

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 1999
Commission File No. 000-22490

FORWARD AIR CORPORATION
(Exact name of registrant as specified in its charter)

TENNESSEE 62-1120025
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

430 AIRPORT ROAD
GREENEVILLE, TENNESSEE 37745
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (423) 636-7100

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

The number of shares outstanding of the registrant's common stock, \$.01 par value, as of July 31, 1999 was 13,739,503.

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FORWARD AIR CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Forward Air Corporation
Condensed Consolidated Balance Sheets

<TABLE>
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June 30, 1999 December 31, 1998

(Unaudited) (Note 1)
(In thousands, except share data)

<S>

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ASSETS

Current assets:

Cash and cash equivalents	\$ 5,484	\$ 455	
Accounts receivable, less allowance of \$966 in 1999 and \$952 in 1998	22,327	19,754	
Other current assets	3,184	3,207	
	-----	-----	
Total current assets	30,995	23,416	
Property and equipment	42,990	40,072	
Less accumulated depreciation and amortization		12,221	10,152
	-----	-----	
	30,769	29,920	
Other assets	3,501	3,472	
	-----	-----	
Total assets	<u>\$65,265</u>	<u>\$56,808</u>	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 5,208	\$ 4,120	
Accrued expenses	8,247	7,056	
Current portion of long-term debt	230	4,529	
Current portion of capital lease obligations	530	676	
	-----	-----	
Total current liabilities	14,215	16,381	

Long-term debt, less current portion	85	15,403
Capital lease obligations, less current portion	4,161	4,723
Deferred income taxes	2,210	1,230
Shareholders' equity:		
Preferred stock	--	--
Common stock, \$.01 par value:		
Authorized shares - 50,000,000 in 1999 and 20,000,000 in 1998		
Issued and outstanding shares - 13,738,877 in 1999 and 12,587,818 in 1998	137	126
Additional paid-in capital	34,630	15,768
Retained earnings	9,827	3,177
	-----	-----
Total shareholders' equity	44,594	19,071
	-----	-----
Total liabilities and shareholders' equity	\$65,265	\$56,808
	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

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Forward Air Corporation

Condensed Consolidated Statements of Income
(Unaudited)

<TABLE>
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	Three months ended		Six months ended	
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998
	-----	-----	-----	-----
	(In thousands, except per share data)			
	<C>	<C>	<C>	<C>
Operating revenue	\$ 40,781	\$ 30,739	\$ 78,509	\$ 59,589
Operating expenses:				
Purchased transportation:				
Provided by Landair Corporation	751	1,036	1,460	2,354
Provided by others	17,025	12,383	32,545	23,439
Salaries, wages and employee benefits	9,152	7,211	17,874	14,407
Operating leases	2,097	1,528	4,223	3,068
Depreciation and amortization	1,255	1,030	2,454	1,984
Insurance and claims	530	645	870	1,425
Other operating expenses	4,032	3,197	7,669	6,418
	-----	-----	-----	-----
	34,842	27,030	67,095	53,095
	-----	-----	-----	-----
Income from operations	5,939	3,709	11,414	6,494
Other income (expense):				
Interest expense	(179)	(215)	(625)	(425)
Other, net	46	1	78	11
	-----	-----	-----	-----
	(133)	(214)	(547)	(414)
	-----	-----	-----	-----
Income from continuing operations before income taxes	5,806	3,495	10,867	6,080
Income taxes	2,256	1,328	4,217	2,348
	-----	-----	-----	-----
Income from continuing operations	3,550	2,167	6,650	3,732
	-----	-----	-----	-----
Discontinued operations:				

Income from operations (less income taxes of \$--, \$409, \$-- and \$850, respectively)	--	669	--	1,345
Loss on Spin-off (less income taxes of \$--, \$380, \$-- and \$380, respectively)	--	(380)	--	(380)
	-----	-----	-----	-----
	--	289	--	965
	-----	-----	-----	-----
Net income	\$ 3,550	\$ 2,456	\$ 6,650	\$ 4,697
	=====	=====	=====	=====

Income per share:

Basic

Income from continuing operations	\$.27	\$.18	\$.51	\$.30
Income from discontinued operations	--	.02	--	.08
	-----	-----	-----	-----
Net income	\$.27	\$.20	\$.51	\$.38
	=====	=====	=====	=====

Diluted

Income from continuing operations	\$.25	\$.17	\$.49	\$.29
Income from discontinued operations	--	.02	--	.08
	-----	-----	-----	-----
Net income	\$.25	\$.19	\$.49	\$.37
	=====	=====	=====	=====

</TABLE>

See notes to condensed consolidated financial statements.

