

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, 1996
Commission File No. 000-22490

LANDAIR SERVICES, INC.
(Exact name of registrant as specified in its charter)

<TABLE>

<CAPTION>

<S>

<C>

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)

</TABLE>

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 X

NO

The number of shares outstanding of the registrant's common stock, \$.01 par value, as of July 19, 1996 was 5,946,850.

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<C>

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

LANDAIR SERVICES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	June 30, 1996	December 31, 1995	
	(Unaudited)	(Note)	
	(In thousands, except share data)		
ASSETS			
<S>	<C>	<C>	
Current assets:			
Cash and cash equivalents	\$ 26	\$ 3,834	
Accounts receivable, less allowance of \$206 in 1996 and \$292 in cash	21,013	17,788	
Other current assets	4,493	4,136	
Total current assets	25,532	25,758	
Property and equipment	95,137	89,699	
Less accumulated depreciation and amortization	(22,547)	(17,577)	
	72,590	72,122	
Other assets	546	399	
Total assets	\$ 98,668	\$ 98,279	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 5,200	\$ 5,074
Accrued expenses	6,195	5,637
Current portion of long-term debt	7,626	8,158
Current portion of capital lease obligations	1,916	1,089
	-----	-----
Total current liabilities	20,937	19,958
Long-term debt, less current portion	22,478	27,030
Capital lease obligations, less current portion	9,644	8,825
Deferred income taxes	6,656	5,822
Shareholders' equity:		
Preferred stock	--	--
Common stock, \$.01 par value;		
Authorized shares - 20,000,000		
Issued and outstanding shares - 5,946,850 in 1996 and		
5,864,200 in 1995	59	59
Additional paid-in capital	26,141	25,562
Retained earnings	12,753	11,023
	-----	-----
Total shareholders' equity	38,953	36,644
	-----	-----
Total liabilities and shareholders' equity	\$ 98,668	\$ 98,279

</TABLE>

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

See notes to condensed consolidated financial statements.

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LANDAIR SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<TABLE>
<CAPTION>

	Three month periods ended		Six month periods ended	
	June 30, 1996	June 30, 1995	June 30, 1996	June 30, 1995
	-----	-----	-----	-----
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Operating revenue	\$ 38,893	\$ 36,445	\$ 75,872	\$ 72,189
Operating expenses:				
Purchased transportation	12,544	13,410	24,842	27,647
Salaries, wages, and employee benefits	10,612	9,016	20,987	17,990
Fuel and fuel taxes	2,837	2,034	5,602	4,100
Operating leases	1,473	1,540	2,771	3,151
Depreciation and amortization	2,610	2,112	5,222	4,154
Insurance and claims	1,916	1,658	3,713	3,274
Other operating expenses	4,198	3,904	8,366	7,261
	-----	-----	-----	-----
	36,190	33,674	71,503	67,577
Income from operations	2,703	2,771	4,369	4,612

Other income (expense):					
Interest expense	(788)	(728)	(1,594)	(1,416)	
Other, net	16	173	26	206	
	-----	-----	-----	-----	
	(772)	(555)	(1,568)	(1,210)	
Income before income taxes		1,931	2,216	2,801	3,402
Income taxes	732	952	1,071	1,462	
	-----	-----	-----	-----	
Net income	\$ 1,199	\$ 1,264	\$ 1,730	\$ 1,940	
	=====	=====	=====	=====	
Net income per share:					
Primary	\$.20	\$.21	\$.29	\$.32	
	=====	=====	=====	=====	
Fully diluted	\$.20	\$.21	\$.29	\$.32	
	=====	=====	=====	=====	
Dividends declared per share	\$ 0	\$ 0	\$ 0	\$ 0	
	=====	=====	=====	=====	

</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 month periods ended	
	-----	-----
	June 30, 1996	June 30, 1995
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Cash from operations	\$ 4,838	\$ 7,550
Investing activities:		
Proceeds from disposal of property and equipment	894	1,692
Purchases of property and equipment	(4,012)	(14,345)
Decrease in restricted capital lease funds	--	156
Other	(147)	(40)
	-----	-----
	(3,265)	(12,537)
Financing activities:		
Proceeds from long-term debt	1,479	9,718
Payments of long-term debt	(6,563)	(4,571)
Payments of capital lease obligations	(876)	(424)
Proceeds from exercise of stock options	579	329
	-----	-----
	(5,381)	5,052
	-----	-----
	\$ (3,808)	\$ 65
	=====	=====
Increase (decrease) in cash and cash equivalents		

</TABLE>

See notes to condensed consolidated financial statements.

