

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 0-15057

**P.A.M. TRANSPORTATION SERVICES, INC.
(Exact name of registrant as specified in its charter)**

Delaware
(State or other jurisdiction of
incorporation or organization)

71-0633135
(I.R.S. employer
identification no.)

297 West Henri De Tonti Blvd
Tontitown, Arkansas 72770
(479) 361-9111

(Address of principal executive offices, including zip code,
and telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act: Common Stock, \$.01 par value

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant computed by reference to the average of the closing bid and asked prices of the common stock as of the last business day of the registrant's most recently completed second quarter was \$164,686,259. Solely for the purposes of this response, executive officers, directors and beneficial owners of more than five percent of the registrant's common stock are considered the affiliates of the registrant at that date.

The number of shares outstanding of the issuer's common stock, as of February 28, 2004: 11,294,207 shares of \$.01 par value common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held in 2004 are incorporated by reference in answer to Part III of this report, with the exception of information regarding executive officers required under Item 10 of Part III, which information is included in Part I, Item 1.

This Report contains forward-looking statements, including statements about our operating and growth strategies, our expected financial position and operating results, industry trends, our capital expenditure and financing plans and similar matters. Such forward-looking statements are found throughout this Report, including under Item 1, Business, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 7A, Quantitative and Qualitative Disclosures About Market Risk. In those and other portions of this Report, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "project" and similar expressions, as they relate to us, our management, and our industry are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions about P.A.M. that may cause actual results to differ from these forward-looking statements are described under the headings "Business - Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk."

All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this Report might not transpire.

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to "P.A.M.," the "company," "we," "our," or "us" mean P.A.M. Transportation Services, Inc. and its subsidiaries.

PART I

Item 1. Business.

We are a truckload dry van carrier transporting general commodities throughout the continental United States, as well as in the Canadian provinces of Ontario and Quebec. We also provide transportation services in Mexico under agreements with Mexican carriers. Our freight consists primarily of automotive parts, consumer goods, such as general retail store merchandise, and manufactured goods, such as heating and air conditioning units. During 2003 we began to more aggressively enter the logistics market with the acquisition of a company which provides logistics-only services. The logistics portion of our business, as compared to trucking operations which require a significant capital equipment investment, generally have lower operating margins and higher returns on assets. Our logistics business consists of services such as transportation scheduling, routing, mode selection, transloading and other value added services related to the transportation of freight.

P.A.M. Transportation Services, Inc. is a holding company organized under the laws of the State of Delaware in June 1986 which currently conducts operations through the following wholly owned subsidiaries: P.A.M. Transport, Inc., T.T.X., Inc., P.A.M. Dedicated Services, Inc., P.A.M. Logistics Services, Inc., Choctaw Express, Inc., Choctaw Brokerage, Inc., Transcend Logistics, Inc., Allen Freight Services, Inc., Decker Transport Co., Inc., East Coast Transport and Logistics, LLC and McNeill Express, Inc. Our operating authorities are held by P.A.M. Transport, P.A.M. Dedicated Services, Inc., Choctaw Express, Inc., Choctaw Brokerage, Inc., Allen Freight Services, Inc., T.T.X., Inc., Decker Transport Co., Inc., East Coast Transport and Logistics, LLC, and McNeill Express, Inc.

We are headquartered and maintain our primary terminal and maintenance facilities and our corporate and administrative offices in Tontitown, Arkansas, which is located in northwest Arkansas, a major center for the trucking industry and where the support services (including warranty repair services) for most major tractor and trailer equipment manufacturers are readily available.

Operations

Our business strategy focuses on the following elements:

Maintaining Dedicated Fleets in High Density Lanes. We strive to maximize utilization and increase revenue per tractor while minimizing our time and empty miles between loads. In this regard, we seek to provide dedicated equipment to our customers where possible and to concentrate our equipment in defined regions and disciplined traffic lanes. During 2003, approximately 64% of our operating revenues were generated through dedicated equipment and we maintained an empty mile factor of 4.5%. Dedicated fleets in high density lanes enable us to:

- maintain more consistent equipment capacity;
- provide a high level of service to our customers, including time-sensitive delivery schedules;
- attract and retain drivers; and
- maintain a sound safety record as drivers travel familiar routes.