Forward Air Corporation

Condensed Consolidated Statements of Cash Flows
(Unaudited)

<TABLE>

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	Six months ended	
	June 30, 1999	June 30, 1998
	-----	-----
	(In thousands)	
	<C>	<C>
Cash provided by operations	\$ 9,801	\$ 1,598
Investing activities:		
Proceeds from disposal of property and equipment	53	15
Purchases of property and equipment	(3,274)	(3,609)
Other	(99)	(111)
	-----	-----
	(3,320)	(3,705)
Financing activities:		
Proceeds from long-term debt	--	2,394
Payments of long-term debt	(19,617)	(1,219)
Payments of capital lease obligations	(708)	(479)
Proceeds from exercise of stock options	783	1,346
Common stock issued under employee stock purchase plan	57	70
Net proceeds from public offering	18,033	--
	-----	-----
	(1,452)	2,112
	-----	-----
Increase in cash and cash equivalents	\$ 5,029	\$ 5
	=====	=====

</TABLE>

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)
June 30, 1999

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 and six month periods ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Forward Air Corporation annual report on Form 10-K for the year ended December 31, 1998.

The balance sheet at December 31, 1998 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.

2. DISCONTINUED OPERATIONS

The accompanying condensed consolidated financial statements include Forward Air Corporation and its subsidiaries. On July 9, 1998 (the "Measurement Date"), the Board of Directors of the Company authorized the separation of the Company into two publicly-held corporations, one owning and operating the deferred air freight operations and the other owning and operating the truckload operations (the "Spin-off").

The Spin-off was effected on September 23, 1998 through the distribution to shareholders of the Company of all the outstanding shares of common stock of a new truckload holding company, Landair Corporation. Pursuant to the Spin-off, the common stock of Landair Corporation was distributed on a pro rata basis of one share of Landair Corporation common stock for every share of the common stock of the Company. Subsequent to the Spin-off, the Company has continued as the legal entity that owns and operates the deferred air freight operations through its operating subsidiaries and Landair Corporation is the legal entity that owns and operates the truckload operations. Additionally, the name Landair Services, Inc. was changed to Forward Air Corporation on August 26, 1998. As a result of the Spin-off, the results of operations and cash flows of the truckload operations have been reported as discontinued operations in the accompanying condensed consolidated financial statements.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements (continued)

2. DISCONTINUED OPERATIONS (CONTINUED)

As used in the accompanying condensed consolidated financial statements, the term "Forward Air" refers to the deferred air freight operations; the term "truckload" refers to the truckload operations; and the term "the Company" refers to the entity which, prior to the Spin-off, operated both the deferred air freight and truckload groups and which, after the Spin-off, operates the deferred air freight group.

Summarized income statement information relating to the truckload operations (as reported in discontinued operations) for the period presented prior to the Spin-off is as follows (in thousands):

<TABLE>
<CAPTION>

	Three months ended June 30, 1998	Six months ended June 30, 1998
	-----	-----
<S>	<C>	<C>
Operating revenue	\$ 26,220	\$ 51,543
Operating expenses	24,705	48,450
	-----	-----
Income from operations	1,515	3,093
Interest expense	(457)	(924)
Other, net	20	26
	-----	-----
Income before income taxes	1,078	2,195
Income taxes	409	850
	-----	-----
Income from discontinued truckload operations	\$ 669	\$ 1,345
	=====	=====

</TABLE>

The estimated loss on Spin-off in the amount of \$380,000 recorded in 1998 includes an estimate of the net of the after-tax income of the discontinued operations from the Measurement Date through the date of the Spin-off and the estimated costs associated with the Spin-off. The costs associated with the Spin-off represent the cost of separating the two businesses which are non-deductible for income tax purposes. The actual costs incurred upon effecting the Spin-off in September 1998 approximated the \$380,000 estimated amount.

