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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

## LANDAIR SERVICES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

	June 30, 1997	December 31, 1996	
	(Unaudited)	(Note)	
	(In thousands, except share data)		
	<C>	<C>	
<b>ASSETS</b>			
<b>&lt;S&gt;</b>			
Current assets:			
Cash and cash equivalents	\$ 99	\$ 28	
Accounts receivable, less allowance of \$688 in 1997 and \$415 in 1996		24,458	23,671
Other current assets	4,749	4,505	
Total current assets	29,306	28,204	
Property and equipment	102,226	97,445	
Less accumulated depreciation and amortization		31,266	27,166
	70,960	70,279	
Other assets	617	591	
Total assets	\$100,883	\$99,074	

## LIABILITIES AND SHAREHOLDERS' EQUITY

## Current liabilities:

Accounts payable	\$ 3,657	\$ 5,525
Accrued expenses	10,227	7,391
Current portion of long-term debt	10,079	7,701
Current portion of capital lease obligations	2,054	1,797

Total current liabilities	26,017	22,414
Long-term debt, less current portion	14,213	18,346
Capital lease obligations, less current portion	7,271	8,748
Deferred income taxes	9,348	8,302
Shareholders' equity:		
Preferred stock	--	--
Common stock, \$.01 par value; Authorized shares - 20,000,000		
Issued and outstanding shares - 5,959,186 in 1997 and 5,952,880 in 1996		60      60
Additional paid-in capital	26,257	26,202
Retained earnings	17,717	15,002
Total shareholders' equity	44,034	41,264
Total liabilities and shareholders' equity	\$100,883	\$99,074

</TABLE>

Note: The balance sheet at December 31, 1996 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 months ended		Six months ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Operating revenue	\$ 45,502	\$ 38,893	\$ 86,507	\$ 75,872
Operating expenses:				
Purchased transportation	14,376	12,544	28,275	24,842
Salaries, wages, and employee benefits	12,977	10,612	24,646	20,987
Depreciation and amortization	2,744	2,610	5,303	5,222
Fuel and fuel taxes	2,711	2,837	5,294	5,602
Insurance and claims	2,463	1,916	4,975	3,713
Operating leases	1,496	1,473	2,977	2,771
Other operating expenses	4,731	4,198	9,111	8,366
	41,498	36,190	80,581	71,503
Income from operations	4,004	2,703	5,926	4,369
Other income (expense):				
Interest expense	(658)	(788)	(1,339)	(1,594)
Other, net	(159)	16	(129)	26
	(817)	(772)	(1,468)	(1,568)

Income before income taxes	3,187	1,931	4,458	2,801
Income taxes	1,243	732	1,743	1,071
Net income	\$ 1,944	\$ 1,199	\$ 2,715	\$ 1,730
<hr/>				
Net income per share:				
Primary	\$ .32	\$ .20	\$ .45	\$ .29
Fully diluted	\$ .32	\$ .20	\$ .44	\$ .29
<hr/>				
Dividends declared per share	\$ --	\$ --	\$ --	\$ --
<hr/>				

</TABLE>

See notes to condensed consolidated financial statements.

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LANDAIR SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

<TABLE>  
<CAPTION>

	Six months ended	
	June 30, 1997	June 30, 1996
	(In thousands)	
	<C>	<C>
Cash from operations	\$ 9,233	\$ 4,838
Investing activities:		
Proceeds from disposal of property and equipment	804	894
Purchases of property and equipment	(7,020)	(4,012)
Other	(26)	(147)
	(6,242)	(3,265)
Financing activities:		
Proceeds from long-term debt	1,769	1,479
Payments of long-term debt	(3,524)	(6,563)
Payments of capital lease obligations	(1,220)	(876)
Common Stock issued under Stock Purchase Plan	55	--
Proceeds from exercise of stock options	--	579
	(2,920)	(5,381)
Increase (decrease) in cash and cash equivalents	\$ 71	\$(3,808)

</TABLE>

See notes to condensed consolidated financial statements.

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LANDAIR SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

June 30, 1997

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 six month period ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. 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, 1996.

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. See Note 6.

NOTE 3 - INCOME TAXES

For the three months and six months ended June 30, 1997 and 1996, 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.

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.

NOTE 5 - CHANGE IN ACCOUNTING ESTIMATE

Effective July 1, 1996, the Company changed the estimated useful life of tires in service to reflect the increased warranty periods provided by the tire manufacturers. The change resulted in a decrease in other expenses of \$140,000 and \$280,000, an increase in net earnings of \$85,000 and \$171,000 and an increase in earnings per share of \$0.01 and \$0.03 for the three months and six months ended June 30, 1997, respectively.

NOTE 6 - ADOPTION OF NEW ACCOUNTING RULES

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share, which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact of Statement 128 on the calculation of primary and fully diluted earnings per share for the three months and six months ended June 30, 1997 and 1996 is not expected to be material.

