

**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 September 30, 2003
Commission File No. 000-22490

FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee
(State or other jurisdiction of
incorporation or organization)

62-1120025
(I.R.S. Employer Identification No.)

430 Airport Road
Greenville, Tennessee
(Address of principal executive offices)

37745
(Zip Code)

Registrant's telephone number, including area code: **(423) 636-7000**

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares outstanding of the registrant's common stock, \$.01 par value, as of October 22, 2003 was 21,439,190.

TABLE OF CONTENTS

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets

Condensed Consolidated Statements of Income

Condensed Consolidated Statements of Cash Flows

Notes to Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

Part II. Other Information

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

Signatures

EX-31.1 302 CERTIFICATION OF THE CEO

EX-31.2 302 CERTIFICATION OF THE CFO

EX-32.1 906 CERTIFICATION OF THE CEO

EX-32.2 906 CERTIFICATION OF THE CFO

Table of Contents
Forward Air Corporation

	<u>Page Number</u>
Part I. Financial Information	
Item 1. Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets - September 30, 2003 and December 31, 2002	3
Condensed Consolidated Statements of Income - Three and nine months ended September 30, 2003 and 2002	4
Condensed Consolidated Statements of Cash Flows - Nine months ended September 30, 2003 and 2002	5
Notes to Condensed Consolidated Financial Statements - September 30, 2003	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Quantitative and Qualitative Disclosures About Market Risk	16
Item 4. Controls and Procedures	16
Part II. Other Information	
Item 1. Legal Proceedings	17
Item 2. Changes in Securities and Use of Proceeds	17
Item 3. Defaults Upon Senior Securities	17
Item 4. Submission of Matters to a Vote of Security Holders	17
Item 5. Other Information	17
Item 6. Exhibits and Reports on Form 8-K	17
Signatures	19

[Table of Contents](#)**Part I. Financial Information****Item 1. Financial Statements (Unaudited)**Forward Air Corporation
Condensed Consolidated Balance Sheets

	September 30, 2003	December 31, 2002
	(Unaudited)	(Note 1)
(In thousands, except share data)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 73,660	\$ 33,642
Short-term investments	3,000	20,274
Accounts receivable, less allowance of \$1,246 in 2003 and \$1,296 in 2002	29,951	28,838
Other current assets	6,601	6,020
Total current assets	113,212	88,774
Property and equipment	70,032	68,819
Less accumulated depreciation and amortization	35,728	31,646
	34,304	37,173
Other assets	19,121	19,564
Total assets	\$ 166,637	\$ 145,511
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,587	\$ 6,695
Accrued expenses	12,475	11,525
Current portion of long-term debt	83	443
Current portion of capital lease obligations	28	27
Total current liabilities	18,173	18,690
Capital lease obligations, less current portion	914	935
Deferred income taxes	9,176	7,540
Shareholders' equity:		
Preferred stock	—	—
Common stock, \$.01 par value:		
Authorized shares - 50,000,000		
Issued and outstanding shares – 21,427,940 in 2003 and 21,218,046 in 2002		
	214	212
Additional paid-in capital	35,886	33,983
Accumulated other comprehensive income (loss)	1	(9)
Retained earnings	102,273	84,160
Total shareholders' equity	138,374	118,346
Total liabilities and shareholders' equity	\$ 166,637	\$ 145,511

The accompanying notes are an integral part of the financial statements.

