels for many of our drivers in 2004, these increases were partly offset by lower workers' compensation costs. The number of company drivers at December 31, 2004 was approximately equal to the number at the end of 2003. The 16.6% increase in rents and purchased transportation was primarily due to additional funds paid to railroads and drayage companies, related to JBI business growth, and to the continued expansion of our IC fleets.

Fuel cost per gallon was approximately 21% higher in 2004 over 2003. This increase in fuel costs and slightly lower fuel efficiency accounted for the 24.2% increase in fuel costs. We have fuel surcharge programs in place with the majority of our customers that allow us to adjust charges relatively quickly when fuel costs change. If fuel costs change rapidly, we may experience some financial impact from timing differences between financial reporting periods. We were able to recover substantially all of our increased fuel costs experienced in calendar year 2004. We currently have no contract or derivative programs in place to hedge changes in fuel costs.

The significant decline in insurance and claims expense was primarily due to lower accident and claims experience in 2004. As mentioned above, we have made safety a primary focus item throughout our entire organization. The category of general and administrative expenses includes driver recruiting and testing, legal and professional fees and bad debt expense. Gains and losses on revenue equipment dispositions are also classified in the general and administrative category. We experienced a net gain of approximately $402,000 on revenue equipment and other dispositions in 2004, compared with a $1.1 million loss in 2003.

Our net interest expense declined to $5.5 million in 2004 from $17.2 million in 2003. We were able to continue reducing our debt and capitalized lease obligations during 2004 and paid off all our remaining balance sheet debt and capital leases as of December 31, 2004. Our continued improvement in net earnings and strong cash flow allowed us to pay off this debt. Our effective income tax rate was 51.6% in 2004, compared with 43.1% in 2003. Income tax expense in 2004 reflects a contingent tax liability of $33.6 million, including accrued interest expense, related to certain sale-leaseback transactions that closed in 1999. Income tax expense in 2003 reflected the reversal of $7.7 million of non-cash tax benefits taken in early 2003, related to those sale-leaseback transactions. See “Risk Factors” for additional information on this matter. Our 2004 and 2003 income tax rates are also higher than statutory federal and state rates, primarily due to our driver per diem plan. This plan generates net benefits to most of our eligible drivers and to the Company. However, it does result in an increase in our effective income tax rates.

We expect our effective income tax rate to be 38.5% for the calendar year 2005.

The “Equity in loss of associated company” item on our consolidated statement of earnings reflects our share of the operating results for Transplace, Inc. (TPI). Effective January 1, 2003, we increased our interest in TPI to approximately 37%, from 27% in 2002. JBHT’s financial exposure is limited to its approximate $5.3 million investment in TPI since we have not made any additional commitments or guaranteed any of TPI’s financial obligations.

2003 COMPARED WITH 2002

Overview of 2003

Our consolidated net earnings for calendar year 2003 totaled $95 million, after reversing $7.7 million of non-cash tax benefits, which resulted from a sale-and-leaseback transaction on intermodal trailing equipment. This compares with our previous record net earnings of $52 million in 2002. Diluted earnings per share were $1.17 in 2003, also a record number, compared with $0.66 in 2002. The average number of diluted shares outstanding in 2003 was approximately 5% higher than the comparable number in 2002. Consolidated operating revenues were $2.43 billion in 2003, an increase of 8% over the $2.25 billion in 2002.

Each of our business segments contributed to our improved financial results in 2003. While the overall economy and level of freight activity were not particularly strong during 2003, a number of factors contributed to our improved level of earnings. We continued our focus on capacity management, as well as individual load and lane profitability. A number of new proprietary technology tools and increased management focus allowed us to reduce the amount of unprofitable lanes and freight, and to properly charge for equipment and services provided to customers. In addition, significant increases in certain operating costs, such as insurance, fuel and equipment, reduced the level of capacity available in the industry.

JBT Segment

JBT segment gross revenue was $841 million in 2003, up 2% over the $827 million in 2002. Higher fuel prices in 2003 and the resulting increase in fuel surcharge revenue accounted for this entire level of revenue growth. The average tractor count in 2003 was down nearly 3% from 2002. However, revenue per loaded mile, excluding fuel surcharges, rose 5.2% in 2003, more than offsetting the decline in the size of the fleet and enhancing operating income.

Operating income of the JBT segment rose to $49 million in 2003, from $27 million in 2002. In addition to the higher revenue per mile, we implemented an accountable expense reimbursement plan (driver per diem plan) in early 2003. This new plan benefited most of our eligible drivers and increased operating income.

JBI Segment

JBI segment gross revenue grew by 16%, to $936 million in 2003, from $809 million in 2002. Revenue growth was due, in part, to a strong demand for our unique intermodal service offering which generated an 11% increase in number of loads year over year. Freight mix changes also played an important role that led to improved revenue per load.

Operating income in the JBI segment increased to $91 million in 2003 from $55 million in 2002. The JBI segment operating ratio improved by 300 basis points to 90.3% for 2003, compared to 93.3% for 2002. These improved financial results were attributable to our investment in upgrading our tractor fleet and adding incremental containers, improved utilization of both drivers and equipment and a concentrated focus on yield management and revenue quality.

DCS Segment

DCS segment revenue grew approximately 7% to $671 million in 2003 from $628 in 2002. Revenue, net of purchased transportation and fuel surcharge revenue increased 5%. The increase in revenue occurred even as the business unit's average tractor count for 2003 declined approximately 1%, compared to 2002. More than offsetting the decline in the tractor fleet was a nearly 6% improvement in revenue (excluding fuel surcharge) per tractor per day. Driving this increase in productivity was an increase in length of haul of 7% and increased focus on backhaul opportunities.

Operating income increased 130% to $45 million in 2003 versus $20 million in 2002. At the end of 2002, we began analyzing a number of underperforming accounts and identified opportunities to redeploy assets from accounts that did not offer appropriate financial returns on the segment's assets. At the same time, cost controls were implemented to improve operating results at all accounts. The success of these efforts improved the operating ratio by 360 basis points, to 93.3% in 2003. Cost reductions in driver pay, salary and office wages and associated payroll taxes also enhanced 2003 operating income. A decline of 16% in the average age of the tractor fleet helped reduce maintenance costs and an ongoing commitment to safety contributed to an improvement in the segment's insurance and claims costs. We also incurred certain new start-up costs in 2002 associated with several large accounts that did not impact 2003. Revenue growth will continue to be driven by improvement in productivity and new customer opportunities that provide appropriate financial returns to justify commitment of additional assets.

The following table sets forth items in our Consolidated Statements of Earnings as a percentage of operating revenues and the percentage increase or decrease of those items as compared with the prior year.

	Percentage of Operating Revenue 2003	Percentage of Operating Revenue 2002	Percentage Change Between Years 2003 vs. 2002
Operating revenues	100.0%	100.0%	8.3%
Operating expenses:			
Salaries, wages and employee benefits	32.5%	36.4%	(3.2%)
Rents and purchased transportation	32.8	31.1	14.4
Fuel and fuel taxes	9.6	9.4	10.3
Depreciation and amortization	6.2	6.5	3.0
Operating supplies and expenses	4.9	5.8	(8.8)
Insurance and claims	2.6	2.5	13.1
Operating taxes and licenses	1.4	1.4	1.3
General and administrative expenses, net of gains	1.4	1.3	15.7
Communication and utilities	1.0	1.1	(1.6)
Total operating expenses	92.4	95.5	4.7
Operating income	7.6	4.5	83.9
Interest income	0.1	0.1	–
Interest expense	0.8	1.2	(30.5)
Equity in loss of associated companies	–	0.1	(48.7)
Earnings before income taxes	6.9	3.3	124.1
Income taxes	3.0	1.0	213.8
Net earnings	3.9%	2.3%	84.2%

Consolidated Operating Expenses

Total operating expenses increased 4.7% in 2003 over 2002, while operating revenues increased 8.3%. The combination of the change in these two categories resulted in our operating ratio improving by 310 basis points to 92.4% in 2003, from 95.5% in 2002. As previously mentioned, increases in revenue per loaded mile, excluding fuel surcharges, and the implementation of a driver per-diem plan were two of the more significant factors driving these changes. We also increased the number of independent contractors (ICs) in our JBT fleet to 994 at December 31, 2003, from 679 at the end of 2002. When we replace company-operated tractors and driver employees with ICs, certain costs such as salaries, wages, employee benefits and fuel are reduced and other costs such as purchased transportation increase.

Fuel cost per gallon was approximately 13% higher in 2003 over 2002. However, we have fuel surcharge programs in place with the majority of our customers that allow us to adjust charges relatively quickly when fuel costs change. If fuel costs change rapidly we may experience some financial impact from timing differences between financial reporting periods when fuel costs change more quickly than our compensating fuel surcharges. We recovered through our fuel surcharge programs substantially all of the increased fuel costs experienced in calendar year 2003. We currently have no contracts or derivative programs in place to hedge changes in fuel costs. Insurance and claims costs rose during 2003, primarily due to higher premium costs. While our accident frequency declined in 2003, severity, or the cost per accident, increased over

2002. General and administrative expenses include driver recruiting and testing, bad debts and professional service fees, all of which increased in 2003. Gains and losses on revenue equipment dispositions are also classified in the general and administrative category. We had a net loss of approximately $1.1 million on equipment and other dispositions in 2003, compared with a $1.8 million loss in 2002. These losses were primarily a result of revenue equipment which was lost or written off.