LANDAIR SERVICES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

June 30, 1996

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in the Landair Services, Inc. annual report on Form 10-K for the year ended December 31, 1995.

NOTE 2 - NET INCOME PER SHARE

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

NOTE 3 - INCOME TAXES

For the three month and six month periods ended June 30, 1996 and June 30, 1995, the effective income tax rate varied from the statutory federal income tax rate of 34% primarily due to the effect of state income taxes, net of the federal benefit, and permanent differences (principally meals and entertainment).

NOTE 4 - CONTINGENCIES

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

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

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

<TABLE>
<CAPTION>

Three month periods ended		Six month periods ended	
June 30, 1996	June 30, 1995	June 30, 1996	June 30, 1995
-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
Operating revenue	100.0	100.0	100.0	100.0
Operating expenses:				
Purchased transportation	32.3	36.8	32.7	38.3
Salaries, wages, and employee benefits	27.3	24.7	27.7	24.9
Fuel and fuel taxes	7.3	5.6	7.4	5.7
Operating leases	3.8	4.2	3.6	4.4
Depreciation and amortization	6.7	5.8	6.9	5.7
Insurance and claims	4.9	4.6	4.9	4.5
Other operating expenses	10.8	10.7	11.0	10.1
	-----	-----	-----	-----
Income from operations	93.1	92.4	94.2	93.6
Other income (expense):				
Interest expense	(2.0)	(2.0)	(2.1)	(2.0)
Other, net	0.0	0.5	0.0	0.3
	-----	-----	-----	-----
	(2.0)	(1.5)	(2.1)	(1.7)
	-----	-----	-----	-----
Income before income taxes	4.9	6.1	3.7	4.7
Income taxes	1.8	2.6	1.4	2.0
	-----	-----	-----	-----
Net income	3.1	3.5	2.3	2.7
	=====	=====	=====	=====

</TABLE>

Results of Operations

Operating revenue increased by \$2.5 million, or 7%, to \$38.9 million in the second quarter of 1996 from \$36.4 million in 1995. For the first six months of 1996, operating revenue of \$75.9 million was \$3.7 million, or 5%, higher than the same period in 1995. The Company's increased operating revenue reflects additional volume from its Forward Air operations, which increased 24% and 21%, respectively, during the second quarter and first six months of 1996 compared to the prior-year periods. The increase in Forward Air operating revenue was partially offset by a decrease in Truckload and Dedicated operating revenue of 3% during the second quarter and first six months of 1996 caused by lower equipment utilization in the Truckload operations.

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The operating ratio (operating expenses as a percent of operating revenue) for the three month and six month periods ended June 30, 1996, was 93.1% and 94.2%, respectively, compared to 92.4% and 93.6% for the same periods in 1995. 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.

Effective February 1996, the Company no longer pays per diem to line-haul drivers as reimbursement for expenses incurred for out-of-town travel. Instead, these drivers now receive a higher pay rate per mile. The effect of this change caused a slight increase in the Company's salaries, wages and employee benefits expense during the second quarter and first six months of 1996.

During the first six months of 1996, fuel prices increased by approximately 15% over the prior year, which increased fuel and fuel taxes by approximately \$700,000. Approximately forty percent of the increase in fuel prices was passed on to customers in the form of a fuel surcharge during the second

quarter of 1996.