Forward Air Corporation
Condensed Consolidated Statements of Income
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
	(In thousands, except per share data)			
Operating revenue	\$ 60,513	\$ 57,447	\$ 176,333	\$ 166,699
Operating expenses:				
Purchased transportation	25,519	25,712	74,174	72,494
Salaries, wages and employee benefits	13,464	12,992	39,886	37,173
Operating leases	3,250	3,002	9,625	8,991
Depreciation and amortization	1,888	1,849	5,440	5,615
Insurance and claims	1,508	1,327	4,140	4,117
Other operating expenses	4,865	5,351	14,461	14,813
	<u>50,494</u>	<u>50,233</u>	<u>147,726</u>	<u>143,203</u>
Income from operations	10,019	7,214	28,607	23,496
Other income (expense):				
Interest expense	(17)	(90)	(56)	(286)
Other, net	124	231	431	670
	<u>107</u>	<u>141</u>	<u>375</u>	<u>384</u>
Income before income taxes	10,126	7,355	28,982	23,880
Income taxes	3,797	2,795	10,869	9,074
Net income	<u>\$ 6,329</u>	<u>\$ 4,560</u>	<u>\$ 18,113</u>	<u>\$ 14,806</u>
Income per share:				
Basic	<u>\$ 0.30</u>	<u>\$ 0.21</u>	<u>\$ 0.85</u>	<u>\$ 0.69</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.21</u>	<u>\$ 0.84</u>	<u>\$ 0.67</u>

The accompanying notes are an integral part of the financial statements.

Forward Air Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended	
	September 30, 2003	September 30, 2002
	(In thousands)	
Operating activities:		
Net income	\$ 18,113	\$ 14,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,440	5,615
Loss on sale of property and equipment	166	43
Deferred income taxes	1,636	1,333
Changes in operating assets and liabilities:		
Accounts receivable	(1,113)	915
Inventories	(13)	16
Prepaid expenses and other assets	(992)	(77)
Accounts payable and accrued expenses	(158)	2,116
Income taxes	424	(1,121)
Tax benefit of stock options exercised	441	783
Net cash provided by operating activities	23,944	24,429
Investing activities:		
Proceeds from disposal of property and equipment	138	80
Purchases of property and equipment	(2,515)	(3,618)
Proceeds from sales or maturities of available-for-sale securities	20,283	5,832
Purchases of available-for-sale securities	(2,999)	(5,806)
Other	83	113
Net cash provided by (used in) investing activities	14,990	(3,399)
Financing activities:		
Payments of long-term debt	(360)	(336)
Payments of capital lease obligations	(20)	(336)
Proceeds from exercise of stock options	1,365	926
Repurchase of common stock	—	(7,181)
Common stock issued under employee stock purchase plan	99	58
Net cash provided by (used in) financing activities	1,084	(6,869)
Net increase in cash and cash equivalents	40,018	14,161
Cash and cash equivalents at beginning of period	33,642	19,364
Cash and cash equivalents at end of period	\$ 73,660	\$ 33,525

The accompanying notes are an integral part of the financial statements.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements
(Unaudited)
September 30, 2003

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 accounting principles generally accepted in the United States 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 nine month periods ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date, but does not include all of the financial information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

2. Employee Stock Options

The Company grants options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the grant date. The Company accounts for employee stock option grants using the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and, accordingly, recognizes no compensation expense for the stock option grants. The Company follows the disclosure option of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, which requires that the information be disclosed as if the Company accounted for its stock options granted subsequent to December 31, 1994 under the fair value method.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements

2. Employee Stock Options (continued)

For purposes of pro forma disclosures, the estimated fair value of the stock options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except per share data):

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Net income, as reported	\$ 6,329	\$ 4,560	\$ 18,113	\$ 14,806
Pro forma compensation expense, net of tax	604	716	2,359	1,900
Pro forma net income	\$ 5,725	\$ 3,844	\$ 15,754	\$ 12,906
As reported net income per share:				
Basic	\$ 0.30	\$ 0.21	\$ 0.85	\$ 0.69
Diluted	\$ 0.29	\$ 0.21	\$ 0.84	\$ 0.67
Pro forma net income per share:				
Basic	\$ 0.27	\$ 0.18	\$ 0.74	\$ 0.60
Diluted	\$ 0.26	\$ 0.17	\$ 0.73	\$ 0.58

3. Comprehensive Income

Comprehensive income includes any changes in the equity of the Company from transactions and other events and circumstances from non-owner sources. Comprehensive income for the quarter and nine months ended September 30, 2003 was \$6.3 million and \$18.1 million, respectively, which includes \$37,000 in unrealized losses and \$10,000 in unrealized gains, respectively, on available-for-sale securities. Comprehensive income for the quarter and nine months ended September 30, 2002 was \$4.5 million and \$14.8 million, respectively, which includes \$50,000 and \$43,000, respectively, in unrealized losses on available-for-sale securities.