Our net interest expense declined to $17.2 million in 2003, from $24.8 million in 2002. We were able to reduce our total debt levels to $172 million as of December 31, 2003, from $343 million at the end of 2002. This reduced debt level was primarily a result of improved earnings and cash flow in 2003 and proceeds from a secondary stock offering which closed in mid-2002. Our effective income tax rate increased to 43.1% in 2003, from 30.8% in 2002. This higher tax rate was primarily due to our increased level of earnings, the driver per-diem plan and a reversal of a $7.7 million non-cash tax benefit taken in 2003 related to certain sale-leaseback transactions that closed in 1999. As previously mentioned, we implemented a driver per-diem pay plan in early 2003. This plan generates net benefits to most of our eligible drivers and to the Company. However, it does result in an increase in our effective income tax rate. The $7.7 million reversal of tax benefits was retroactive to January 1, 2003, and related to a proposed adjustment by the IRS that would disallow the tax benefits associated with a series of sale-and-leaseback transactions, which occurred in 1999. This issue is discussed in further detail under "Risk Factors."

The "Equity in loss of associated company" item on our consolidated statement of earnings reflects our share of the operating results for Transplace, Inc. (TPI). Effective January 1, 2003, we increased our interest in TPI to approximately 37%, from 27% in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We generate significant amounts of cash from operating activities. Net cash provided by operating activities was $394 million in 2004, $333 million in 2003 and $174 million in 2002. Part of the increase in net cash provided from 2002 through 2004 was a result of our continued improvement in net earnings. Increases in net cash provided have also resulted from deferred income taxes, tax benefits of stock options exercised and higher levels of accrued payroll and other accrued expenses. Some of the significant changes in the trade accounts payable balances which appear on our consolidated statement of cash flows in 2002 through 2004 were a result of timing differences among years of insurance-related payments. Cash flows used in investing activities primarily reflect additions to and dispositions from our fleet of revenue equipment. The higher level of cash used in investing activities during 2004 was due to delayed tractor purchases in early 2003 while we were still testing the new EPA-compliant engines and our decision in late 2003 to commence purchasing tractors that were under capital lease arrangements. We paid $60.8 million in 2004 to purchase tractors which were previously under capital lease programs. At December 31, 2004, we have no revenue equipment on capital leases. In 2004, we also purchased approximately $5.9 million of intermodal trailing equipment that had been under operating lease programs.

Net cash used in financing activities during 2003 and 2004 reflects payments of our remaining debt and capital lease obligations. Our improving cash flows allowed us to close calendar year 2004 with no balance sheet debt and no capital lease obligations. In addition, we re-initiated the payment of a cash dividend in early 2004 and, in December 2004, announced an increase in our quarterly cash dividend to $.12 from $.03 per share. We also announced, in December 2004, our intent to purchase up to $100 million of our common stock during the next year.

Selected Balance Sheet Data

As of December 31	2004	2003	2002
Working capital ratio	1.51	.99	1.32
Current maturities of long-term debt and lease obligations (millions)	–	$172	$124
Total debt and capitalized lease obligations (millions)	–	$172	$343
Total debt to equity	–	.24	.58
Total debt as a percentage of total capital	–	.20	.37

From time to time, our Board of Directors authorizes the repurchase of our common stock. We did not repurchase any of our common stock during the years 2002 through 2004. As previously mentioned, the Board, in December 2004, authorized the purchase of up to $100 million of our common stock during the next year. We commenced repurchases of our common stock in January 2005.

Liquidity

Our need for capital typically has resulted from the acquisition of revenue equipment required to support our growth and the replacement of older revenue equipment with new, late-model equipment. We are frequently able to accelerate or postpone a portion of equipment replacements depending on market conditions. We have obtained capital through a secondary common stock offering, revolving lines of credit and cash generated from operations. We have also periodically utilized capital and operating leases to acquire revenue equipment.

We utilized capital leases to acquire certain tractors in 2000 and 2001. Since late 2001, we have been acquiring tractors and trailing equipment under purchase arrangements and anticipate purchasing our revenue equipment in the foreseeable future. We are currently committed to spend approximately $189 million, net of expected proceeds from sale or trade-in allowances, on revenue equipment and construction of new facilities.

We are authorized to borrow up to $150 million under our current revolving line of credit, which expires November 14, 2005. We had no balances outstanding on this line at December 31, 2004. While we do anticipate some need to borrow on our revolver during 2005, we believe that our liquid assets, cash generated from operations and revolving line of credit will provide sufficient funds for our operating and capital requirements for the foreseeable future. Our revolving line of credit does not contain "ratings triggers" that would accelerate payments or amounts due under the agreement.

Off-Balance Sheet Arrangements

We have no remaining capitalized leases at December 31, 2004. Our only off-balance sheet arrangements are related to our operating leases for trailing equipment and some limited data processing equipment and facilities. As of December 31, 2004, we had approximately 20,300 trailers and 5,100 containers/chassis that were subject to operating leases, and we had approximately $151 million of obligations remaining under these leases. Our standby letters of credit are also not recorded on our books at December 31, 2004, since there were no balances outstanding at that time under these arrangements.

Contractual Cash Obligations
As of December 31, 2004
(000)

		Amounts Due By Period			
	Total	**One Year Or Less**	**One To Three Years**	**Four To Five Years**	**After Five Years**
Operating leases	$ 164,517	65,300	80,484	15,263	3,470
Commitments to acquire revenue equipment	175,454	175,454	–	–	–
Facilities	13,497	13,497	–	–	–
Total	$ 353,468	254,251	80,484	15,263	3,470

Financing Commitments
As of December 31, 2004
(000)

		Commitments Expiring By Period			
	Total	**One Year Or Less**	**One To Three Years**	**Four To Five Years**	**After Five Years**
Revolving credit agreement	$ 150,000	150,000	–	–	–
Standby letters of credit	18,510	18,510	–	–	–
Total	$ 168,510	168,510	–	–	–

RISK FACTORS

Our business is subject to general economic and business factors that are largely out of our control, any of which could have a material adverse effect on our results of operations.

Our business is dependent upon a number of factors that may have a material adverse effect on the results of our operations, many of which are beyond our control. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the trucking industry, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers and independent contractors.

We are also affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect 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 reserve for bad-debt losses. In addition, our results of operations may be affected by seasonal factors. Customers tend to reduce shipments after the winter holiday season, and our operating expenses tend to be higher in the winter months primarily due to colder weather, which causes higher fuel consumption from increased idle time and higher maintenance costs.

We operate in a highly competitive and fragmented industry. Numerous factors could impair our ability to maintain our current profitability and to compete with other carriers and private fleets.

Some of these factors include:

- We compete with many other truck-load carriers of varying sizes and, to a lesser extent, with less-than-truck-load carriers and railroads, some of which have more equipment and greater capital resources than we do.
- Some of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain our profit margins.

- Many customers reduce the number of carriers they use by selecting so-called “core carriers” as approved transportation service providers, and in some instances we may not be selected.
- Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.
- Certain of our customers that operate private fleets to transport their own freight could decide to expand their operations.
- The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.
- Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

We derive a significant portion of our revenue from a few major customers, the loss of one or more of which could have a material adverse effect on our business.

For the calendar year ended December 31, 2004, our top 10 customers, based on revenue, accounted for approximately 42% of our revenue. Our largest customer is Wal-Mart Stores, Inc., which accounted for approximately 15% of our total revenue in 2004. Generally, we do not have long-term contracts with our customers, and we cannot assure you that our current customers will continue to utilize our services or that they will continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

We depend on third parties in the operation of our business.

Our Intermodal business segment utilizes railroads in the performance of its transportation services. These services are provided pursuant to contractual relationships with the railroads. While we have agreements with various Class I railroads, the majority of our business travels on the Burlington Northern Santa Fe and the Norfolk Southern Railroad. The inability to utilize one or more of these railroads could have a material adverse effect on our business and operating results. We also utilize the services of a number of third-party dray carriers to perform a significant number of our origin and destination pickups and deliveries. In addition, a portion of the freight we deliver is imported to the United States through ports of call that are subject to labor union contracts.

We are currently engaged in an arbitration process with the Burlington Northern Santa Fe (BNSF) railroad to clarify certain financial and operating terms in our Joint Service Agreement (JSA).

As previously reported, we are currently engaged in an arbitration process with the Burlington Northern Santa Fe (BNSF) railroad to clarify certain financial and operating terms in our Joint Service Agreement (JSA). BNSF provides a significant amount of rail transportation services to our JBI business segment. The JSA is an agreement between BNSF and us, which was signed in 1996, and defines a number of financial and operating arrangements relative to our intermodal business. The JSA specifies arbitration as the method of resolving disagreements if a mediation process does not result in resolution. We were unable to resolve our differences with BNSF through mediation during the second quarter of 2004.

The current arbitration process commenced on July 7, 2004. According to the JSA, any amounts due us or payable to BNSF, determined through the arbitration process, could be retroactive to July 7, 2004. Both parties have continued to exchange and analyze data during late 2004 and early 2005. Formal arbitration proceedings are currently scheduled for April and May 2005. At this time, we are unable to reasonably predict the outcome of this process and, as such, no gain or loss contingency can be determined or recorded. Normal commercial business activity between the parties, including load tendering, load tracing, billing and payments, continues on a timely basis.

