

Three month periods ended March 31, 1996 and
March 31, 1995 5

Notes to Condensed Consolidated Financial Statements -
March 31, 1996 6

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LANDAIR SERVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 1996	December 31, 1995
	(Unaudited)	(Note)
	(In thousands, except share data)	
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 26	\$ 3,834
Accounts receivable, less allowance of \$206 in 1996 and \$292 in 1995	20,954	17,788
Other current assets	4,814	4,136
Total current assets	25,794	25,758
Property and equipment	90,927	89,699
Less accumulated depreciation and amortization		(20,164) (17,577)
	70,763	72,122
Other assets	400	399
Total assets	\$ 96,957	\$ 98,279
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,267	\$ 5,074
Accrued expenses	5,761	5,637

Current portion of long-term debt	7,621	8,158
Current portion of capital lease obligations	1,095	1,089
	-----	-----
Total current liabilities	21,744	19,958
Long-term debt, less current portion	23,051	27,030
Capital lease obligations, less current portion	8,548	8,825
Deferred income taxes	6,026	5,822
Shareholders' equity:		
Preferred stock	--	--
Common stock, \$.01 par value; Authorized shares - 20,000,000 Issued and outstanding shares - 5,928,850 in 1996 and 5,864,200 in 1995	59	59
Additional paid-in capital	25,975	25,562
Retained earnings	11,554	11,023
	-----	-----
Total shareholders' equity	37,588	36,644
	-----	-----
Total liabilities and shareholders' equity	\$ 96,957	\$ 98,279
	=====	=====

</TABLE>

NOTE: The balance sheet at December 31, 1995 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements.

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LANDAIR SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<TABLE>
<CAPTION>

	Three month periods ended	
	March 31, 1996	March 31, 1995
	-----	-----
	(In thousands, except per share data)	
	<C>	<C>
<S> Operating revenue	\$ 36,979	\$ 35,744
Operating expenses:		
Purchased transportation	12,298	14,237
Salaries, wages, and employee benefits	10,375	8,974
Fuel and fuel taxes	2,765	2,066
Operating leases	1,298	1,611
Depreciation and amortization	2,612	2,042
Insurance and claims	1,797	1,616
Other operating expenses	4,168	3,357
	-----	-----
	35,313	33,903
Income from operations	1,666	1,841
Other income (expense):		
Interest expense	(806)	(688)
Other, net	10	33
	-----	-----
	(796)	(655)
Income before income taxes	870	1,186

Income taxes	339	510
	-----	-----
Net income	\$ 531	\$ 676
	=====	=====
Net income per share:		
Primary	\$.09	\$.11
	=====	=====
Fully diluted	\$.09	\$.11
	=====	=====
Dividends declared per share	--	--
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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LANDAIR SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Three month periods ended	
	March 31, 1996	March 31, 1995

	(In thousands)	
	<C>	<C>
Cash from operations	\$ 1,752	\$ 2,752
Investing activities:		
Proceeds from disposal of property and equipment	520	1,124
Purchases of property and equipment	(1,705)	(2,476)
Decrease in restricted capital lease funds	--	18
Other	(1)	(24)
	-----	-----
	(1,186)	(1,358)
Financing activities:		
Proceeds from long-term debt	1,479	2,299
Payments of long-term debt	(5,995)	(1,458)
Payments of capital lease obligations	(271)	(173)
Proceeds from exercise of stock options	413	146
	-----	-----
	(4,374)	814
	-----	-----
Increase (decrease) in cash and cash equivalents	\$ (3,808)	\$ 2,208
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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LANDAIR SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 1996

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and

Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in the Landair Services, Inc. annual report on Form 10-K for the year ended December 31, 1995.

NOTE 2 - NET INCOME PER SHARE

Net income per share is based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Common stock equivalents consist of outstanding stock options and have been included in the calculation of net income per share using the treasury stock method.

NOTE 3 - INCOME TAXES

For the three month periods ended March 31, 1996 and March 31, 1995, the effective income tax rate varied from the statutory federal income tax rate of 34% primarily due to the effect of state income taxes, net of the federal benefit, and permanent differences (principally meals and entertainment).

NOTE 4 - CONTINGENCIES

The Company is, from time to time, a party to litigation arising in the normal course of its business, most of which involve claims for personal injury and property damage incurred in connection with the transportation of freight. Management believes none of these actions, individually or in the aggregate, will have a material adverse effect on the financial condition or results of operations of the Company.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth expenses as a percentage of operating revenue for the periods indicated.