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements

4. Net Income Per Share

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

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Numerator:				
Numerator for basic and diluted income per share — net income	\$ 6,329	\$ 4,560	\$ 18,113	\$ 14,806
Denominator:				
Denominator for basic income per share — weighted-average shares	21,341	21,669	21,279	21,595
Effect of dilutive stock options	441	415	392	626
Denominator for diluted income per share — adjusted weighted-average shares	21,782	22,084	21,671	22,221
Basic income per share	\$ 0.30	\$ 0.21	\$ 0.85	\$ 0.69
Diluted income per share	\$ 0.29	\$ 0.21	\$ 0.84	\$ 0.67

5. Income Taxes

For the three and nine months ended September 30, 2003 and 2002, 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.

6. Commitments and Contingencies

The primary claims in the Company's business are workers' compensation, property damage, auto liability and medical benefits. Most of the Company's insurance coverage provides for self-insurance retention levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured retention limits, including provision for estimated claims incurred but not reported.

The Company estimates its self-insurance retention loss exposure by evaluating the merits and circumstances surrounding individual known claims, and by performing hindsight analysis to

Forward Air Corporation

Notes to Condensed Consolidated Financial Statements

6. Commitments and Contingencies (continued)

determine an estimate of probable losses on claims incurred but not reported. Such losses could be realized immediately as the events underlying the claims have already occurred as of the balance sheet dates.

Because of the uncertainty of the ultimate resolution of outstanding claims, as well as uncertainty regarding claims incurred but not reported, it is possible that management's provision for these losses could change materially in the near term. However, no estimate can currently be made of the range of additional loss that is at least reasonably possible.

7. Impact of Recently Issued Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities*. This interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, sets forth criteria under which a company must consolidate certain variable interest entities. Interpretation No. 46 places increased emphasis on controlling financial interests when determining if a company should consolidate a variable interest entity. The Company will adopt the provisions of Interpretation No. 46 during the fourth quarter of fiscal 2003 as a result of the FASB deferring the effective date of FIN 46 for variable interests held by public companies that were acquired prior to February 1, 2003. The Company does not anticipate adoption to materially impact the consolidated financial statements.

SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, issued in May 2003, is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Adoption of SFAS No. 150 has not had an impact the Company's financial position or results of operations.

8. Subsequent Event

On October 27, 2003, the Board of Directors of Forward Air named Bruce A. Campbell as President and Chief Executive Officer of the Company. Mr. Campbell replaced Company founder Scott M. Niswonger who will remain as non-executive Chairman of the Board of Directors.

[Table of Contents](#)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations***Introduction*

The Company provides scheduled ground transportation of cargo on a time-definite basis. As a result of the Company's established transportation schedule and network of terminals, its operating cost structure includes significant fixed costs. The Company's ability to improve its operating margins will depend on its ability to increase the volume of freight moving through its network.

Critical Accounting Policies

A summary of significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements included in the 2002 Annual Report on Form 10-K. Our critical accounting policies are further described under the caption "Discussion of Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2002 Annual Report on Form 10-K. There have been no changes in the nature of our critical accounting policies or the application of those policies since December 31, 2002.

Results of Operations

The following table shows the percentage relationship of expense items to operating revenue for the periods indicated. In the accompanying discussion, all percentage figures are percent of operating revenue with the exception of revenue growth rates.