Operating leases decreased from 4.4% of operating revenue during the first six months of 1995 to 3.6% during the same period of 1996, while depreciation and amortization increased from 5.7% of operating revenue during the first six months of 1995 to 6.9% in the same period of 1996. These changes from the prior year resulted from increased ownership, rather than leasing, of revenue equipment along with an increase in the ratio of Company-operated equipment to owner-operators.

Included in income from operations for the second quarter and first six months of 1995 were gains on the sale of revenue equipment in the amount of \$170,000 and \$490,000, respectively, compared to \$83,000 and \$151,000 for the same periods in 1996.

The effective tax rate for the second quarter and first six months of 1996 was 38% compared to 43% for the same periods in 1995. The decrease in 1996 is primarily due to a significant reduction in the Company's nondeductible meals and entertainment expense (which were only partially deductible by the Company for federal income tax purposes) resulting from discontinuance of the per diem pay to line-haul drivers coupled with a reduction in the Company's effective state income tax rate during 1996.

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Liquidity and Sources of Capital

Cash flow from operations was \$4.8 million for the first six months of 1996 compared with \$7.6 million in the same period of 1995. The \$2.8 million decrease was a result of increases in working capital accounts. Management believes available borrowing under existing lines of credit, future borrowing under installment notes for revenue equipment, and cash generated by operations will be sufficient to fund its cash needs and anticipated capital expenditures through 1996.

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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

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 21, 1996. Directors were elected at the meeting for a one (1) year term until the annual meeting of shareholders to be held in 1997 following the fiscal year ending December 31, 1996, 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	5,307,933	330
Edward W. Cook	5,307,933	330
James A. Cronin, III	5,307,933	330
Robert K. Gray	5,307,933	330
Jack Kemp	5,307,933	330
Scott M. Niswonger	5,307,933	330
Richard H. Roberts	5,307,933	330

</TABLE>

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The shareholders voted in favor of ratification of the Company's Restated Employee Stock Purchase Plan and the votes as cast are as follows:

<TABLE>
<CAPTION>

For	Against	Abstain	Broker Non-Votes
---	-----	-----	-----
<S>	<C>	<C>	<C>
5,161,800	8,275	1,225	136,963

</TABLE>

The shareholders voted in favor of ratification of the Company's Non-Employee Director Stock Option Plan and the votes as cast are as follows:

<TABLE>
<CAPTION>

For	Against	Abstain	Broker Non-Votes
---	-----	-----	-----
<S>	<C>	<C>	<C>
5,150,914	16,961	3,425	136,963

</TABLE>

In addition, the shareholders voted in favor of ratification of the appointment of Ernst & Young LLP as the Company's independent public accountants for the fiscal year ending December 31, 1996 and the votes as cast are as follows:

<TABLE>
<CAPTION>

For	Against	Abstain
---	-----	-----
<S>	<C>	<C>
5,307,660	500	103

</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, 1996.

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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 12, 1996 By: /s/ Edward W. Cook

 Edward W. Cook
 Chief Financial Officer
 and Senior Vice President

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EXHIBIT INDEX

<TABLE>	
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Exhibit Number	Exhibit
-----	-----
<S>	<C>
11	Statement Re: Computation of Per Share Earnings
27	Financial Data Schedule (SEC Use Only)
</TABLE>	

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EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

<TABLE>
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	Three month periods ended		Six month periods ended	
	June 30, 1996	June 30, 1995	June 30, 1996	June 30, 1995
	(In thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Primary:				
Average outstanding shares		5,937	5,853	5,908
Net effect of dilutive stock options - based on the treasury stock method using the average market price		138	173	148
Totals	6,075	6,026	6,056	6,031
Net income	\$ 1,199	\$ 1,264	\$ 1,730	\$ 1,940
Per share amount	\$.20	\$.21	\$.29	\$.32
Fully diluted:				
Average shares outstanding		5,937	5,853	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		151	173	157
Totals	6,088	6,026	6,065	6,031
Net income	\$ 1,199	\$ 1,264	\$ 1,730	\$ 1,940
Per share amount	\$.20	\$.21	\$.29	\$.32

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF LANDAIR SERVICES, INC. FOR THE SIX MONTHS ENDED JUNE 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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