3. COMPREHENSIVE INCOME

The Company had no items of other comprehensive income in 1999 or 1998 and, accordingly, comprehensive income is equivalent to net income.

4. NET INCOME PER SHARE

On February 24, 1999, the Board of Directors approved a two-for-one split of the common shares which was distributed on March 19, 1999 to shareholders of record as of March 12, 1999. Common stock issued and additional paid-in capital have been restated to reflect this split for all years presented. All common share and per share data included in the condensed consolidated financial statements and notes thereto have been restated to give effect to the stock split.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements (continued)

4. NET INCOME PER SHARE (CONTINUED)

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

<TABLE>
<CAPTION>

	Three months ended	Six months ended
	-----	-----

	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998	
<S>	<C>	<C>	<C>	<C>	
Numerator:					
Numerator for basic and diluted income per share:					
Income from continuing operations		\$ 3,550	\$ 2,167	\$ 6,650	\$ 3,732
Income from discontinued operations		--	289	--	965
Net income		\$ 3,550	\$ 2,456	\$ 6,650	\$ 4,697
Denominator:					
Denominator for basic income per share -					
weighted-average shares		13,340	12,354	12,985	12,254
Effect of dilutive stock options		817	564	655	586
Denominator for diluted income per share -					
adjusted weighted-average shares		14,157	12,918	13,640	12,840
Income per share - basic:					
Income from continuing operations		\$.27	\$.18	\$.51	\$.30
Income from discontinued operations		--	.02	--	.08
Net income		\$.27	\$.20	\$.51	\$.38
Income per share - diluted:					
Income from continuing operations		\$.25	\$.17	\$.49	\$.29
Income from discontinued operations		--	.02	--	.08
Net income		\$.25	\$.19	\$.49	\$.37
Securities that could potentially dilute basic income per					
share in the future that were not included in the					
computation of diluted income per share because to					
do so would have been antidilutive for the periods					
presented		15	--	15	--

</TABLE>

5. SHAREHOLDERS' EQUITY

On May 4, 1999, 1.0 million shares of the common stock of the Company were sold under a Form S-3 Registration Statement dated April 23, 1999. The net proceeds of the offering were \$18.0 million and were used principally to repay outstanding debt.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements (continued)

6. INCOME TAXES

For the three and six months ended June 30, 1999 and 1998, the effective income tax rate varied from the statutory federal income tax rate of 35% primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences.

7. 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.

8. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to the 1999 presentation. These reclassifications had no effect on net income as previously reported.

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

INTRODUCTION

We provide scheduled ground transportation of cargo on a time-definite basis. As a result of our established transportation schedule and network of terminals, our operating cost structure includes significant fixed costs. Our ability to improve our operating margins will depend on our ability to increase the volume of freight moved through our network.

The following does not include a discussion and analysis of the truckload carrier business, which has been accounted for as a discontinued operation as a result of the Spin-off effected on September 23, 1998. (See Note 2 to the Condensed Consolidated Financial Statements.)

RESULTS OF OPERATIONS

The following table shows the percentage relationship of expense items to operating revenue for the periods indicated.

<TABLE>

<CAPTION>

	Three months ended		Six months ended		
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998	
<S>	<C>	<C>	<C>	<C>	
Operating revenue	100.0%		100.0%	100.0%	100.0%
Operating expenses:					
Purchased transportation		43.6	43.6	43.3	43.3
Salaries, wages and employee benefits	22.4	23.4	22.8	24.2	
Operating leases	5.1	5.0	5.4	5.1	
Depreciation and amortization		3.1	3.4	3.1	3.3
Insurance and claims		1.3	2.1	1.1	2.4
Other operating expenses		9.9	10.4	9.8	10.8
	85.4	87.9	85.5	89.1	
Income from operations		14.6	12.1	14.5	10.9
Other income (expense):					
Interest expense		(0.4)	(0.7)	(0.8)	(0.7)
Other, net	0.1	0.0	0.1	0.0	
	(0.3)	(0.7)	(0.7)	(0.7)	
Income before income taxes		14.3	11.4	13.8	10.2
Income taxes	5.6	4.4	5.3	3.9	
Income from continuing operations		8.7%	7.0%	8.5%	6.3%