Providing Superior and Flexible Customer Service. Our wide range of services includes dedicated fleet services, just-in-time delivery, two-man driving teams, cross-docking and consolidation programs, specialized trailers, and Internet-based customer access to delivery status. These services, combined with a decentralized regional operating strategy, allow us to quickly and reliably respond to the diverse needs of our customers, and provide an advantage in securing new business. We also maintain ISO 9002 certification to ensure that we operate in accordance with approved quality assurance standards.

Many of our customers depend on us to make delivery on a “just-in-time” basis, meaning that parts or raw materials are scheduled for delivery as they are needed on the manufacturer’s production line. The need for this service is a product of modern manufacturing and assembly methods that are designed to drastically decrease inventory levels and handling costs. Such requirements place a premium on the freight carrier’s delivery performance and reliability.

Employing Stringent Cost Controls. We focus intently on controlling our costs while not sacrificing customer service. We maintain this balance by scrutinizing all expenditures, minimizing non-driver personnel, operating a late-model fleet of tractors and trailers to minimize maintenance costs and enhance fuel efficiency, and adopting new technology only when proven and cost justified.

Making Strategic Acquisitions. We continually evaluate strategic acquisition opportunities, focusing on those that complement our existing business or that could profitably expand our business or services. Our operational integration strategy is to centralize administrative functions of acquired businesses at our headquarters, while maintaining the localized operations of acquired businesses. We believe that allowing acquired businesses to continue to operate under their pre-acquisition names and in their original regions allows such businesses to maintain driver loyalty and customer relationships.

Industry

The U.S. market for truck-based transportation services approximates \$500 billion in annual revenue. We believe that truckload services, such as those we provide, include approximately \$65 billion of for-hire revenues and \$80 billion of private fleet revenue. The truckload industry is highly fragmented and is impacted by several economic and business factors, many of which are beyond the control of individual carriers. The state of the economy, coupled with equipment capacity levels, can impact freight rates. Volatility of various operating expenses, such as fuel and insurance, make the predictability of profit levels unclear. Availability, attraction, retention and compensation for drivers affect operating costs, as well as equipment utilization. In addition, the capital requirements for equipment, coupled with potential uncertainty of used equipment values, impact the ability of many carriers to expand their operations.

The current operating environment is characterized by the following:

- Price increases by insurance companies, rising fuel costs, and erosion of equipment values in the used truck market.
- In the last few years, many less profitable or undercapitalized carriers have been forced to consolidate or to exit the industry.

Competition

The trucking industry is highly competitive. We compete primarily with other irregular route medium- to long-haul truckload carriers, with private carriage conducted by our existing and potential customers, and, to a lesser extent, with the railroads. Increased competition has resulted from deregulation of the trucking industry and has generally exerted downward pressure on prices. We compete on the basis of quality of service and delivery performance, as well as price. Many of the other irregular route long-haul truckload carriers have substantially greater financial resources, own more equipment or carry a larger total volume of freight.

Marketing and Major Customers

Our marketing emphasis is directed to that segment of the truckload market which is generally service-sensitive, as opposed to being solely price competitive. We seek to become a “core carrier” for our customers in order to maintain high utilization and capitalize on recurring revenue opportunities. Our marketing efforts are diversified and designed to gain access to dedicated fleet services (including those in Mexico and Canada), domestic regional freight traffic, and cross-docking and consolidation programs.

Our marketing efforts are conducted by a sales staff of six employees who are located in our major markets and supervised from our headquarters. These individuals emphasize profitability by maintaining an even flow of freight traffic (taking into account the balance between originations and destinations in a given geographical area) and high utilization, and minimizing movement of empty equipment.

Our five largest customers, for which we provide carrier services covering a number of geographic locations, accounted for approximately 59%, 74% and 64% of our total revenues in 2001, 2002 and 2003, respectively. General Motors Corporation accounted for approximately 40%, 56% and 46% of our revenues in 2001, 2002 and 2003, respectively.