Difficulty in attracting drivers could affect our profitability and ability to grow.

Periodically, the trucking industry experiences substantial difficulty in attracting and retaining qualified drivers, including ICs. A shortage of qualified company drivers and ICs has proven to be particularly severe during 2003 and 2004. In spite of significant increases in driver compensation and recruiting costs, the industry is currently experiencing a significant shortage of drivers. If we are unable to continue to attract an adequate number of drivers or contract with enough independent contractors, we could be required to significantly increase our driver compensation package or let trucks sit idle, which could adversely affect our growth and profitability.

Ongoing insurance and claims expenses could significantly reduce our earnings.

Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings. During 2004, we self-insured a portion of our claims exposure resulting from cargo loss, personal injury, property damage and health claims for amounts up to the first $2 million for auto accidents and $1 million for workers’ compensation. These deductible limits are the same for 2005. If the number or severity of claims for which we are self-insured increases, our operating results could be adversely affected. Also, we maintain insurance above the amounts for which we self-insure with licensed insurance companies. Insurance carriers have recently raised premiums for most trucking companies. As a result, our insurance and claims expenses could increase when some of our current coverages expire on July 31, 2005. If these expenses increase, and we are unable to offset the increase with higher freight rates, our earnings could be materially and adversely affected.

The Internal Revenue Service (IRS) has proposed to disallow the tax benefits associated with certain sale-and-leaseback transactions.

In 1999, we entered into a series of transactions effecting a sale and leaseback of a portion of our Intermodal container and chassis fleet for a selling price of approximately $175 million. This transaction was examined by the IRS in an audit of our 1998 and 1999 tax returns. In December 2003, we received an IRS Notice of Proposed Assessment which disallows the tax benefits associated with these transactions, and as a result, we have filed an appeal in the matter. We have had preliminary discussions with the IRS Appeals Division and have been informed that the IRS Examination Division has been instructed to prepare additional work since their case had not been developed adequately for the appellate hearing. To date, we have not been contacted by the IRS Examination Division to provide any additional information for their review. If a resolution of the matter cannot be reached in the appeals process, the IRS will forward a 90-day letter, also known as a Notice of Deficiency. A resolution of the dispute could occur at any point in the administrative process or could extend through a trial and court appeals. If we are unsuccessful in defending this transaction, we could owe additional taxes and interest. In 2003, after receiving the IRS Notice of Proposed Assessment and reviewing applicable accounting literature, we reversed the 2003 expected non-cash tax benefits of approximately $7.7 million recognized during 2003, and suspended any further recognition of the benefit. Based on events occurring subsequent to December 31, 2004, we established a reserve for a contingent tax liability of $33.6 million, including accrued interest expense, which represents all previous tax benefits recognized on these transactions. The liability for this contingency is included on our consolidated balance sheet at December 31, 2004, as a long-term liability. We continue to believe our tax positions comply with applicable tax law for which we received advice and opinions from our external public accountants and attorneys prior to entering into these transactions and we continue to vigorously defend against the IRS position using all administrative and legal processes available. If the IRS were successful in disallowing 100% of the tax benefit from this transaction, the total ultimate impact on liquidity could be approximately $44 million, excluding interest.

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

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 activities 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 wastes disposal, among others. We also maintain bulk fuel storage and fuel islands at several 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 material 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.

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

The U.S. Department of Transportation (DOT) and various state agencies exercise broad powers over our business, generally governing matters including authorization to engage in motor carrier service, equipment operation, safety and financial reporting. We are audited periodically by the DOT to ensure that we are in compliance with various safety, hours-of-service and other rules and regulations. If we were found to be out of compliance, the DOT could restrict or otherwise impact our operations.

Effective January 4, 2004, the FMCSA, an administration within the DOT, changed the regulations that govern driver hours of service. As previously described, these new rules generally allow a driver to drive for up to 11 consecutive hours, rather than 10, but require 10 hours of off-duty time, rather than 8. In addition, more off-duty "sleeper berth" time is required before on-duty time is allowed. The United States Court of Appeals issued a decision in July 2004, rejecting these new hours-of-service (HOS) rules. The Court's rejection was based on concerns regarding drivers' health, as well as other issues. On September 30, 2004, the current HOS rules were extended for one year or the time at which the FMCSA develops a set of new rules. On February 7, 2005, the Bush administration proposed legislation that would convert the current HOS regulations into statutory law, a move that would keep the current rules in effect despite the Court of Appeals action to overturn them.

As part of a 1998 consent decree with the U.S. Environmental Protection Agency (EPA), a number of heavy-duty diesel engine manufacturers agreed to significantly reduce emissions from their engines produced subsequent to October 1, 2002. In November 2002, we ordered approximately 2,100 new tractors, primarily for our JBI and DCS fleets, which were equipped with Mercedes engines. These engines were exempt from the EPA's October 2002 rules. In late 2003, after extensive testing, we commenced receiving new tractors with the 2002 EPA-compliant engines. At December 31, 2004, we operated approximately 2,100 tractors with the Mercedes engines and about 4,870 tractors with the 2002 EPA-compliant engines. In addition to higher initial purchase prices, these new tractors have also experienced an average 3% to 5% reduction in fuel efficiency. We are uncertain if future maintenance costs will be higher, on the average, for these two groups of tractors as they age. We do anticipate continued increases in ownership and fuel costs as regular replacement and fleet addition tractors increase the percentage of our fleet with the EPA-compliant units. A new set of proposed fuel-emission standards mandated by the EPA is expected to become effective in 2007. We are unable to predict the impact these proposed standards will have on our future operations and financial results.

Rapid changes in fuel costs can impact our periodic financial results.

Fuel and fuel taxes currently represent our third-largest general expense category. During the past three years, fuel cost per gallon has varied significantly, with prices at times changing as much as $.10 to $.15 per gallon between consecutive months. We have a fuel surcharge revenue program in place with the majority of our customers, which has historically enabled us to recover the majority of higher fuel costs. Most of these programs automatically adjust weekly depending on the cost of fuel. However, there can be timing differences between a change in our fuel cost and the timing of the fuel surcharges billed to our customers. In addition, we incur additional costs when fuel prices rise that cannot be fully recovered due to our engines being idled during cold weather and empty or out-of-route miles that cannot be billed to customers. Rapid increases in fuel costs or shortages of fuel could have a material adverse effect on our operations or future profitability. As of December 31, 2004, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

We have a $1.7 million account receivable from Transportacion Maritima Mexicana (TMM) related to the sale of our share of a Mexican joint venture.

As previously mentioned, we sold our joint venture interest in Mexico to TMM during the first quarter of 2002 for $22.5 million. We have received $18.0 million in principal and interest payments on this note. At December 31, 2004, we had a $1.7 million account receivable from TMM. We expect to receive these remaining funds during the first quarter of 2005.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the Financial Accounting Standards Board (FASB) revised FASB Interpretation No. 46, Consolidation of Variable Interest Entities. Interpretation No. 46(R) addresses consolidation by business enterprises of certain variable interest entities. For public entities that are not small business issuers, the provisions of Interpretation No. 46(R) are effective no later than the end of the first reporting period that ends after March 15, 2004. If the variable interest entity is considered to be a special-purpose entity, Interpretation No. 46(R) shall be applied no later than the first reporting period that ends after December 15, 2003. The adoption of this Interpretation did not have any material effect on our financial position, results of operations and cash flows.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets. This Statement amends the guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions. APB 29 provided an exception to the basic measurement principle (fair value) for exchanges of similar assets, requiring that some nonmonetary exchanges be recorded on a carryover basis. SFAS 153 eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance, that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. The provisions of SFAS 153 are effective for exchanges of nonmonetary assets occurring in fiscal periods beginning after June 15, 2005. As of December 31, 2004, we believe that SFAS 153 will have no significant effect on our financial position, results of operations and cash flows.

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment. SFAS No. 123(R) is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB 25. Among other items, SFAS 123(R) eliminates the use of APB 25 and intrinsic value method of accounting, and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. In accordance with SFAS No. 123(R), the cost will be based on the grant-date fair value of the award and will be recognized over the period for which an employee is required to provide service in exchange for the award. For public entities that do not file as small business issuers, the provisions of the revised statement are to be applied prospectively for awards that are granted, modified, or settled in the first interim or annual period beginning after June 15, 2005. When we adopt the standard on July 1, 2005, we will be required to report in our financial statements the share-based compensation expense for the last six months of 2005 and may adopt it using the modified-prospective method effective July 1, 2005. We are currently evaluating the impact SFAS No. 123(R) will have on us and based on our preliminary analysis, expect to report approximately $2.3 million of additional compensation expense during the period July 1, 2005, through December 31, 2005, as a result of this new accounting standard.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our earnings are affected by changes in short-term interest rates as a result of our issuance of short-term debt. We from time to time have utilized interest rate swaps to mitigate the effects of interest rate changes; none were outstanding at December 31, 2004. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in short-term market interest rates. If short-term market interest rates average 10% more during the next 12 months, there would be no material adverse impact on our results of operations based on the fact that we had no variable-rate debt outstanding at December 31, 2004. At December 31, 2004, we also had no long-term debt obligations outstanding.