</TABLE>

Three Months Ended June 30, 1999 compared to Three Months Ended June 30, 1998

Operating revenue increased by \$10.1 million, or 32.9%, to \$40.8 million in the second quarter of 1999 from \$30.7 million in the same period of 1998. The increase resulted primarily from increased volume of freight shipments from domestic and international air cargo customers, increased operating terminals and direct shuttles and enhanced logistics services.

Purchased transportation represented 43.6% of operating revenue in the second quarter of 1999 compared to 43.6% in the same period of 1998.

Salaries, wages and employee benefits were 22.4% of operating revenue in the second quarter of 1999 compared to 23.4% in the same period of 1998. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was due primarily to operating efficiencies resulting from increased volume of freight transported through our network coupled with a reduction in Company linehaul drivers which were hired initially as a part of the acquisition of certain of the assets of Adams Air Cargo, Inc. in October 1997.

Operating leases, the largest component of which is terminal rent, were 5.1% of operating revenue in the second quarter of 1999 compared to 5.0% in the same period of 1998. The increase in operating leases as a percentage of operating revenue between periods was attributable to an increase in rent expense for trailers. The increase in operating lease expense attributable to trailers was partially offset by greater operating revenue through our network.

Depreciation and amortization expense as a percentage of operating revenue was 3.1% in the second quarter of 1999, compared to 3.4% in the same period of 1998. The decrease in depreciation and amortization expense as a percentage of revenue was attributable to increased utilization of operating equipment.

Insurance and claims were 1.3% of operating revenue in the second quarter of 1999, compared with 2.1% in the same period of 1998. The decrease in insurance and claims as a percentage of operating revenue was due primarily to a decrease in the frequency and severity of accidents and lower premium costs.

Other operating expenses were 9.9% of operating revenue in the second quarter of 1999 compared to 10.4% in the same period of 1998. The decrease in other operating expenses as a percentage of operating revenue was primarily attributable to a lower operating cost structure due to increased operating revenue and a reduction in commissions paid to agent terminals.

Income from operations increased by \$2.2 million, or 59.5%, to \$5.9 million for the second quarter of 1999 compared to \$3.7 million for the same period in 1998. The improvement in income from operations is due primarily to a lower operating cost structure in the current year resulting from an increase in operating revenue which allowed the Company to spread the fixed costs of the network over a larger revenue base.

Interest expense was \$179,000, or 0.4%, of operating revenue in the second quarter of 1999, compared to \$215,000, or 0.7%, for the same period in 1998. The decrease in interest expense was due to lower average net borrowings during 1999.

The combined federal and state effective tax rate for the second quarter of 1999 was 38.9% compared to a rate of 38.0% for the same period in 1998.

As a result of the foregoing factors, income from continuing operations increased by \$1.4 million, or 63.6%, to \$3.6 million for the second quarter of 1999, compared to \$2.2 million for the same period of 1998.

Six Months Ended June 30, 1999 compared to Six Months Ended June 30, 1998

Operating revenue increased by \$18.9 million, or 31.7%, to \$78.5 million in the

first six months of 1999 from \$59.6 million in the same period of 1998. The increase resulted primarily from increased volume of freight shipments from domestic and international air cargo customers, increased operating terminals and direct shuttles and enhanced logistics services.

Purchased transportation represented 43.3% of operating revenue in the first six months of 1999 compared to 43.3% in the same period of 1998.

Salaries, wages and employee benefits were 22.8% of operating revenue in the first six months of 1999 compared to 24.2% in the same period of 1998. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was due primarily to operating efficiencies resulting from increased volume of freight transported through our network coupled with a reduction in Company linehaul drivers which were hired initially as a part of the acquisition of certain of the assets of Adams Air Cargo, Inc. in October 1997.