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 months ended		Six months ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
<S>	<C>	<C>	<C>	<C>
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Purchased transportation	31.6	32.3	32.7	32.7
Salaries, wages, and employee benefits	28.5	27.3	28.5	27.7
Depreciation and amortization	6.0	6.7	6.1	6.9
Fuel and fuel taxes	6.0	7.3	6.1	7.4
Insurance and claims	5.4	4.9	5.8	4.9
Operating leases	3.3	3.8	3.4	3.6
Other operating expenses	10.4	10.8	10.5	11.0
	91.2	93.1	93.1	94.2
Income from operations	8.8	6.9	6.9	5.8
Other income (expense):				
Interest expense	(1.4)	(2.0)	(1.5)	(2.1)
Other, net	(0.4)	0.0	(0.2)	0.0
	(1.8)	(2.0)	(1.7)	(2.1)
Income before income taxes	7.0	4.9	5.2	3.7
Income taxes	2.7	1.8	2.1	1.4
Net income	4.3%	3.1%	3.1%	2.3%

</TABLE>

Results of Operations

Operating revenue increased by \$6.6 million, or 17%, to \$45.5 million in the second quarter of 1997 from \$38.9 million in 1996. For the first six months of 1997, operating revenue of \$86.5 million was \$10.6 million, or 14%, higher than the same period of 1996. The increase in operating revenue compared to the prior-year periods is attributable to additional volume from the Company's Forward Air operations, which increased 25% during the second quarter and first six months of 1997, coupled with increased revenue in the Company's Truckload operations, which increased 8% and 4%, respectively, due to improvements in utilization and yield.

The operating ratio (operating expenses as a percentage of operating revenue) for the three months and six months ended June 30, 1997 was 91.2% and 93.1%, respectively, compared to 93.1% and 94.2% for the respective periods in 1996. Except as explained below, operating expenses in the aggregate generally reflect increases proportionate to the increased level of operations.

The components of operating expenses fluctuate between periods primarily because of the ratio of owner-operators to Company-operated equipment.

Insurance and claims were 5.4% and 5.8% of operating revenue for the three months and six months ended June 30, 1997, respectively, compared to 4.9% for the same periods in 1996. The increase in costs during 1997 is due primarily to an increase in the frequency and severity of accidents coupled with increased estimated liability related to claims incurred in prior years.

See Note 5 to the Condensed Consolidated Financial Statements for the current year financial impact of a change in the estimated useful life of tires in service.

Interest expense was \$658,000 and \$1,339,000, respectively, for the three months and six months ended June 30, 1997, compared to \$788,000 and \$1,594,000 for the same periods in 1996. The decrease in interest costs during 1997 is due to lower average net borrowings in 1997.

The effective tax rate for the second quarter and first six months of 1997 was 39% compared to 38% for the same periods in 1996.

#### Liquidity and Sources of Capital

Cash flows from operations were \$9.2 million for the first six months of 1997 compared with \$4.8 million in the same period of 1996. The \$4.4 million increase in cash flows from operations was attributable to increased business volumes and collection of accounts receivable 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 the Company's cash needs and anticipated capital expenditures over the near term.

## 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

The annual meeting of shareholders of the Company was held on May 20, 1997. Directors were elected at the meeting for a one (1) year term until the annual

meeting of shareholders to be held in 1998 following the fiscal year ending December 31, 1997, or until successors shall be duly elected and qualified. The nominees and votes cast with respect to each are as follows:

<TABLE>  
<CAPTION>

Name	For	Withheld
----	---	-----
<S>	<C>	<C>
Bruce A. Campbell	5,592,827	8,595
Edward W. Cook	5,593,251	8,171
James A. Cronin, III	5,593,266	8,156
Robert K. Gray	5,591,526	9,896
Scott M. Niswonger	5,593,236	8,186
Richard H. Roberts	5,593,236	8,146

</TABLE>

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In addition, the shareholders voted in favor of ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 1997 and the votes as cast are as follows:

<TABLE>  
<CAPTION>

For	Against	Abstain
---	-----	-----
<S>	<C>	<C>
5,597,437	1,396	2,589

</TABLE>

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 June 30, 1997.

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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: August 13, 1997

By: /s/ Edward W. Cook

-----  
Edward W. Cook  
Chief Financial Officer  
and Senior Vice President

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#### EXHIBIT INDEX

<TABLE>

<CAPTION>

Exhibit  
Number

Exhibit

-----  
<S>

<C>

11

Statement Re: Computation of Per Share Earnings

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Financial Data Schedule (Electronic Filing Only)

</TABLE>

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Exhibit 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

<TABLE>  
<CAPTION>

	Three months ended		Six months ended	
	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1996
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Primary:				
Average outstanding shares	5,953	5,937	5,953	5,908
Net effect of dilutive stock options - based on the treasury stock method using the average market price	135	138	118	148
Totals	6,088	6,075	6,071	6,056
Net income	\$1,944	\$1,199	\$2,715	\$1,730
Per share amount	\$ .32	\$ .20	\$ .45	\$ .29
Fully diluted:				
Average shares outstanding	5,953	5,937	5,953	5,908
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	152	151	152	157
Totals	6,105	6,088	6,105	6,065
Net income	\$1,944	\$1,199	\$2,715	\$1,730
Per share amount	\$ .32	\$ .20	\$ .44	\$ .29

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF LANDAIR SERVICES, INC. FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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