Although we conduct business in foreign countries, international operations are not material to our consolidated financial position, results of operations or cash flows. Additionally, foreign currency transaction gains and losses were not material to our results of operations for the year ended December 31, 2004. Accordingly, we are not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on our future costs or on future cash flows we would receive from our foreign investment. To date, we have not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather and other market factors. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. We cannot predict the extent to which high fuel price levels will continue in the future or the extent to which fuel surcharges could be collected to offset such increases. As of December 31, 2004, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
J.B. Hunt Transport Services, Inc.:

We have audited the accompanying consolidated balance sheets of J.B Hunt Transport Services, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of earnings, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with 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 J.B. Hunt Transport Services, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of J.B. Hunt Transport Services, Inc.'s internal control over financial reporting as of December 31, 2004, 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 March 11, 2005, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

KPMG LLP

Tulsa, Oklahoma
March 11, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
J.B. Hunt Transport Services, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that J.B. Hunt Transport Services, Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). J.B. Hunt Transport Services, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that J.B. Hunt Transport Services, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on COSO. Also, in our opinion, J.B. Hunt Transport Services, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of J.B. Hunt Transport Services, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 11, 2005, expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

KPMG LLP

Tulsa, Oklahoma
March 11, 2005

CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2003
(Dollars in thousands, except per share amounts)

Assets	**2004**	**2003**
Current assets:		
Cash and cash equivalents	$ 23,838	58,112
Trade accounts receivable	289,146	256,032
Income tax receivable	19,418	–
Inventories	9,692	8,640
Prepaid licenses and permits	21,696	22,213
Prepaid insurance	83,972	66,359
Other current assets	16,280	17,631
Total current assets	464,042	428,987
Property and equipment, at cost:		
Revenue and service equipment	1,214,833	1,122,187
Land	22,014	21,839
Structures and improvements	95,156	83,782
Furniture and office equipment	118,020	117,713
Total property and equipment	1,450,023	1,345,521
Less accumulated depreciation	438,644	460,556
Net property and equipment	1,011,379	884,965
Other assets	16,285	42,220
	$ 1,491,706	1,356,172

2004 Annual Report

CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2003
(Dollars in thousands, except per share amounts)

Liabilities and Stockholders' Equity	2004	2003
Current liabilities:		
Current maturities of long-term debt	$ –	104,933
Current installments of obligations under capital leases	–	66,844
Trade accounts payable	180,018	158,886
Claims accruals	18,535	16,876
Accrued payroll	73,750	51,235
Other accrued expenses	10,504	12,478
Deferred income taxes	25,414	23,499
Total current liabilities	308,221	434,751
Other long-term liabilities	40,294	4,291
Deferred income taxes	282,241	213,994
Total liabilities	630,756	653,036
Stockholders' equity:		
Preferred stock, par value $100. Authorized 10,000,000 shares; none outstanding	–	–
Common stock, par value $.01 per share. Authorized 100,000,000 shares; issued 83,549,716 shares at December 31, 2004 and 2003	418	418
Additional paid-in capital	197,870	186,973
Retained earnings	694,230	555,262
	892,518	742,653
Treasury stock, at cost (2,156,353 shares in 2004 and 3,439,437 shares in 2003)	(31,568)	(39,517)
Total stockholders' equity	860,950	703,136
Commitments and contingencies		
	$ 1,491,706	1,356,172

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

December 31, 2004, 2003 and 2002
(Dollars in thousands, except per share amounts)

	2004	2003	2002
Operating revenues	$ 2,786,154	2,433,469	2,247,886
Operating expenses:			
Salaries, wages and employee benefits	830,005	791,778	818,318
Rents and purchased transportation	932,133	799,176	698,455
Fuel and fuel taxes	288,562	232,378	210,632
Depreciation and amortization	149,776	150,221	145,848
Operating supplies and expenses	124,172	119,339	130,853
Insurance and claims	54,757	63,500	56,132
Operating taxes and licenses	35,020	33,226	32,797
General and administrative expenses, net of gains	38,460	34,746	30,029
Communication and utilities	23,046	23,470	23,859
Total operating expenses	2,475,931	2,247,834	2,146,923
Operating income	310,223	185,635	100,963
Interest income	1,888	2,731	1,995
Interest expense	7,362	19,943	26,758
Equity in loss of associated companies	2,470	694	1,353
Earnings before income taxes	302,279	167,729	74,847
Income taxes	156,023	72,270	23,031
Net earnings	$ 146,256	95,459	51,816
Basic earnings per share	$ 1.81	1.20	0.68
Diluted earnings per share	$ 1.75	1.17	0.66

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Years ended December 31, 2004, 2003 and 2002
(Dollars in thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Treasury Stock	Stockholders' Equity
Balances at December 31, 2001	$ 390	115,319	407,987	(7,037)	(58,342)	458,317
Comprehensive income:						
Net earnings	–	–	51,816	–	–	51,816
Foreign currency translation adjustments	–	–	–	7,037	–	7,037
Total comprehensive income	–	–	–	–	–	58,853
Common stock issued	28	68,066	–	–	–	68,094
Tax benefit of stock options exercised	–	5,822	–	–	–	5,822
Stock option exercises, net of stock repurchased for payroll taxes	–	(4,524)	–	–	3,925	(599)
Balances at December 31, 2002	$ 418	184,683	459,803	–	(54,417)	590,487
Comprehensive income:						
Net earnings	–	–	95,459	–	–	95,459
Tax benefit of stock options exercised	–	7,226	–	–	–	7,226
Stock option exercises, net of stock repurchased for payroll taxes	–	(4,936)	–	–	14,900	9,964
Balances at December 31, 2003	$ 418	186,973	555,262	–	(39,517)	703,136
Comprehensive income:						
Net earnings	–	–	146,256	–	–	146,256
Cash dividend paid (0.09 per share)	–	–	(7,288)	–	–	(7,288)
Tax benefit of stock options exercised	–	17,829	–	–	–	17,829
Stock option exercises, net of stock repurchased for payroll taxes	–	(6,932)	–	–	7,949	1,017
Balances at December 31, 2004	$ 418	197,870	694,230	–	(31,568)	860,950

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2004, 2003 and 2002
(Dollars in thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net earnings	$ 146,256	95,459	51,816
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	149,776	150,221	145,848
(Gain) loss on sale of revenue equipment	(402)	1,082	1,798
Provision for deferred income taxes	70,162	44,803	12,275
Equity in loss of associated companies	2,470	694	1,353
Tax benefit of stock options exercised	17,829	7,226	5,822
Amortization of discount	67	118	125
Changes in operating assets and liabilities:			
Trade accounts receivable	(33,114)	(18,876)	(3,910)
Income tax receivable	(19,418)	–	–
Other assets	(19,224)	4,482	(6,649)
Trade accounts payable	21,132	40,955	(45,360)
Claims accruals	1,659	(1,757)	(3,851)
Accrued payroll and other accrued expenses	56,544	8,204	15,096
Net cash provided by operating activities	393,737	332,611	174,363
Cash flows from investing activities:			
Additions to property and equipment	(451,083)	(316,926)	(239,341)
Proceeds from sale of equipment	175,295	125,220	80,005
Decrease (increase) in other assets	25,892	69	(2,354)
Net cash used in investing activities	(249,896)	(191,637)	(161,690)
Cash flows from financing activities:			
Repayments of long-term debt	$ (105,000)	(97,010)	(21,250)
Principal payments under capital lease obligations	(66,844)	(74,446)	(27,793)
Proceeds from sale of common stock	–	–	68,094
Stock option exercise	8,045	11,399	3,313
Stock repurchased for payroll taxes	(7,028)	(1,435)	(3,912)
Dividends paid	(7,288)	–	–
Net cash provided by (used in) financing activities	(178,115)	(161,492)	18,452
Net increase (decrease) in cash and cash equivalents	(34,274)	(20,518)	31,125
Cash and cash equivalents at beginning of year	58,112	78,630	47,505
Cash and cash equivalents at end of year	$ 23,838	58,112	78,630
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 7,559	19,221	25,063
Income taxes	$ 55,578	9,976	17,130
Non-cash activities:			
Sale of joint venture			
Non-monetary proceeds	$ –	–	1,161
Note receivable	$ –	–	5,876

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BUSINESS

J.B. Hunt Transport Services, Inc. (JBHT or we), together with our wholly owned subsidiaries, are one of the largest truck-load transportation and logistics companies in North America. We directly transport or arrange for the transportation of full truck-load, containerizable freight, while operating under the jurisdiction of the U.S. Department of Transportation and various state regulatory agencies.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION

JBHT's consolidated financial statements include our financial statements and those of our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(B) USE OF ESTIMATES

The consolidated financial statements contained in this report have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these statements requires us to make estimates and assumptions that directly affect the amounts reported in such statements and accompanying notes. We evaluate these estimates on an ongoing basis utilizing historical experience, consulting with experts and using other methods we consider reasonable in the particular circumstances. Nevertheless, our actual results may differ significantly from our estimates.

We believe that certain accounting policies and estimates are of more significance in our financial statement preparation process than others. We believe the most critical accounting policies and estimates include the economic useful lives and salvage values of our assets, provisions for uncollectible accounts receivable, estimates of exposures under our insurance and claims plans, and various other recorded or disclosed amounts. To the extent that actual, final outcomes are different than our estimates, or additional facts and circumstances cause us to revise our estimates, our earnings during that accounting period will be affected.

(C) RECLASSIFICATIONS

Certain reclassifications have been made to prior periods to conform to current presentations.