	Three months ended		Nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Operating revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Purchased transportation	42.2	44.8	42.1	43.5
Salaries, wages and employee benefits	22.2	22.6	22.6	22.3
Operating leases	5.4	5.2	5.5	5.4
Depreciation and amortization	3.1	3.2	3.1	3.3
Insurance and claims	2.5	2.3	2.3	2.5
Other operating expenses	8.0	9.3	8.2	8.9
	<u>83.4</u>	<u>87.4</u>	<u>83.8</u>	<u>85.9</u>
Income from operations	16.6	12.6	16.2	14.1
Other income (expense):				
Interest expense	—	(0.2)	—	(0.2)
Other, net	0.2	0.4	0.2	0.4
	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Income before income taxes	16.8	12.8	16.4	14.3
Income taxes	6.3	4.9	6.1	5.4
Net income	<u>10.5%</u>	<u>7.9%</u>	<u>10.3%</u>	<u>8.9%</u>

Table of Contents

Three Months Ended September 30, 2003 compared to Three Months Ended September 30, 2002

Operating revenue increased by \$3.1 million, or 5.4%, to \$60.5 million in the third quarter of 2003 from \$57.4 million in the same period of 2002. This increase resulted from an increase in traditional linehaul revenue of \$2.6 million to \$51.4 million, a decrease in logistics revenue of \$0.3 million to \$4.8 million and an increase in other accessorial revenue, including warehousing services and terminal handling revenue, of \$0.8 million to \$4.3 million. Traditional linehaul revenue was impacted by a decrease in average weekly tonnage of 0.3% and a 5.7% increase in average revenue per pound including the effect of fuel surcharge versus the third quarter of 2002.

Purchased transportation represented 42.2% of operating revenue in the third quarter of 2003 compared to 44.8% in the same period of 2002. The decrease in purchased transportation as a percent of operating revenue was primarily the result of the Company's ability to increase the revenue of freight transported, driven by an increase in revenue per pound, in the traditional linehaul network with only a slight increase in the dollar amount spent to operate the network. Partially offsetting this decrease was an increase in the purchased transportation costs associated with logistics revenue driven by higher per mile charges by non-owner-operator carriers. For the third quarter of 2003, traditional linehaul and logistics purchased transportation costs represented 41.2% and 69.5%, respectively, of operating revenue versus 43.2% and 68.2%, respectively, during the same period in 2002.

Salaries, wages and employee benefits were 22.2% of operating revenue in the third quarter of 2003 compared to 22.6% for the same period of 2002. The decrease in salaries, wages and employee benefits as a percentage of operating revenue was primarily attributed to a year over year improvement in revenue per pound which provided for more revenue with less tonnage, a primary driver of cargo handling expenses, in this quarter versus 2002. A 0.7% decrease in salaries and wages, including incentives, was offset in part by a 0.3% increase in worker's compensation insurance and expenses.

Operating leases, the largest component of which is facility rent, were 5.4% of operating revenue in the third quarter of 2003 compared to 5.2% in the same period of 2002. The increase in operating leases as a percentage of operating revenue between periods was primarily attributable to an increase in facility rents and associated costs in connection with new leases and facilities in several key markets.

Depreciation and amortization expense as a percentage of operating revenue was 3.1% in the third quarter of 2003, compared to 3.2% in the same period of 2002. The decrease in depreciation and amortization expense as a percentage of operating revenue was primarily attributable to an increase in operating revenue and a decrease in depreciation expense from certain assets becoming fully depreciated.

Insurance and claims were 2.5% of operating revenue in the third quarter of 2003, compared to 2.3% in the same period of 2002. The increase in insurance and claims as a percentage of

Table of Contents

operating revenue resulted from an 0.3% increase in claims expense which was offset by a 0.1% decrease in premiums during the quarter versus 2002.