We also provide transportation services to other manufacturers who are suppliers for automobile manufacturers. Approximately 55%, 68% and 58% of our revenues were derived from transportation services provided to the automobile industry during 2001, 2002 and 2003, respectively. This portion of our business, however, is spread over 23 assembly plants and over 50 supplier/vendors located throughout North America, which we believe reduces the risk of a material loss of business.

Revenue Equipment

At December 31, 2003, we operated a fleet of 1,913 tractors and 4,175 trailers. We operate late-model, well-maintained premium tractors to help attract and retain drivers, promote safe operations, minimize maintenance and repair costs, and improve customer service by minimizing service interruptions caused by breakdowns. We evaluate our equipment decisions based on factors such as initial cost, useful life, warranty terms, expected maintenance costs, fuel economy, driver comfort, customer needs, manufacturer support, and resale value. Our current policy is to replace most of our tractors within 500,000 miles, which normally occurs 30 to 48 months after purchase. The following table provides information regarding our tractor and trailer turnover and the age of our fleet over the past three years:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Tractors</u>			
Additions	505	430	781
Deletions	258	309	649
End of year total	1,660	1,781	1,913
Average age at end of year (in years).....	1.8	2.1	1.9
<u>Trailers</u>			
Additions	228	127	991
Deletions	55	86	789
End of year total	3,932	3,973	4,175
Average age at end of year (in years)	5.3	5.7	5.2

We historically have contracted with owner-operators to provide and operate a small portion of our tractor fleet. Owner-operators provide their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and taxes. We believe that a combined fleet complements our recruiting efforts and offers greater flexibility in responding to fluctuations in shipper demand. At December 31, 2003 the Company's tractor fleet included 103 owner-operator tractors.

Technology

We have installed Qualcomm OmnitracTM display units in all of our tractors. The Omnitrac system is a satellite-based global positioning and communications system that allows fleet managers to communicate directly with drivers. Drivers can provide location status and updates directly to our computer which increases productivity and convenience. The Omnitrac system provides us with accurate estimated time of arrival information, which optimizes load selection and service levels to our customers. In order to optimize our tractor-to-trailer ratio, we have also installed Qualcomm TrailerTracsTM tracking units in all of our trailers. The TrailerTracs system is a tethered trailer tracking product that enables us to more efficiently track the location of all trailers in our inventory as they connect to and disconnect from Qualcomm-equipped tractors.

Our computer system manages the information provided by the Qualcomm devices to provide us real-time information regarding the location, status and load assignment of all of our equipment, which permits us to better meet delivery schedules, respond to customer inquiries and match equipment with the next available load. Our system also provides electronically to our customers real-time information regarding the status of freight shipments and anticipated arrival times. This system provides our customers flexibility and convenience by extending supply chain visibility through electronic data interchange, the Internet and e-mail.

Maintenance

We have a strictly enforced comprehensive preventive maintenance program for our tractors and trailers. Inspections and various levels of preventive maintenance are performed at set mileage intervals on both tractors and trailers. Although a significant portion of maintenance is performed at our maintenance facility in Tontitown, Arkansas, we have additional maintenance facilities in West Memphis and North Little Rock, Arkansas; Jacksonville, Florida; Effingham, Illinois; Columbia, Mississippi; Springfield, Missouri; Riverdale, New Jersey; Warren and Willard, Ohio; Oklahoma City, Oklahoma; and El Paso, Irving and Laredo, Texas. These facilities enhance our preventive and routine maintenance operations and are strategically located on major transportation routes where a majority of our freight originates and terminates. A maintenance and safety inspection is performed on all vehicles each time they return to a terminal.

Our tractors carry full warranty coverage for at least three years or 350,000 miles. Extended warranties are negotiated with the tractor manufacturer and manufacturers of major components, such as engine, transmission and differential manufacturers, for up to four years or 500,000 miles. Trailers carry full warranties by the manufacturer and major component manufacturers for up to five years.

Drivers

At December 31, 2003, we utilized 2,235 company drivers in our operations. We also had 103 owner-operators under contract compensated on a per mile basis. All of our drivers are recruited, screened, drug tested and trained and are subject to the control and supervision of our operations and safety departments. Our driver training program stresses the importance of safety and reliable, on-time delivery. Drivers are required to report to their driver managers daily and at the earliest possible moment when any condition en route occurs that might delay their scheduled delivery time.

