

July 23, 2007



Forward Air Corporation Reports Second Quarter 2007 Results and Announces the Acquisition of Pool Distributor USA Carriers, Inc.

GREENEVILLE, Tenn.--(BUSINESS WIRE)--

Forward Air Corporation (NASDAQ:FWRD) today reported results for the second quarter and six months ended June 30, 2007.

Operating revenue for the quarter ended June 30, 2007 increased 7.3% to \$93.1 million from \$86.8 million for the same quarter in 2006. Income from operations was \$18.3 million, compared with \$19.8 million in the prior-year quarter, a decrease of 7.4%. As a percent of operating revenue, income from operations decreased to 19.7% from 22.8% for the same quarter last year. Net income during the period decreased by \$1.5 million, or 11.9%, to \$11.5 million from \$13.0 million in the prior-year quarter. Diluted income per share from operations for the second quarter of 2007 was \$0.38 compared with \$0.41 in the prior-year quarter, a decrease of 7.3%. The second quarter results include approximately \$1.0 million of additional operating expense related to adjusting our self-insurance accruals based on updated actuarial reviews. The additional expense relates to deterioration in loss development factors on prior period claims. These additional expenses resulted in approximately a \$0.02 reduction in diluted income per share. In addition to the insurance adjustment, the change in revenue mix had a negative impact on profitability. The change in mix, while profitable, does not generate the higher margins of our airport-to-airport network.

Operating revenue for the six months ended June 30, 2007 increased 6.7% to \$180.5 million from \$169.1 million for the same period in 2006. Income from operations was \$34.2 million, compared with \$36.7 million in the prior-year period, a decrease of 7.0%. As a percent of operating revenue, income from operations decreased to 18.9% for the first six months of 2007 from 21.7% in 2006. Net income during the period decreased 9.4% to \$21.8 million from \$24.0 million in the prior-year period. Diluted income per share from operations for the first six months of 2007 was \$0.72 compared with \$0.75 in the prior-year period, a decrease of 4.0%.

Commenting on the second quarter, Rodney L. Bell, Senior Vice President and CFO, said, "The second quarter was challenging as a result of the difficult comparisons with the second quarter of 2006 which, operationally, was the best in the Company's history. These difficult comparisons were compounded by the challenging freight environment. In spite of these factors, we managed to deliver solid results. Our people continued to maintain a strong cost control discipline and did an excellent job bringing our purchased transportation cost in our airport-to-airport network back into line."

Acquisition:

Today Forward Air announced that its wholly-owned subsidiary, Forward Air Solutions, Inc., has entered into an agreement to acquire certain assets of USA Carriers, Inc. (USAC), a privately held provider of pool distribution services headquartered in Fort Wayne, Indiana. The \$12.5 million transaction is scheduled to close on or about July 31, 2007 and is subject to the receipt of applicable consents and satisfaction of other customary closing conditions.

Founded in 1962, USAC is a highly respected, well established transportation service provider with 11 facilities located throughout the Southeast, Midwest and Southwest. USAC generated approximately \$32 million in revenue for the year ended December 31, 2006.

The acquisition provides an important operating platform that will enable further expansion of the Forward Air Complete pick-up and delivery product, TLX truckload brokerage and value-added handling components of the "Completing the Model" strategic initiative announced earlier this year. For the balance of the year, it is anticipated that the acquisition will have a neutral earnings impact as the acquired assets are integrated and operating efficiencies are achieved.

Commenting on the acquisition, Bruce A. Campbell, Chairman, President and CEO, said, "We are very excited to be acquiring the assets of a company of USAC's caliber and adding pool distribution to our service offerings. Pool distribution is a natural fit with our 'Completing the Model' strategic initiative."

Review of Financial Results

Forward Air will hold a conference call to discuss second quarter 2007 results on Tuesday, July 24, 2007, at 9:00 a.m. EDT. The Company's conference call will be available online at www.forwardair.com or by dialing 800.841.9385. A replay of the conference call will be available at www.forwardair.com beginning shortly after the completion of the live call.

About Forward Air

Forward Air is a high-service-level contractor to the air cargo industry providing time-definite ground transportation services through a network of 81 terminals located on or near major airports in the United States and Canada. The Company provides these services as a cost-effective alternative to air transportation of cargo that must be delivered at a specific time but is relatively less time-sensitive than traditional air freight or when air transportation is not economical.