(D) CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, we consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

(E) TIRES IN SERVICE

We capitalize tires placed in service on new revenue equipment as a part of the equipment cost. Replacement tires and costs for recapping tires are expensed at the time the tires are placed in service.

(F) PROPERTY AND EQUIPMENT

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of 3 to 15 years for revenue and service equipment, 10 to 40 years for structures and improvements and 3 to 10 years for furniture and office equipment.

Property and equipment under capital leases are stated at the present value of minimum lease payments and amortized utilizing the straight-line method over the shorter of the lease term or estimated useful life of the asset.

(G) REVENUE RECOGNITION

We recognize revenue based on relative transit time in each reporting period with expenses recognized as incurred.

(H) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

(I) EARNINGS PER SHARE

A reconciliation of the numerator and denominator of basic and diluted earnings per share is shown below (in thousands, except per share amounts):

	Years Ended December 31		
	2004	2003	2002
Basic earnings per share:			
Numerator (net earnings)	$ 146,256	95,459	51,816
Denominator (weighted average shares outstanding)	80,771	79,400	75,968
Earnings per share	$ 1.81	1.20	.68
Diluted earnings per share:			
Numerator (net earnings)	$ 146,256	95,459	51,816
Denominator:			
Weighted average shares outstanding	80,771	79,400	75,968
Effect of common stock options	2,697	2,454	2,117
	83,468	81,854	78,085
Earnings per share	$ 1.75	1.17	.66

Options to purchase shares of common stock that were outstanding during each year, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares, are shown in the table below.

	2004	2003	2002
Number of shares under option	694,000	769,500	500,000
Range of exercise prices	$37.00 – 40.73	$20.34 – 26.64	$14.16 – 18.75

On July 17, 2003, we announced a two-for-one stock split on our common stock, payable August 29, 2003, to stockholders of record on July 31, 2003. All references in our financial statements and report on Form 10-K with regard to number of shares and the per share amounts have been retroactively adjusted to reflect this stock split.

(J) CREDIT RISK

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to our large number of customers and the diverse range of industries they represent. As of December 31, 2004 and 2003, we had no significant concentrations of credit risk.

(K) FOREIGN CURRENCY TRANSLATION

Local currencies are generally considered the functional currencies outside the United States. Assets and liabilities are translated at year-end exchange rates for operations in local currency environments. Income and expense items are translated at average rates of exchange prevailing during the year.

Foreign currency translation adjustments, which reflect foreign currency exchange rate changes applicable to the net assets of the Mexican operations, have been recorded as a separate item of accumulated other comprehensive loss in stockholders' equity as of December 31, 2001. This investment was sold during 2002.

(L) STOCK-BASED COMPENSATION

We have adopted the intrinsic value based method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for compensation costs for our stock option plans. Accordingly, compensation expense is recognized on the date of grant only if the current market price of the underlying common stock at date of grant exceeds the exercise price.

Had we determined compensation cost based on the fair value at the grant date for our stock options under Statement of Financial Accounting Standard (SFAS) No. 123, *Accounting for Stock-Based Compensation*, our net earnings would have been reduced to the pro forma amounts indicated below:

	2004	2003	2002
Net earnings (in thousands)	$ 146,256	95,459	51,816
As reported			
Total stock-based employee compensation expense determined under fair value based methods for all awards, net of taxes	5,246	4,642	5,008
Pro forma	$ 141,010	90,817	46,808
Basic earnings per share			
As reported	$ 1.81	1.20	.68
Pro forma	$ 1.75	1.14	.62
Diluted earnings per share			
As reported	$ 1.75	1.17	.66
Pro forma	$ 1.69	1.11	.60

Pro forma net earnings reflects only options granted since December 31, 1995. Therefore, the full impact of calculating compensation costs for stock options under SFAS No. 123 is not reflected in the pro forma net earnings amounts presented above because compensation cost is reflected over the options' vesting periods of 5 to 10 years and compensation cost for options granted prior to January 1, 1996, is not considered.

The per share weighted-average fair value of stock options granted during 2004, 2003 and 2002 was $21.99, $12.90 and $7.26, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: 2004 – expected dividend yield 1.08%, volatility of 55.6%, risk-free interest rate of 2.19% and an expected life of 6.6 years; 2003 – expected dividend yield 0.0%, volatility of 57.4%, risk-free interest rate of 1.53%, and an expected life of 6.3 years; 2002 – expected dividend yield 0.0%, volatility of 54.9%, risk-free interest rate of 3.24%, and an expected life of 6.7 years.

(M) IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

We continually evaluate the carrying value of our assets for events or changes in circumstances which indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(N) COMPREHENSIVE INCOME

Comprehensive income consists of net earnings and foreign currency translation adjustments and is presented in the consolidated statements of stockholders' equity.

(O) CLAIMS ACCRUALS

Claims payable represent accruals for the self-insured portion of pending accident liability, workers' compensation and physical damage. These accruals are estimated based on our evaluation of the nature and severity of individual claims and an estimate of future claims development based on our past claims experience. Our claims accrual policy for all self-insurance is to recognize the expense when the event occurs and the costs of such events are probable and reasonably estimable. We apply loss development factors to our accident and workers' compensation claims history as a part of our process of recording accruals for losses which are incurred but not reported. We do not discount our estimated losses.

Our insurance coverage for the year ended December 31, 2004, specified that the self-insured limit was the first $2 million for auto accidents and $1 million for workers' compensation claims. During the year ended December 31, 2003, our self-insured limit on the majority of all our claims was $1.5 million. Our self-insured limits for 2005 are the same as 2004. We are substantially self-insured for loss of and damage to our owned and leased revenue equipment.

(P) RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the Financial Accounting Standards Board (FASB) revised FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*. Interpretation No. 46(R) addresses consolidation by business enterprises of certain variable interest entities. For public entities that are not small business issuers, the provisions of Interpretation No. 46(R) are effective no later than the end of the first reporting period that ends after March 15, 2004. If the variable interest entity is considered to be a special-purpose entity, Interpretation No. 46(R) shall be applied no later than the first reporting period that ends after December 15, 2003. The adoption of this Interpretation did not have any material effect on our financial position, results of operations and cash flows.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*. This Statement amends the guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*. APB 29 provided an exception to the basic measurement principle (fair value) for exchanges of similar assets, requiring that some nonmonetary exchanges be recorded on a carryover basis. SFAS 153 eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance, that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. The provisions of SFAS 153 are effective for exchanges of nonmonetary assets occurring in fiscal periods beginning after June 15, 2005. As of December 31, 2004, we believe that SFAS 153 will have no significant effect on our financial position, results of operations and cash flows.

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*. SFAS No. 123(R) is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB 25. Among other items, SFAS 123(R) eliminates the use of APB 25 and intrinsic value method of accounting, and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant-date fair value of those awards, in the financial statements. In accordance with SFAS No. 123(R), the cost will be based on the grant-date fair value of the award and will be recognized over the period for which an employee is required to provide service in exchange for the award. For public entities that do not file as small business issuers, the provisions of the revised statement are to be applied prospectively for awards that are granted, modified, or settled in the first interim or annual period beginning after June 15, 2005. When we adopt the standard on July 1, 2005, we will be required to report in our financial statements the share-based compensation expense for the last six months of 2005 and may adopt it using the modified-prospective method effective July 1, 2005. We are currently evaluating the impact SFAS No. 123(R) will have on us and based on our preliminary analysis, expect to report approximately $2.3 million of additional compensation expense during the period July 1, 2005, through December 31, 2005, as a result of this new accounting standard.

(3) LONG-TERM DEBT

Long-term debt consists of (in thousands):

	2004	2003
Senior notes payable, due September 15, 2004, interest at 7.00% payable semiannually	$ –	95,000
Senior subordinated notes, due October 30, 2004, interest at 7.80% payable semiannually	–	10,000
		105,000
Less current maturities	–	(104,933)
Unamortized discount	–	(67)
	$ –	–

We are authorized to borrow up to $150 million under our current revolving line of credit. This line of credit is supported by a credit agreement with a group of banks, which expires November 14, 2005. No balances were outstanding under this line of credit at December 31, 2004.

(4) CAPITAL STOCK

In late May and June 2002, we closed an offering of approximately 11.8 million shares (adjusted for the stock split in 2003) of common stock. Approximately 5.6 million shares were issued and sold by JBHT and 6.2 million shares were sold by a shareholder. The selling price of the stock was $13 ($26 before the stock split in 2003) per share before underwriter discounts and other expenses.

We maintain a Management Incentive Plan ("Plan") that provides various financial vehicles to compensate our key employees with JBHT common stock or common stock equivalents. Under the Plan, as amended, we are authorized to award, in aggregate, not more than 17 million shares. At December 31, 2004, there were approximately 1.0 million shares available for grant under the Plan. We have utilized three such vehicles to award stock or grant options to purchase JBHT common stock: restricted stock awards, restricted options and nonstatutory stock options. As of December 31, 2004, there are no restricted stock awards or restricted options issued or outstanding.

The Plan provides that nonstatutory stock options may be granted to key employees for the purchase of JBHT common stock for 100% of the fair market value of the common stock at the grant date. The options generally vest over a 10-year period and are forfeited if the employee terminates for any reason. The Plan allows the employee to surrender shares of common stock that the employee already owns in full or partial payment of the option price of an option being exercised and/or to satisfy withholding tax obligations incident to the exercise of an option.