In addition to strict application screening and drug testing, before being permitted to operate a vehicle our drivers must undergo classroom instruction on our policies and procedures, safety techniques as taught by the Smith System of Defensive Driving, and the proper operation of equipment, and must pass both written and road tests. Instruction in defensive driving and safety techniques continues after hiring, with seminars at our terminals in Tontitown, Arkansas; Jacksonville, Florida; Riverdale, New Jersey; Warren, Ohio; Oklahoma City, Oklahoma; and Irving, Texas. At December 31, 2003, we employed 72 persons on a full-time basis in our driver recruiting, training and safety instruction programs.

Our drivers are compensated on the basis of miles driven, loading and unloading, extra stops and layovers in transit. Drivers can earn bonuses by recruiting other qualified drivers who become employed by us and both cash and non-cash prizes are awarded for consecutive periods of safe, accident-free driving.

Intense competition in the trucking industry for qualified drivers over the last several years, along with difficulties and added expense in recruiting and retaining qualified drivers, has had a negative impact on the industry. Our operations have also been impacted and from time to time we have experienced under-utilization and increased expenses due to a shortage of qualified drivers. We place a high priority on the recruitment and retention of an adequate supply of qualified drivers.

Facilities

We are headquartered and maintain our primary terminal, maintenance facilities and corporate and administrative offices in Tontitown, Arkansas, which is located in northwest Arkansas, a major center for the trucking industry and where support services, including warranty repair services, for most major tractor and trailer equipment manufacturers are readily available. We also maintain dispatch offices at our headquarters in Tontitown, Arkansas, as well as at our offices in North Little Rock, Arkansas; Jacksonville, Florida; Breese, Illinois; Columbia, Mississippi; Warren and Willard, Ohio; Oklahoma City, Oklahoma; Riverdale and Paulsboro, New Jersey; and Irving and Laredo, Texas. These regional dispatch offices facilitate communications with both our customers and drivers.

Internet Web Site

The Company maintains a web site where additional information concerning its business can be found. The address of that web site is www.pamt.com. The Company makes available free of charge on its Internet web site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after it electronically files or furnishes such materials to the SEC.

Employees

At December 31, 2003, we employed 2,765 persons, of whom 2,235 were drivers, 151 were maintenance personnel, 210 were employed in operations, 24 were employed in marketing, 72 were employed in safety and personnel, and 73 were employed in general administration and accounting. None of our employees are represented by a collective bargaining unit and we believe that our employee relations are good.

Regulation

We are a common and contract motor carrier regulated by various federal and state agencies. We are subject to safety requirements prescribed by the U.S. Department of Transportation (“DOT”). Such matters as weight and dimension of equipment are also subject to federal and state regulations. All of our drivers are required to obtain national driver’s licenses pursuant to the regulations promulgated by the DOT. Also, DOT regulations impose mandatory drug and alcohol testing of drivers. We believe that we are in compliance in all material respects with applicable regulatory requirements relating to our trucking business and operate with a “satisfactory” rating (the highest of three grading categories) from the DOT.

The trucking industry is subject to possible regulatory and legislative changes (such as increasingly stringent environmental, safety and security regulations and limits on vehicle weight and size) that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. These types of future regulations could unfavorably affect our operations.

Executive Officers of the Registrant

Our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>	<u>Years of Service With P.A.M.</u>
Robert W. Weaver	54	President and Chief Executive Officer	21
W. Clif Lawson	50	Executive Vice President and Chief Operating Officer	19
Larry J. Goddard	45	Vice President - Finance, Chief Financial Officer, Secretary and Treasurer	16

Each of our executive officers has held his present position with the company for at least the last five years. We have entered into employment agreements with our executive officers with terms remaining of from three to sixteen months.

Risk Factors

Set forth below and elsewhere in this Report and in other documents we file with the SEC are risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Report.

Our business is subject to general economic and business factors that are largely out of our control, any of which could have a material adverse effect on our operating results.

These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the trucking industry, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers and independent contractors.