FORWARD AIR CORPORATION
Condensed Consolidated Statements of Income
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Operating Revenue:	(In thousands, except per share data)			
Airport-to-airport	\$ 77,237	\$ 74,014	\$151,458	\$145,898
Logistics	10,680	7,903	18,865	13,728

Other	5,230	4,862	10,178	9,483
Operating revenue	93,147	86,779	180,501	169,109
Operating expenses:				
Airport-to-airport	29,739	28,340	60,271	55,420
Logistics	8,150	5,587	14,296	9,778
Other	1,477	1,207	2,773	2,372
Total purchased transportation	39,366	35,134	77,340	67,570
Salaries, wages and employee benefits	19,964	18,330	38,977	37,123
Operating leases	3,882	3,422	7,617	6,868
Depreciation and amortization	2,494	2,052	4,874	4,451
Insurance and claims	1,900	1,710	3,602	3,191
Other operating expenses	7,228	6,364	13,938	13,183
Total operating expenses	74,834	67,012	146,348	132,386
Income from operations	18,313	19,767	34,153	36,723
Other income (expense):				
Interest expense	(41)	(16)	(81)	(41)
Other, net	469	887	1,221	1,521
Total other income	428	871	1,140	1,480
Income before income taxes	18,741	20,638	35,293	38,203
Income taxes	7,266	7,617	13,525	14,174
Net income	\$ 11,475	\$ 13,021	\$ 21,768	\$ 24,029
Income per share:				
Basic	\$ 0.38	\$ 0.41	\$ 0.72	\$ 0.77
Diluted	\$ 0.38	\$ 0.41	\$ 0.72	\$ 0.75
Weighted average shares outstanding:				
Basic	29,805	31,431	30,070	31,354
Diluted	30,162	31,928	30,412	31,852

FORWARD AIR CORPORATION
Condensed Consolidated Balance Sheets
(In thousands)

	June 30, 2007	December 31, 2006
	(Unaudited)	Audited (a)
Assets		
Current assets:		
Cash	\$ 10,336	\$ 8,231
Short-term investments	10,575	61,650
Accounts receivable, net	51,876	48,486
Other current assets	7,568	9,196
Total current assets	80,355	127,563

Property and equipment	143,368	101,190
Less accumulated depreciation and amortization	51,086	47,875
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Total property and equipment, net	92,282	53,315
Goodwill and other acquired intangibles:		
Goodwill	15,588	15,588
Other acquired intangibles, net	10,552	10,731
Total goodwill and other acquired intangibles	26,140	26,319
Other assets	1,199	5,817
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Total assets	\$ 199,976	\$ 213,014
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Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,439	\$ 7,949
Accrued expenses	9,889	11,144
Current portion of capital lease obligations	42	40
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Total current liabilities	16,370	19,133
Capital lease obligations, less current portion	775	796
Other long-term liabilities	3,193	1,271
Deferred income taxes	7,392	6,587
Shareholders' equity:		
Common stock	294	304
Retained earnings	171,952	184,923
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Total shareholders' equity	172,246	185,227
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Total liabilities and shareholders' equity	\$ 199,976	\$ 213,014
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(a) Taken from audited financial statements, which are not presented in their entirety.

FORWARD AIR CORPORATION
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six months ended	
	June 30,	June 30,
	2007	2006
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Operating activities:		
Net income	\$ 21,768	\$ 24,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,874	4,451
Share-based compensation	1,483	580
(Gain) loss on sale of property and equipment	(235)	(165)

Provision for (recovery) loss on receivables	(114)	39
Provision for revenue adjustments	1,165	1,083
Deferred income taxes	1,514	1,569
Tax benefit of stock options exercised	(8)	(1,423)
Changes in operating assets and liabilities:		
Accounts receivable	(4,312)	(3,508)
Prepaid expenses and other current assets	1,347	2,174
Accounts payable and accrued expenses	(2,240)	(6,860)
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Net cash provided by operating activities	25,242	21,969
Investing activities:		
Proceeds from disposal of property and equipment	273	3,200
Purchases of property and equipment	(38,535)	(5,190)
Proceeds from sales or maturities of available-for-sale securities	126,635	114,404
Purchases of available-for-sale securities	(75,560)	(115,699)
Other	(676)	(13)
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Net cash provided by (used in) investing activities	12,137	(3,298)
Financing activities:		
Payments of capital lease obligations	(19)	(19)
Payments on line of credit	--	(1,504)
Proceeds from exercise of stock options	275	4,183
Payments of cash dividends	(4,222)	(4,407)
Common stock issued under employee stock purchase plan	138	115
Repurchase of common stock	(31,220)	(5,772)
Cash settlement of share-based awards for minimum tax withholdings	(234)	--
Tax benefit of stock options exercised	8	1,423
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Net cash used in financing activities	(35,274)	(5,981)
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Net increase in cash	2,105	12,690
Cash at beginning of period	8,231	332
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Cash at end of period	\$ 10,336	\$ 13,022
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Important Information

This press release contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. Some forward-looking statements may be identified by use of such terms as "believes," "anticipates," "intends," "plans," "estimates," "projects" or "expects." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially

different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our inability to maintain our historical growth rate because of a decreased volume of freight moving through our network or decreased average revenue per pound of freight moving through our network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of our customers and their ability to pay for services rendered, our ability to secure terminal facilities in desirable locations at reasonable rates, the inability of our information systems to handle an increased volume of freight moving through our 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 our 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. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Source: Forward Air Corporation