Other operating expenses were 8.0% of operating revenue in the third quarter of 2003 compared to 9.3% in the same period of 2002. The decrease in other operating expenses as a percentage of operating revenue was attributable to a 0.7% decrease in miscellaneous operating expenses, including a decrease in bad debt expense and a 0.5% decrease in fuel expense.

Income from operations increased by \$2.8 million, or 38.9%, to \$10.0 million for the third quarter of 2003 compared with \$7.2 million for the same period in 2002. The increase in income from operations was primarily a result of the increase in operating revenue, including fuel surcharge, which was offset by a slight increase in operating costs associated with operating the network.

Interest expense was \$17,000, or less than 0.1% of operating revenue, in the third quarter of 2003, compared with \$90,000, or 0.2%, for the same period in 2002. The decrease in interest expense was attributed to lower average net borrowings during the period.

Other income, net was \$124,000, or 0.2% of operating revenue, in the third quarter of 2003, compared to \$231,000, or 0.4%, for the same period in 2002. The decrease in other income, net resulted from lower interest income attributed to lower yields on higher balances in both cash and cash equivalents and available-for-sale securities during the third quarter of 2002.

The combined federal and state effective tax rate for the third quarter of 2003 was 37.5% compared to a rate of 38.0% for the same period in 2002, primarily as a result of tax planning strategies at the state level.

As a result of the foregoing factors, net income increased by \$1.7 million, or 37.0%, to \$6.3 million for the third quarter of 2003, compared to \$4.6 million for the same period in 2002.

Nine Months Ended September 30, 2003 compared to Nine Months Ended September 30, 2002

Operating revenue increased by \$9.6 million, or 5.8%, to \$176.3 million in the first nine months of 2003 from \$166.7 million in the same period of 2002. This increase resulted from an increase in traditional linehaul revenue of \$8.0 million to \$150.2 million, an increase in logistics revenue of \$0.2 million to \$14.0 million and an increase in other accessorial revenue, including warehousing services and terminal handling revenue, of \$1.4 million to \$12.1 million. Traditional linehaul revenue was impacted by an increase in average weekly tonnage of 2.5% and a 3.0% increase in average revenue per pound including the effect of fuel surcharge versus the first nine months of 2002.

Purchased transportation represented 42.1% of operating revenue in the first nine months of 2003 compared to 43.5% in the same period of 2002. The decrease in purchased transportation as a percent of operating revenue was primarily the result of the Company's ability to increase the revenue of freight transported, driven by an increase in revenue per pound, in the traditional linehaul network with only a slight increase in the dollar amount spent to operate the network.

Table of Contents

Partially offsetting this decrease was an increase in the purchased transportation costs associated with logistics revenue driven by higher per mile charges by non-owner-operator carriers. For the first nine months of 2003, traditional linehaul and logistics purchased transportation costs represented 40.7% and 70.6%, respectively, of operating revenue versus 42.4% and 64.8%, respectively, during the same period in 2002.

Salaries, wages and employee benefits were 22.6% of operating revenue in the first nine months of 2003 compared to 22.3% for the same period of 2002. The increase in salaries, wages and employee benefits as a percentage of operating revenue was attributed to a 0.1% increase in salaries and wages, including incentives, and a 0.2% increase in worker's compensation insurance and expenses.

Operating leases, the largest component of which is facility rent, were 5.5% of operating revenue in the first nine months of 2003 compared to 5.4% in the same period of 2002. Operating leases as a percentage of operating revenue increased as a result of an increase in facility rents and associated costs in connection with new leases and facilities in several key markets.

Depreciation and amortization expense as a percentage of operating revenue was 3.1% in the first nine months of 2003, compared to 3.3% in the same period of 2002. The decrease in depreciation and amortization expense as a percentage of operating revenue was primarily attributable to an increase in operating revenue and a decrease in depreciation expense from certain assets becoming fully depreciated.