A summary of the restricted and nonstatutory options to purchase JBHT common stock follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares Exercisable
Outstanding at December 31, 2001	8,072,488	$ 7.79	977,240
Granted	1,990,800	12.71	
Exercised	(861,288)	7.26	
Terminated	(294,600)	7.64	
Outstanding at December 31, 2002	8,907,400	8.94	988,826
Granted	884,500	23.43	
Exercised	(1,686,733)	8.28	
Terminated	(219,610)	10.19	
Outstanding at December 31, 2003	7,885,557	10.67	711,358
Granted	776,500	39.45	
Exercised	(1,697,123)	8.84	
Terminated	(44,850)	16.56	
Outstanding at December 31, 2004	6,920,084	$14.31	459,262

During 1995, our Board of Directors established a nonqualified stock option plan to provide performance-based compensation to the Chairman of the Board (Chairman's Plan). The Chairman's Plan allowed the Chairman the option to purchase up to 5.0 million shares (adjusted for the 2003 stock split) of JBHT common stock at a price of $8.81 per share (adjusted for the stock split). These options vested after five years. The Chairman's Plan allowed the Chairman to surrender shares of common stock which he already owned in full or partial payment of the option price of an option being exercised and/or to satisfy withholding tax obligations incident to the exercise of an option. Under the original Chairman's Plan, the options were to be exercised within one year of vesting and all unexercised options would have terminated. During 2000, our stockholders amended the Chairman's Plan whereby the exercise period was extended two years from date of vesting. Two million options were exercised during the year ended December 31, 2002, and 3.0 million options were exercised in 2001. There were no options outstanding for the Chairman's Plan at December 31, 2004.

The following table summarizes information about stock options outstanding at December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price Per Share	Options Exercisable	Weighted Average Exercise Price Per Share
$ 0.00 – 10.00	3,599,542	4.6	$ 7.55	334,741	$ 7.52
10.01 – 20.00	1,818,823	7.9	12.93	104,702	12.56
20.01 – 30.00	779,719	9.4	24.58	19,819	24.51
30.01 – 40.00	33,000	10.4	33.29	–	0.00
40.01 – 50.00	689,000	10.5	40.73	–	0.00
$ 0.00 – 50.00	6,920,084	6.6	$ 14.31	459,262	$ 9.40

The weighted average exercise price per share of options exercisable at December 31, 2003 and 2002 was $8.42 and $8.20, respectively.

2004 Annual Report

(5) INCOME TAXES

Total income tax expense for the years ended December 31, 2004, 2003 and 2002 was allocated as follows (in thousands):

	2004	2003	2002
Earnings before income taxes	$ 156,023	72,270	23,031
Stockholders' equity, for tax benefit of stock options exercised	(17,829)	(7,226)	(5,822)
Total tax expense	$ 138,194	65,044	17,209

Refundable income taxes at December 31, 2004, were $19.4 million and income taxes payable at December 31, 2003, were $1.7 million. These amounts have been included in accounts receivable and other accrued expenses on the balance sheet, respectively.

Income tax expense attributable to earnings before income taxes consists of (in thousands):

	2004	2003	2002
Current:			
Federal	$ 83,428	26,439	10,413
State and local	2,433	1,028	343
	85,861	27,467	10,756
Deferred:			
Federal	61,375	38,535	3,892
State and local	8,787	6,268	8,383
	70,162	44,803	12,275
Total tax expense	$ 156,023	72,270	23,031

Income tax expense attributable to earnings before income taxes differed from the amounts computed using the statutory federal income tax rate of 35% for the following reasons (in thousands):

	2004	2003	2002
Income tax – statutory rate	$ 105,798	58,706	26,196
State tax, net of federal effect	6,439	3,019	1,295
Non-deductible meals and entertainment	6,255	6,694	285
Sale/leaseback benefit	–	–	(8,021)
Reserve for tax contingency	33,600	–	–
Change in effective state tax rate, net of federal effect	2,622	2,215	4,514
Other, net	1,309	1,636	(1,238)
Total tax expense	$ 156,023	72,270	23,031

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003, are presented below (in thousands):

	2004	2003
Deferred tax assets:		
Claims accruals, principally due to accruals for financial reporting purposes	$ 1,987	2,198
Tax credit carryforwards	–	11,392
Accounts receivable, principally due to allowance for doubtful accounts	2,541	3,031
Other	7,431	6,045
Total gross deferred tax assets	11,959	22,666
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation and capitalized interest	$ 259,999	202,508
Prepaid permits and insurance, principally due to expensing for income tax purposes	29,963	29,730
Sale-and-leaseback transaction	20,102	20,102
Other	9,550	7,819
Total gross deferred tax liabilities	319,614	260,159
Net deferred tax liability	$ 307,655	237,493

We believe our history of profitability and taxable income, the reversal of deferred tax liabilities, and our utilization of tax planning sufficiently supports the carrying amount of the deferred tax assets. Accordingly, we have not recorded a valuation allowance as all deferred tax benefits are more likely than not to be realized.

In 1999, we entered into a series of transactions effecting a sale and leaseback of a portion of our Intermodal container and chassis fleet for a selling price of approximately $175 million. This transaction was examined by the IRS in an audit of our 1998 and 1999 tax returns. In December 2003, we received an IRS Notice of Proposed Assessment which disallows the tax benefits associated with these transactions, and as a result, we have filed an appeal in the matter. We have had preliminary discussions with the IRS Appeals Division and have been informed that the IRS Examination Division has been instructed to prepare additional work since their case had not been developed adequately for the appellate hearing. To date, we have not been contacted by the IRS Examination Division to provide any additional information for their review. If a resolution of the matter cannot be reached in the appeals process, the IRS will forward a 90-day letter, also known as a Notice of Deficiency. A resolution of the dispute could occur at any point in the administrative process or could extend through a trial and court appeals. If we are unsuccessful in defending this transaction, we could owe additional taxes and interest. In 2003, after receiving the IRS Notice of Proposed Assessment and reviewing applicable accounting literature, we reversed the 2003 expected non-cash tax benefits of approximately $7.7 million recognized during 2003, and suspended any further recognition of the benefit. Based on events occurring subsequent to December 31, 2004, we established a reserve for a contingent tax liability of $33.6 million, including accrued interest expense, which represents all previous tax benefits recognized on these transactions. The liability for this contingency is included on our consolidated balance sheet at December 31, 2004, as a long-term liability. We continue to believe our tax positions comply with applicable tax law for which we received advice and opinions from our external public accountants and attorneys prior to entering into these transactions and we continue to vigorously defend against the IRS position using all administrative and legal processes available. If the IRS were successful in disallowing 100% of the tax benefit from this transaction, the total ultimate impact on liquidity could be approximately $44 million, excluding interest.

(6) EMPLOYEE BENEFIT PLANS

We maintain a defined contribution employee retirement plan, which includes a 401(k) option, under which all employees are eligible to participate. We match a specified percentage of employee contributions, subject to certain limitations. For the years ended December 31, 2004, 2003 and 2002, JBHT matching contributions to the plan were $6.0 million, $6.2 million and $6.8 million, respectively.

(7) FAIR VALUE OF SIGNIFICANT FINANCIAL INSTRUMENTS

(A) Cash and Cash Equivalents, Accounts Receivable, and Trade Accounts Payable

The carrying amount approximates fair value because of the short maturity of these instruments.

(B) Long-Term Debt

The fair value of the fixed-rate debt is presented as the present value of future cash flows discounted using our current borrowing rate for notes of comparable maturity. The calculation arrives at a theoretical amount we would pay a creditworthy third party to assume our fixed-rate obligations and not the termination value of these obligations. Consistent with market practices, such termination values may include various prepayment and termination fees that we would contractually be required to pay if we retired the debt early.

The estimated fair values of our financial instruments are summarized as follows (in thousands):

	At December 31, 2004		At December 31, 2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$ 23,838	23,838	58,112	58,112
Trade accounts receivable	289,146	289,146	256,032	256,032
Trade accounts payable	180,018	180,018	158,886	158,886
Long-term debt:				
Fixed-rate obligations	–	–	105,000	111,003

(8) RELATED PARTY TRANSACTIONS

During 2001 and in prior years, we paid premiums on life insurance policies on the lives of our former Senior Chairman of the Board of Directors, Mr. J.B. Hunt and his wife. In 2002, we ceased paying these premiums. All premiums paid by JBHT, along with accrued interest thereon, were reimbursable from a trust which was the owner and beneficiary of the policy. The interest rate applied to these premiums receivable varied from time to time, but generally reflected JBHT's cost of borrowed funds. In December 2004, the entire amount receivable of $11.2 million, including interest was repaid to JBHT. Mr. Hunt retired from his position of Senior Chairman effective December 31, 2004.

In April 2004, we sold an aircraft hanger, which the Company had owned since 1993. Net proceeds from this sale totaled $988,000 and we recognized an approximate $532,000 gain on this sale. The hanger was sold to Pinnacle Air Facilities LLC (Pinnacle). Mr. J.B. Hunt, our former Senior Chairman, is a principal and a director of Pinnacle. The selling price of the hanger was approved by our Board of Directors and was based on a written appraisal of the property prepared by an independent third-party appraiser.