Operating leases, the largest component of which is terminal rent, were 5.4% of operating revenue in the first six months of 1999 compared to 5.1% in the same period of 1998. The increase in operating leases as a percentage of operating revenue between periods was attributable to an increase in rent expense for trailers. The increase in operating lease expense attributable to trailers was partially offset by greater operating revenue through our network.

Depreciation and amortization expense as a percentage of operating revenue was 3.1% in the first six months of 1999, compared to 3.3% in the same period of 1998. The decrease in depreciation and amortization expense as a percentage of revenue was attributable to increased utilization of operating equipment.

Insurance and claims were 1.1% of operating revenue in the first six months of 1999, compared with 2.4% in the same period of 1998. The decrease in insurance and claims as a percentage of operating revenue was due primarily to a decrease in the frequency and severity of accidents and lower premium costs.

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Other operating expenses were 9.8% of operating revenue in the first six months of 1999 compared to 10.8% in the same period of 1998. The decrease in other operating expenses as a percentage of operating revenue was primarily attributable to a lower operating cost structure due to increased operating revenue and a reduction in commissions paid to agent terminals.

Income from operations increased by \$4.9 million, or 75.4%, to \$11.4 million for the first six months of 1999 compared to \$6.5 million for the same period in 1998. The improvement in income from operations is due primarily to a lower operating cost structure in the current year resulting from an increase in operating revenue which allowed the Company to spread the fixed costs of the network over a larger revenue base.

Interest expense was \$625,000, or 0.8%, of operating revenue in the first six months of 1999, compared to \$425,000, or 0.7%, for the same period in 1998. The increase was due to higher average net borrowings.

The combined federal and state effective tax rate for the first six months of 1999 was 38.8% compared to a rate of 38.6% for the same period in 1998.

As a result of the foregoing factors, income from continuing operations increased by \$3.0 million, or 81.1%, to \$6.7 million for the first six months of 1999, compared to \$3.7 million for the same period of 1998.

Liquidity and Capital Resources

Prior to the Spin-off in September 1998, we operated our business and the Truckload operations together. As a result, our statement of cash flows for 1998 does not fully reflect the cash flows of our business as a stand-alone company.

We have historically financed working capital needs, including capital purchases, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately \$9.8

million for the six months ended June 30, 1999 compared with \$1.6 million in the same period of 1998.

Net cash used in investing activities was approximately \$3.3 million in the six months ended June 30, 1999 compared with \$3.7 in the same period of 1998. Our investing activities consisted primarily of the purchase of operating equipment and management information systems during these periods.

Net cash used in financing activities was \$1.5 million in the six months ended June 30, 1999 compared with net cash provided by financing activities of \$2.1 million in the same period of 1998. Our financing activities included the continued financing of operating equipment and working capital needs, the repayment of long-term debt and capital leases and proceeds received from the exercise of stock options, common stock issued under an employee stock purchase plan and common stock issued from a public offering.

On May 4, 1999, 1.0 million shares of the common stock of the Company were sold under a Form S-3 Registration Statement dated April 23, 1999. The net proceeds of the offering were \$18.0 million and were used principally to repay outstanding debt.

Our credit facilities include a working capital line of credit and an equipment financing facility. As long as we comply with the financial covenants and ratios established in the credit facility agreements, these credit facilities permit us to borrow up to \$20.0 million under the working capital line of credit and up to \$25.0 million under equipment financing facilities. Interest rates for advances under the facilities vary based on covenants related to total indebtedness, cash flows, results of operations and other ratios. The facilities bear interest at LIBOR plus .80% to 1.90%, expire in September and December 2000 and are secured by accounts receivable and most of our equipment. The amount we can borrow under the line of credit is reduced by the amount of any outstanding letters of credit.

We believe that our available cash, together with proceeds from the recent public offering of the common stock of the Company, expected cash generated from future operations and borrowings under available lines of credit, will be sufficient to satisfy our anticipated cash needs for at least the next 12 months.