Insurance and claims were 2.3% of operating revenue in the first nine months of 2003, compared to 2.5% in the same period of 2002. The decrease in insurance and claims as a percentage of operating revenue resulted, in part, from an increase in operating revenue during the period and a decrease in claims expenses versus 2002 which was offset by a slight increase in insurance premiums during the first nine months.

Other operating expenses were 8.2% of operating revenue in the first nine months of 2003 compared to 8.9% in the same period of 2002. The decrease in other operating expenses as a percentage of operating revenue was attributable to a 0.5% decrease in miscellaneous operating expenses, including a decrease in bad debt expense and a 0.2% decrease in fuel expense net of fuel surcharge which was offset by a 0.1% increase in equipment repair and maintenance.

Income from operations increased by \$5.1 million, or 21.7%, to \$28.6 million for the first nine months of 2003 compared with \$23.5 million for the same period in 2002. The increase in income from operations was primarily a result of the increase in operating revenue, including fuel surcharge, which was offset by an increase in operating costs associated with operating the network.

Interest expense was \$56,000, or less than 0.1% of operating revenue, in the first nine months of 2003, compared with \$286,000, or 0.2%, for the same period in 2002. The decrease in interest expense was attributed to lower average net borrowings during the period.

[Table of Contents](#)

Other income, net was \$431,000, or 0.2% of operating revenue, in the first nine months of 2003, compared to \$670,000, or 0.4%, for the same period in 2002. The decrease in other income, net resulted from lower interest income attributed to lower yields on higher balances in both cash and cash equivalents and available-for-sale securities during the first nine months of 2002.

The combined federal and state effective tax rate for the first nine months of 2003 was 37.5% compared to a rate of 38.0% for the same period in 2002, primarily as a result of tax planning strategies at the state level.

As a result of the foregoing factors, net income increased by \$3.3 million, or 22.3%, to \$18.1 million for the first nine months of 2003, compared to \$14.8 million for the same period in 2002.

Liquidity and Capital Resources

The Company has historically financed its working capital needs, including capital purchases, with cash flows from operations and borrowings under the Company's bank lines of credit. Net cash provided by operating activities totaled approximately \$23.9 million for the nine months ended September 30, 2003, compared with \$24.4 million in the same period of 2002.

Net cash provided by investing activities was approximately \$15.0 million for the nine months ended September 30, 2003 compared with \$3.4 million used in investing activities in the same period of 2002. Investing activities consisted primarily of the purchase and sale or maturities of available-for-sale securities and the purchase of operating equipment and management information systems during the nine months ended September 30, 2003.

Net cash provided by financing activities totaled approximately \$1.1 million for the nine months ended September 30, 2003 compared with approximately \$6.9 million used in financing activities for the same period of 2002. Financing activities included the repayment of long-term debt and capital leases, proceeds received from the exercise of stock options and common stock issued under the employee stock purchase plan. In 2002, the Company used \$7.2 million to repurchase its common stock.

The Company's credit facility consists of a working capital line of credit. As long as the Company complies with the financial covenants and ratios, the credit facility permits it to borrow up to \$20.0 million less the amount of any outstanding letters of credit. Interest rates for advances under the facility vary based on how the Company's performance measures against covenants related to total indebtedness, cash flows, results of operations and other ratios. The unsecured facility bears interest at LIBOR plus 1.0% to 1.9%, and was renewed during the third quarter of 2003 and expires in April 2005. At September 30, 2003, the Company had no borrowings outstanding under the line of credit facility and had utilized \$3.7 million of availability for outstanding letters of credit. The Company was in compliance with the financial covenants and ratios under the credit facility at September 30, 2003.

On July 25, 2002, the Company announced that its Board of Directors approved a stock repurchase program for up to 2,000,000 shares of the Company's common stock. The Company

Table of Contents

expects to fund the repurchases of its common stock from its cash and cash equivalents and available-for-sale securities and cash generated from operating activities. The Company did not repurchase any of its shares during the second or third quarter of 2003. Since inception, the Company has repurchased 629,000 shares of the Company's common stock for \$12.1 million for an average purchase price of \$19.20 per share.