(9) COMMITMENTS AND CONTINGENCIES

During 1999, we entered into a sale-and-leaseback transaction for a portion of our container fleet. Containers having a net book value of approximately $175 million were sold to third-party leasing companies at approximate net book value. A gain on the transaction has been deferred and will be amortized to income in relation to rent expense recognized under the leases. The containers are being leased back under operating leases over terms of four to 10 years. Approximately $5.9 million of this intermodal trailing equipment was repurchased in December 2004. As of December 31, 2004, we had approximately $151 million of obligations remaining under operating lease arrangements related to trailing equipment. We also lease terminal facilities, shuttle yards and computer equipment under operating leases having various terms. None of our operating leases contain any guaranteed residual value clauses. Under the terms of certain lease agreements, we are required to maintain certain covenants, including minimum credit ratings. We were in compliance with these requirements at December 31, 2004.

During 2000, we entered into various capital lease agreements to lease tractors. These tractors were purchased as the applicable capital leases reached maturity. At December 31, 2004, we had no remaining capital lease obligations.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2004, are (in thousands):

	Operating Leases
2005	$ 65,300
2006	44,074
2007	36,409
2008	14,135
2009	1,129
Thereafter	3,470
	$ 164,517

At December 31, 2004 and 2003, gross property and equipment recorded under capital leases was zero and $110.8 million, respectively.

Total rent expense was $95.0 million in 2004, $109.2 million in 2003, and $115.1 million in 2002.

At December 31, 2004, we had committed to property and equipment purchases, net of expected allowances on revenue equipment sales and trade-ins of approximately $189 million.

During 2004, we issued financial standby letters of credit as a guarantee of our performance under certain operating lease commitments and self-insurance arrangements. If we default on our commitments under the lease agreements or other arrangements, we are required to perform under these guarantees. The undiscounted maximum amount of our obligation to make future payments in the event of defaults is approximately $18.5 million. As of December 31, 2004, no amounts had been accrued for any estimated losses under these obligations, as it is probable that the suppliers will be able to make all scheduled payments.

The IRS has proposed to disallow the tax benefits associated with a series of transactions effecting a sale and leaseback of intermodal equipment. See Note 5 for additional information.

We are involved in certain other claims and pending litigation arising from the normal conduct of business. Based on the present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of these claims and pending litigation will not have a material adverse effect on our financial condition, our results of operations, or other liquidity.

We are currently engaged in an arbitration process with the Burlington Northern Santa Fe (BNSF) railroad to clarify certain financial and operating terms in our Joint Service Agreement (JSA). BNSF provides a significant amount of rail transportation services to our JBI business segment. The JSA is an agreement between BNSF and us, which was signed in 1996, and defines a number of financial and operating arrangements relative to our intermodal business. The JSA specifies arbitration as the method of resolving disagreements if a mediation process does not result in resolution. We were unable to resolve our differences with BNSF through mediation during the second quarter of 2004.

The current arbitration process commenced on July 7, 2004. According to the JSA, any amounts due us or payable to BNSF, determined through the arbitration process, could be retroactive to July 7, 2004. Both parties have continued to exchange and analyze data during late 2004 and early 2005. Formal arbitration proceedings are currently scheduled for April and May of 2005. At this time, we are unable to reasonably predict the outcome of this process and, as such, no gain or loss contingency can be determined or recorded. Normal commercial business activity between the parties, including load tendering, load tracing, billing and payments continues on a timely basis.

(10) INVESTMENT IN AFFILIATED COMPANY

In March 2000, we, along with five other motor carriers, announced the intent to contribute all of our non-asset based logistics business into a recently formed joint venture, Transplace, Inc. (TPI). TPI is an Internet-based global transportation logistics company. TPI commenced operations effective July 1, 2000. We contributed all of our logistics segment business and all related intangible assets, plus $5.0 million of cash, in exchange for an approximate 27% initial membership interest in TPI. On December 31, 2002, we acquired an additional 10% interest in TPI from one of the initial members. We account for our approximate 37% interest in TPI utilizing the equity method of accounting. No gain or loss was recognized upon formation and contribution of logistics segment assets to TPI. Equity in earnings of TPI was a loss of $2.5 million in 2004.

We provided various services to TPI under a shared-service agreement, the terms of which expired on December 31, 2004. The services included primarily computer system operations and maintenance. The fees from these services approximated $5.4 million in 2004 and $6.3 million in 2003, and were recorded in the consolidated statement of earnings as reimbursements of general and administrative expenses. An agreement for similar services was signed in early 2005.

We earned revenues of $67.9 million and $57.6 million from TPI in providing transportation services during 2004 and 2003, respectively.

At December 31, 2004 and 2003, trade accounts receivable included $9.1 million and $7.6 million, respectively, due from TPI for freight and fees related to the shared-service agreement.

For the years ending December 31, 2004 and 2003, we incurred approximately $3.3 million and $14.3 million, respectively, in purchased transportation expense as a result of TPI providing transportation services.

(11) SEGMENT INFORMATION

We have three reportable business segments, Truck (JBT), Intermodal (JBI), and Dedicated Contract Services (DCS). JBT business includes full truck-load dry-van freight which is typically transported utilizing company-owned or controlled revenue equipment. This freight is typically transported over roads and highways and does not move by rail. The JBI segment includes freight that is transported by rail over at least some portion of the movement and also includes certain repositioning truck freight moved by JBI equipment or third-party carriers, when such highway movement is intended to direct JBI equipment back toward intermodal operations. DCS segment business typically includes company-owned revenue equipment and employee drivers that are assigned to a specific customer, traffic lane or service. DCS operations usually include formal, written long-term agreements or contracts which govern services performed and applicable rates.

Our customers are geographically dispersed across the United States. One customer accounted for approximately 15%, 13% and 18% of consolidated operating revenues in 2004, 2003 and 2002, respectively. A summary of certain segment information is presented below (in millions):

	Assets		
	2004	2003	2002
JBT	$ 703	729	817
JBI	490	329	225
DCS	314	242	207
Other (includes corporate)	(15)	56	74
Total	$ 1,492	1,356	1,323

	Revenues		
	2004	2003	2002
JBT	$ 928	841	827
JBI	1,115	936	809
DCS	760	671	628
Total segment revenues	2,803	2,448	2,264
Inter-segment eliminations	(17)	(15)	(16)
Total	$ 2,786	2,433	2,248

	Operating Income		
	2004	2003	2002
JBT	$ 103	49	27
JBI	131	91	55
DCS	75	45	20
Other	1	1	(1)
Total	$ 310	186	101

	Depreciation Expense		
	2004	2003	2002
JBT	$ 61	67	69
JBI	22	20	19
DCS	56	51	49
Other	11	12	9
Total	$ 150	150	146

(12) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Operating results by quarter for the years ended December 31, 2004 and 2003, are as follows (in thousands, except per share data):

	Quarter			
	First	Second	Third	Fourth
2004:				
Operating revenues	$ 617,698	679,037	718,614	770,805
Operating income	$ 58,217	79,174	82,669	90,163
Net earnings	$ 32,974	45,625	47,875	19,782
Basic earnings per share	$ .41	.57	.59	.24
Diluted earnings per share	$ .40	.55	.57	.24
2003:				
Operating revenues	$ 571,213	599,866	621,644	640,746
Operating income	$ 23,860	46,440	57,575	57,760
Net earnings	$ 11,178	25,129	32,661	26,491
Basic earnings per share	$ .14	.32	.41	.33
Diluted earnings per share	$ .14	.31	.40	.32

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

None

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarize and disclose this information within the time periods specified in the SEC rules. Based on an evaluation of our disclosure controls and procedures, as of the end of the period covered by this report, and conducted by our management, with the participation of our Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in our reports filed with the SEC within the required time periods.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment, we believe that as of December 31, 2004, our internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, has been audited by KPMG LLP, the independent registered public accounting firm that also audited our consolidated financial statements. KPMG LLP's attestation report on management's assessment of our internal control over financial reporting appears on page 43 of this report.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

DIRECTORS

The schedule of directors is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held April 21, 2005.

EXECUTIVE OFFICERS

The schedule of executive officers is set forth in Item 4 of this Report under the caption "Executive Officers of the Registrant."

CODE OF ETHICS

The Company has adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer/controller, and all other officers, employees, and directors. Our code of ethics is available on our Internet website at www.jbhunt.com. If we make substantive amendments to this code of ethics or grant any waiver, including any implicit waiver, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K within four days of such amendment or waiver.

CORPORATE GOVERNANCE

In complying with the new rules and regulations required by the Sarbanes-Oxley Act of 2002, NASDAQ, PCAOB, and others, we have attempted to do so in a manner that clearly meets legal requirements, but does not create a bureaucracy of forms, checklists and other inefficient or expensive procedures. We have adopted a code of conduct, code of ethics, whistleblower policy and charters for all of our Board of Director Committees and other formal policies and procedures. Most of these items are available on our Company website, www.jbhunt.com. If we make significant amendments to our code of ethics or whistleblower policy, or grant any waivers to these items, we will disclose such amendments or waivers on our website or in a report on Form 8-K within four days of such action.

ITEM 11. EXECUTIVE COMPENSATION

The information required for Item 11 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on April 21, 2005

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information required for Item 12 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on April 21, 2005

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for Item 13 is hereby incorporated by reference from Note (8) Related Party Transactions and Note (10) Investment in Affiliated Company of the Notes to Consolidated Financial Statements and from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on April 21, 2005.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required for Item 14 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on April 21, 2005.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND EXHIBITS:

(1) Financial Statements

The financial statements included in Item 8 above are filed as part of this annual report.