Year 2000 Issues

The Company continues to assess the potential impact of the Year 2000 on our internal information technology ("IT") systems and operations. The Company's Year 2000 initiatives include (i) testing and upgrading internal systems; (ii) contacting technology vendors to determine their Year 2000 compliance status; (iii) interface testing of the Company's internal systems with the systems of its principal technology vendors; and (iv) contingency planning. The scope of these efforts include business systems, systems software, computer hardware, local networking and external telecommunications services.

The Company's State of Readiness

The Company has completed its initial assessment of its IT systems for Year 2000 compliance. During this assessment, the Company identified certain software applications that required modifications or updates for IT systems to be Year 2000 compliant. The Company has obtained or will obtain such modifications and updates. Based upon its initial assessment, the Company believes that substantially all of its critical IT systems are Year 2000 compliant or can be made Year 2000 compliant with minor modifications. The Company anticipates all critical IT systems will be Year 2000 compliant by October 31, 1999.

As an integral part of its Year 2000 compliance effort, the Company has been testing the interfacing of its IT systems with the systems of certain of its IT vendors with whom the Company has material relationships. The Company will continue this testing in an effort to minimize operations disruptions due to Year 2000 issues. At present, the Company has not identified any material IT

vendor which will not be Year 2000 compliant.

Estimated Cost to Address Year 2000 Issues

To date, costs incurred in connection with Year 2000 issues have not been material. Management estimates that the total Year 2000 project costs will not have a material impact on the Company's results of operations, liquidity, or financial condition. Except for expenditures for capital items, Year 2000 project costs are being expensed and are funded through cash from operations. The Company has not yet deferred any IT project due to its Year 2000 efforts.

Risks of the Company's Year 2000 Issues

Virtually every aspect of the Company's operations might be disrupted if our systems or the systems of our material vendors are not Year 2000 compliant. While the Company is attempting to minimize any negative consequences arising from Year 2000 issues, there can be no assurance that Year 2000 issues will not have a material adverse impact on our business, operations or financial condition. Moreover, while the Company expects that upgrades to its IT systems will be completed in a timely manner, there can be no assurances that the Company will not encounter unexpected costs or delays.

Moreover, if any of the Company's significant vendors or customers experience business disruptions due to Year 2000 issues, the Company might be adversely affected. In certain instances, primarily telecommunications vendors or vendors materially dependent on telecommunications, the Company is limited in its ability to verify Year 2000 compliance and must rely on vendor representations which may not provide unqualified Year 2000 compliance assurances. Regarding customers, the Company's efforts have been focused on electronic data interface ("EDI") support. The Company is contacting each customer with whom there is an EDI relationship to offer conversion to the Year 2000 compliant version of EDI standards. In certain cases, customers have elected not to upgrade.

At present, the Company is not able to determine whether there would be a material impact on the Company's results of operations, liquidity, or financial condition if the Company's material systems, vendors, and customers are not Year 2000 compliant. A worst-case scenario would result in the short-term inability of the Company to transport freight for its customers. This would result in lost revenue; however, the amount would be dependent on the length and nature of the disruption which cannot be predicted or estimated.

Contingency Plans

The Company will formulate detailed contingency plans at that point in time when the Company believes that a material vendor will not be Year 2000 compliant. As the Company anticipates that all its material vendors will be Year 2000 compliant, the Company has not yet established detailed contingency plans. However, as a general precaution, the Company will document manual procedures to be implemented if the IT systems of certain of its material vendors, primarily telecommunications vendors, fail. It is recognized that these procedures would provide limited

support in the event of a material vendor failure and would only partially mitigate the impact of the failure on Company operations.