<TABLE>
<CAPTION>

	Three month periods ended	
	March 31, 1996	March 31, 1995
	<C>	<C>
Operating revenue	100.0%	100.0%
Operating expenses:		
Purchased transportation	33.2	39.8
Salaries, wages, and employee benefits	28.1	25.1
Fuel and fuel taxes	7.5	5.8
Operating leases	3.5	4.5
Depreciation and amortization	7.1	5.7
Insurance and claims	4.9	4.5
Other operating expenses	11.2	9.4
	-----	-----
	95.5	94.8
Income from operations	4.5	5.2
Other income (expense):		
Interest expense	(2.2)	(1.9)
Other, net	0.0	0.0
	-----	-----

	(2.2)	(1.9)	
	-----	-----	
Income before income taxes		2.3%	3.3%
	=====	=====	

</TABLE>

Results of Operations

Operating revenue increased by \$1.2 million, or 3%, to \$37.0 million in 1996 from \$35.7 million in 1995. The Company's increased operating revenue reflects additional volume from its Forward Air operations, which increased 18% during the first quarter of 1996 compared to the prior year. This was offset by a decrease in Truckload and Dedicated operating revenue of 7%, caused by severe winter storms in January and February 1996, which idled a significant portion of the Company's fleet, negatively impacting equipment utilization.

The operating ratio (operating expenses as a percent of operating revenue) for the first quarter of 1996 was 95.5% compared to 94.8% in the prior year quarter. The components of operating expenses fluctuate between periods primarily because of the ratio of owner-operators to Company-operated equipment. Except as explained below, operating expenses in the aggregate generally reflect increases proportionate to the increased level of operations.

Effective February 1996, the Company no longer pays per diem to line-haul drivers as reimbursement for expenses incurred for out-of-town travel. Instead, these drivers now receive

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a higher pay rate per mile. The effect of this change caused a slight increase in the Company's salaries, wages and employee benefits expense during the first quarter of 1996.

Operating leases decreased from 4.5% of operating revenue during the first quarter of 1995 to 3.5% during the same period of 1996, while depreciation and amortization increased from 5.7% of operating revenue during the first quarter of 1995 to 7.1% in the same period of 1996. These changes from the prior year resulted from increased ownership, rather than leasing, of revenue equipment along with an increase in the ratio of Company-operated equipment to owner-operators.

During the first quarter of 1996, fuel prices increased by approximately 10% over the prior year which increased fuel and fuel taxes by approximately \$265,000. Included in income from operations for the first quarter of 1995 were gains on the sale of revenue equipment in the amount of \$320,000 compared to \$68,000 for the same period in 1996.

Interest expense as a percentage of revenue increased from 1.9% in the first quarter of 1995 to 2.2% in 1996. The increase is attributable to higher net borrowing primarily for revenue equipment purchases which were required to finance the continued growth of the Company.

The effective tax rates for the first quarter of 1996 and 1995 were 39% and 43%, respectively. The decrease in 1996 is primarily due to a significant reduction in the Company's nondeductible meals and entertainment expense, which were only partially deductible by the Company for federal income tax purposes, resulting from discontinuance of the per diem pay to line-haul drivers.

Liquidity and Sources of Capital

Cash flows from operations were \$1.8 million for the first quarter of 1996 compared with \$2.8 million in the same period of 1995. The \$1.0 million decrease was a result of increases in working capital accounts. Management believes available borrowing under existing lines of credit, future borrowing under installment notes for revenue equipment, and cash generated by operations will be sufficient to fund its cash needs and anticipated capital expenditures through 1996.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, a party to litigation arising in the normal course of its business, most of which involve claims for personal injury and property damage incurred in connection with the transportation of freight. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 2. CHANGES IN SECURITIES

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibits are included herein:

- (a) Exhibits - The response to this portion of Item 6 is submitted as a separate section of this report.
- (b) Reports on Form 8-K - The Company did not file any reports on Form 8-K during the three months ended March 31, 1996.

SIGNATURES

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

Landair Services, Inc.

Date: May 13, 1996

By: /s/ Edward W. Cook

Edward W. Cook
Chief Financial Officer
and Senior Vice President

Exhibit
Number

Exhibit

- | ----- | ----- |
|-------|---|
| 11 | Statement Re: Computation of Per Share Earnings |
| 27 | Financial Data Schedule (for SEC use only) |

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

<TABLE>
<CAPTION>

	Three month periods ended	
	March 31, 1996	March 31, 1995
	(In thousands, except per share data)	
	<C>	<C>
<S>		
Primary:		
Average outstanding shares	5,880	5,818
Net effect of dilutive stock options - based on the treasury stock method using the average market price	157	217
Totals	<u>6,037</u>	<u>6,035</u>
Net income	<u>\$ 531</u>	<u>\$ 676</u>
Per share amount	\$.09	\$.11
Fully diluted:		
Average shares outstanding	5,880	5,818
Net effect of dilutive stock options - based on the treasury stock method using the quarter-end market price if higher than the average market price	163	217
Totals	<u>6,043</u>	<u>6,035</u>
Net income	<u>\$ 531</u>	<u>\$ 676</u>
Per share amount	<u>\$.09</u>	<u>\$.11</u>

</TABLE>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF LANDAIR SERVICES, INC. FOR THE THREE MONTHS ENDED MARCH 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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