(3) Exhibits

The response to this portion of Item 15 is submitted as a separate section of this report on Form 10-K ("Exhibit Index") on page 62.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Lowell, Arkansas, on the 11th day of March 2005.

J.B. HUNT TRANSPORT SERVICES, INC.
(Registrant)

By: /s/ Kirk Thompson
Kirk Thompson
President and Chief Executive Officer

By: /s/ Jerry W. Walton
Jerry W. Walton
Executive Vice President, Finance and Administration,
Chief Financial Officer

By: /s/ Donald G. Cope
Donald G. Cope
Senior Vice President, Controller,
Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on the 11th day of March 2005, on behalf of the registrant and in the capacities indicated.

/s/ John A. Cooper, Jr. John A. Cooper, Jr.	Member of the Board of Directors
/s/ Wayne Garrison Wayne Garrison	Member of the Board of Directors (Chairman)
/s/ Thomas L. Hardeman Thomas L. Hardeman	Member of the Board of Directors
/s/ J. Bryan Hunt, Jr. J. Bryan Hunt, Jr.	Member of the Board of Directors
/s/ Johnelle D. Hunt Johnelle D. Hunt	Member of the Board of Directors (Corporate Secretary)
/s/ Coleman H. Peterson Coleman H. Peterson	Member of the Board of Directors
/s/ James L. Robo James L. Robo	Member of the Board of Directors
/s/ Kirk Thompson Kirk Thompson	Member of the Board of Directors (President and Chief Executive Officer)
/s/ Leland Tollett Leland Tollett	Member of the Board of Directors
/s/ John A. White John A. White	Member of the Board of Directors (Presiding Director)

EXHIBIT INDEX

Exhibit Number	Description
3A	The Company's Amended and Restated Articles of Incorporation dated May 19, 1988 (incorporated by reference from Exhibit 4A of the Company's S-8 Registration Statement filed April 16, 1991; Registration Statement Number 33-40028)
3B	The Company's Amended Bylaws dated September 19, 1983 (incorporated by reference from Exhibit 3C of the Company's S-1 Registration Statement filed February 7, 1985; Registration Number 2-95714)
10A	Material Contracts of the Company (incorporated by reference from Exhibits 10A-10N of the Company's S-1 Registration Statement filed February 7, 1985; Registration Number 2-95714)
10B	The Company has an Employee Stock Purchase Plan filed on Form S-8 on February 3, 1984 (Registration Number 2-93928), and a Management Incentive Plan filed on Form D-8 on April 16, 1991 (Registration Number 33-40028). The Management Incentive Plan is incorporated herein by reference from Exhibit 4B of the Registration Statement 33-40028. The Company amended and restated its Employee Retirement Plan on Form S-8 (Registration Statement Number 33-57127) filed December 30, 1994. The Employee Retirement Plan is incorporated herein by reference from Exhibit 99 of Registration Statement Number 33-57127. The Company amended and restated its Management Plan on Form S-8 (Registration Number 33-40028) filed May 9, 2002. The Company filed the Chairman's Stock Option Incentive Plan as part of a definitive 14A on March 26, 1996.
21	Subsidiaries of J.B. Hunt Transport Services, Inc.
23	Consent of KPMG LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002

BOARD OF DIRECTORS

John A. Cooper, Jr.
Cooper Communities, Inc.

Wayne Garrison
Chairman of the Board

Thomas L. Hardeman
United Parcel Service, Inc. (retired)

J. Bryan Hunt, Jr.
Best Motor Company

Johnelle D. Hunt
Corporate Secretary

Coleman H. Peterson
Hollis Enterprises LLC

James L. Robo
FPL Energy

Kirk Thompson
President and Chief Executive Officer

Leland E. Tollett
Tyson Foods, Inc. (retired)

Dr. John A. White
Chancellor, University of Arkansas

OFFICERS

Wayne Garrison
Chairman of the Board

Kirk Thompson
President and Chief Executive Officer, Director

Johnelle D. Hunt
Corporate Secretary, Director

Jerry W. Walton
Executive Vice President,
Finance and Administration
and Chief Financial Officer

Paul R. Bergant
Executive Vice President, Marketing
and Chief Marketing Officer,
and President, Intermodal

Craig Harper
Executive Vice President, Operations
and Chief Operations Officer

Kay J. Palmer
Executive Vice President
and Chief Information Officer

Bob D. Ralston
Executive Vice President,
Equipment and Properties

John N. Roberts III
Executive Vice President,
and President, Dedicated Contract Services

STOCKHOLDER INFORMATION

Corporate Address
J.B. Hunt Transport Services, Inc.
615 J.B. Hunt Corporate Drive
Lowell, AR 72745
(501) 820-0000

Internet Address
www.jbhunt.com

Auditors
KPMG LLP
Tulsa, Oklahoma

Counsel
Mitchell Williams Selig Gates & Woodyard PLLC
Little Rock, Arkansas

Stock Exchange Listing
J.B. Hunt Transport Services, Inc.
Class A Common Stock is listed on
NASDAQ National Market System

Stock Symbol
JBHT

Stock Transfer Agent and Registrar
EquiServe Trust Company, N.A.
P.O. Box 21905
Kansas City, MO 64121-9045
1-877-282-1168 for Stockholder Inquiries
www.equiserve.com

Annual Meeting
The Annual Meeting of Stockholders
will be held at 10:00 a.m., CDT,
on Thursday, April 21, 2005,
at the corporate headquarters of
J.B. Hunt Transport Services, Inc.,
Lowell, Arkansas, located on
Interstate 540 at the Lowell Exit 78.

2004 AWARDS AND RECOGNITION

"MILLION MILERS"

Each year, J.B. Hunt Transport Services, Inc. recognizes drivers who reach the pinnacle of safe driving – completing one million, two million, or three million accident-free miles! It takes dedicated drivers who are truly committed to SAFETY to achieve such milestones. We are proud to acknowledge these drivers who are helping us set a high standard for safety achievement.

The table below shows the number of drivers inducted in 2004 as well as the total number of drivers honored since the program began. All recipients are presented with cash awards at a formal ceremony held at the J.B. Hunt Corporate Headquarters.

Milestone	Drivers Inducted in 2004	Total Drivers Inducted
One Million Miles	172	1,455
Two Million Miles	45	157
Three Million Miles	–	6
Total	217	1,618

FORBES PLATINUM LIST OF AMERICA'S BEST BIG COMPANIES

Forbes analyzed 26 industries for companies with at least $1 billion in revenue and high rankings for corporate practices as well as long- and short-term sales and earnings growth and stock market performance. This is the fourth consecutive year that J.B. Hunt has made the prestigious listing. The company was number 25 on the list overall, up from the number 80 position it held the previous year.

THE HOME DEPOT® PARTNERING FOR EXCELLENCE AWARD

The world's largest home-improvement retailer presented J.B. Hunt with the prestigious 2004 Partnering for Excellence award. This is the highest honor The Home Depot can bestow upon a transportation partner.

PPG INDUSTRIES, INC. EXCELLENT SUPPLIER AWARD

One of the world's largest suppliers of coatings, glass and fiberglass, and chemicals presented the Excellent Supplier Award to J.B. Hunt's Dedicated Contract Services (DCS) operating segment for superior accomplishments.

THE SCOTTS COMPANY CORE CARRIER OF THE YEAR AWARD

The world's largest marketer of branded consumer products for lawn and garden care presented J.B. Hunt with the prestigious 2004 Core Carrier of the Year award for its proven history of outstanding service, reliable capacity, innovative technologies, and the ability to present unique solutions that provide value to the Scotts organization.

GEORGIA PACIFIC CARRIER OF THE YEAR AWARD

One of the world's leading manufacturers and marketers of tissue, packaging, paper, building products, and related chemicals presented J.B. Hunt with the Carrier of the Year Award for superior accomplishments.

FORD MOTOR COMPANY Q1 CERTIFICATION

The J.B. Hunt Automotive Group was recognized by Ford Motor Company with Q1 certification, the highest recognition of superior quality that Ford can bestow to a supplier. The certification acknowledges outstanding suppliers that have achieved a sustained level of excellence in customer satisfaction.

TERION, INC. PIONEER AWARD

The leading two-way wireless data communication and information solution provider created the Pioneer Award as a way to recognize transportation companies that are proven leaders in technology innovation. J.B. Hunt was selected because of the company's early adoption and successful implementation of Terion trailer-tracking.

TRAINING TOP 100

Training magazine, the training industry's premier publication, annually selects 100 organizations that excel at human capital development. These companies are chosen based on criteria such as training practices, evaluation methods, and outstanding training initiatives. J.B. Hunt was the only full truck-load transportation provider to make the list.

BEST PLACES TO WORK IN INFORMATION TECHNOLOGY

Computerworld Magazine's annual "Best Places to Work in IT" feature ranks the top 100 work environments for technology professionals, based on categories such as benefits, diversity, career development, training, and retention. J.B. Hunt was the highest-ranking transportation logistics firm on the list and the only full truck-load carrier to make the top ten.

J.B. HUNT®
P.O. Box 130 • Lowell, Arkansas 72745
www.jbhunt.com