Forward-Looking Statements

The Company, or its executive officers and directors on behalf of the Company, may from time to time make written or oral "forward-looking statements." Written forward-looking statements may appear in documents filed with the Securities and

Exchange Commission, in press releases and in reports to shareholders. Oral forward-looking statements may be made by the Company's executive officers and directors on behalf of the Company to the press, potential investors, securities analysts and others. The Private Securities Litigation Reform Act of 1995 contains a safe harbor for forward-looking statements. The Company relies on this safe harbor in making such disclosures. In connection with this safe harbor provision, the Company is hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. Without limitation, factors that might cause such a difference include economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, the Company's inability to maintain its historical growth rate due to a decreased volume of freight moving through the Company's network, competition, surplus inventories, loss of a major customer, the Company's lack of prior operating history as an entity independent of the truckload operations, the ability of the Company's information systems to handle increased volume of freight moving through its network, and the availability and compensation of qualified independent owner-operators to serve the Company's transportation needs. The Company disclaims any intent or obligation to update these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

On May 4, 1999, the Company sold 1.0 million shares of its common stock in a public offering. The net proceeds of \$18.0 million were used principally to repay outstanding debt. With this repayment, the Company's exposure to market risk related to its remaining outstanding debt is not significant.

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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 AND USE OF PROCEEDS

On May 18, 1999, the Board of Directors of the Company declared a distribution of one stock purchase right (a "Right") for each outstanding share of the common stock of the Company, par value \$.01 per share (the "Company Common Stock"), to shareholders of record at the close of business on June 1, 1999 and for each share of Company Common Stock issued thereafter. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share (a "Unit") of Series A Junior Preferred Stock, par value \$.01 per share, at a purchase price of \$110.00 per Unit, subject to adjustment. The description and terms and conditions of the Rights are set forth in a Rights Agreement between the Company and SunTrust Bank, Atlanta, N.A., as Rights Agent, dated May 18, 1999, a copy of which is filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 28, 1999.

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 18, 1999 for the purpose of (a) electing six directors; (b) approving an amendment to the Company's Restated Charter; (c) approving and adopting the 1999 Stock Option and Incentive Plan; and (d) approving the appointment of independent auditors for 1999.

- (a) Shareholders elected each director nominee for a one-year term expiring at the 2000 annual meeting. The vote for each director was as follows:

<TABLE>
<CAPTION>

	For ---	Withheld -----
<S>	<C>	<C>
Bruce A. Campbell	10,796,202	372,378
Edward W. Cook	10,796,202	372,378
James A. Cronin, III	10,802,390	366,190
Hon. Robert K. Gray	10,802,390	366,190
Scott M. Niswonger	10,796,202	372,378
Richard H. Roberts	10,796,202	372,378

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- (b) The proposal to amend the Company's Restated Charter to increase the number of authorized shares of the Company Common Stock from 20,000,000 to 50,000,000 was approved. Results are as follows:

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	10,024,682	1,140,972	2,926

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- (c) The Company's 1999 Stock Option and Incentive Plan was approved and adopted by the shareholders by the following vote:

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	For ---	Against -----	Abstain -----	Broker Non-Votes -----
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	9,400,566	985,300	19,736	762,978

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- (d) The appointment of Ernst & Young LLP as independent auditors for 1999 was ratified and approved as follows:

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	11,162,052	2,404	4,124

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ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (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 filed two Current Reports on Form 8-K during the three months ended June 30, 1999. The Form 8-K filed April 16, 1999 announced selected results of operations for the three months ended March 31, 1999. The Form 8-K filed May 28, 1999 announced that the Board of Directors of the Company had declared a distribution of one stock right for each outstanding share of Company Common Stock to shareholders of record at the close of business on June 1, 1999 and for each share of Company Common Stock issued thereafter.

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.

Forward Air Corporation

Date: August 12, 1999 By: /s/ Edward W. Cook

Edward W. Cook
Chief Financial Officer
and Senior Vice President

EXHIBIT INDEX

<TABLE> <CAPTION> Exhibit No. -----	<C>
<S> 27.1	Financial Data Schedule - Period Ended June 30, 1999 (Electronic Filing Only)
27.2	Financial Data Schedule (Restated) - Period Ended June 30, 1998 (Electronic Filing Only)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF FORWARD AIR CORPORATION FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<CIK> 0000912728

<NAME> FORWARD AIR CORPORATION

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF FORWARD AIR CORPORATION FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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