Management believes that its available cash, investments, expected cash generated from future operations and borrowings under available credit facilities will be sufficient to satisfy the Company's anticipated cash needs for at least the next twelve months.

Forward-Looking Statements

This report contains statements with respect to the Company's beliefs and expectations of the outcomes of future events that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. 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 in this press release. 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 because of a decreased volume of freight moving through the Company's network or decreased average revenue per pound of freight moving through the network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of the Company's customers and their ability to pay for services rendered, the Company's ability to secure terminal facilities in desirable locations at reasonable rates, the inability of the Company's information systems to handle an increased volume of freight moving through its network, changes in fuel prices, claims for property damage, personal injuries or workers' compensation, employment matters including rising health care costs, enforcement of and changes in governmental regulations, environmental and tax matters, the handling of hazardous materials, the availability and compensation of qualified independent owner-operators and freight handlers needed to serve the Company's transportation needs and our inability to successfully integrate acquisitions. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows, or results of operations. Forward-looking statements can be identified by words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," and similar expressions. The Company does not undertake any obligation to update or to release publicly any revisions to forward-looking statements contained in this report to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

[Table of Contents](#)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk related to debt and available-for-sale securities is not significant and has not changed materially since December 31, 2002.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2003, the principal executive officer and principal financial officer of the Company, under the supervision and with the participation of the Company's management, have evaluated the disclosure controls and procedures of the Company as defined in Exchange Act Rule 13(a)-14(c) and have determined that such controls and procedures are effective.

Changes in Internal Controls

The evaluation referred to above did not identify any change in the Company's internal control over financial reporting that occurred in the period covered by this report that has materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

[Table of Contents](#)

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

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

(1) Exhibits -

Additional Exhibits.

In accordance with SEC Release No. 33-8212, Exhibits 32.1 and 32.2 are to be treated as “accompanying” this report rather than “filed” as part of the report.

31.1	Certification Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Bruce A. Campbell, President and Chief Executive Officer of Forward Air Corporation
31.2	Certification Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Andrew C. Clarke, Chief Financial Officer, Senior Vice President and Treasurer of Forward Air Corporation

[Table of Contents](#)

- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Bruce A. Campbell, President and Chief Executive Officer of Forward Air Corporation
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Andrew C. Clarke, Chief Financial Officer, Senior Vice President and Treasurer of Forward Air Corporation

(2) Reports on Form 8-K – None

[Table of Contents](#)

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: October 27, 2003

By: /s/ Andrew C. Clarke

Andrew C. Clarke
Chief Financial Officer
and Senior Vice President

EXHIBIT INDEX

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CERTIFICATION PURSUANT TO
15 U.S.C. SECTION 10A,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce A. Campbell, certify that:

1. I have reviewed this report on Form 10-Q of Forward Air Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2003

By: /s/ Bruce A. Campbell

Bruce A. Campbell
President and Chief Executive Officer

A signed original of this written statement required by Section 302 has been

provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

CERTIFICATION PURSUANT TO
15 U.S.C. SECTION 10A,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew C. Clarke, certify that:

1. I have reviewed this report on Form 10-Q of Forward Air Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2003

By: /s/ Andrew C. Clarke

Andrew C. Clarke
Chief Financial Officer,
Senior Vice President and
Treasurer

A signed original of this written statement required by Section 302 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Forward Air Corporation (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on October 27, 2003 (the "Report"), I, Bruce A. Campbell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bruce A. Campbell

Bruce A. Campbell
President and Chief Executive Officer
October 27, 2003

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Forward Air Corporation (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on October 27, 2003 (the "Report"), I, Andrew C. Clarke, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andrew C. Clarke

Andrew C. Clarke
Chief Financial Officer and
Senior Vice President
October 27, 2003