We are also affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries, such as the automotive industry, where we have a significant concentration of customers. Economic conditions may adversely affect our customers and their ability to pay for our services. It is not possible to predict the medium- or long-term effects of the September 11, 2001 terrorist attacks and subsequent events on the economy or on customer confidence in the United States, or the impact, if any, on our future results of operations.

We operate in a highly competitive and fragmented industry, and our business may suffer if we are unable to adequately address downward pricing pressures and other factors that may adversely affect our ability to compete with other carriers.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- we compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers and railroads, some of which have more equipment and greater capital resources than we do;
- some of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates, maintain our margins or maintain significant growth in our business;
- many customers reduce the number of carriers they use by selecting so-called “core carriers” as approved service providers, and in some instances we may not be selected;
- many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some of our business to competitors;
- the trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size and with whom we may have difficulty competing;
- advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments;
- competition from Internet-based and other logistics and freight brokerage companies may adversely affect our customer relationships and freight rates; and
- economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

We are highly dependent on our major customers, the loss of one or more of which could have a material adverse effect on our business.

A significant portion of our revenue is generated from our major customers. For 2003, our top five customers, based on revenue, accounted for approximately 64% of our revenue, and our largest customer, General Motors Corporation, accounted for approximately 46% of our revenue. We also provide transportation services to other manufacturers who are suppliers for automobile manufacturers. As a result, concentration of our business within the automobile industry is greater than the concentration in a single customer. Approximately 58% of our revenues for 2003 were derived from transportation services provided to the automobile industry.

Generally, we do not have long-term contractual relationships with our major customers, and we cannot assure that our customer relationships will continue as presently in effect. A reduction in or termination of our services by our major customers could have a material adverse effect on our business and operating results.

We may be unable to successfully integrate businesses we acquire into our operations.

Integrating businesses we acquire may involve unanticipated delays, costs or other operational or financial problems. Successful integration of the businesses we acquire depends on a number of factors, including our ability to transition acquired companies to our management information systems. In integrating businesses we acquire, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. We also face the risk that an unexpected problem at one of the companies we acquire will require substantial time and attention from senior management, diverting management's attention from other aspects of our business. We cannot be certain that our management and operational controls will be able to support us as we grow.

Difficulty in attracting drivers could affect our profitability and ability to grow.

Periodically, the transportation industry experiences difficulty in attracting and retaining qualified drivers, including independent contractors, resulting in intense competition for drivers. We have from time to time experienced under-utilization and increased expenses due to a shortage of qualified drivers. If we are unable to continue to attract drivers and contract with independent contractors, we could be required to adjust our driver compensation package or let trucks sit idle, which could adversely affect our growth and profitability.

If we are unable to retain our key employees, our business, financial condition and results of operations could be harmed.

We are highly dependent upon the services of the following key employees: Robert W. Weaver, our President and Chief Executive Officer; W. Clif Lawson, our Executive Vice President and Chief Operating Officer; and Larry J. Goddard, our Vice President and Chief Financial Officer. We do not maintain key-man life insurance on any of these executives. The loss of any of their services could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. We cannot assure that we will be able to do so.

Increased prices for new revenue equipment and decreases in the value of used revenue equipment may adversely affect our earnings and cash flows.

In the past, we have acquired new tractors and trailers at favorable prices and traded or disposed of them at prices significantly higher than current market values. There is currently a large supply of used tractors and trailers on the market, which has depressed the market value of used equipment to levels significantly below the values we historically received. In addition, some manufacturers have communicated their intention to raise the prices of new equipment. If either or both of these events occur, we may increase our depreciation expense or recognize less gain (or a loss) on the disposition of our tractors and trailers. This could adversely affect our earnings and cash flows.

We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations.

The trucking industry is very capital intensive. If we are unable to generate sufficient cash from operations in the future, we may have to limit our growth, enter into financing arrangements, or operate our revenue equipment for longer periods, any of which could have a material adverse affect on our profitability.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of stormwater. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination could occur. We also maintain bulk fuel storage and fuel islands at three of our facilities. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.

The U.S. Department of Transportation and various state agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety, and financial reporting. We may also become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours in service, and ergonomics. Compliance with such regulations could substantially impair equipment productivity and increase our operating expenses.

Item 2. Properties.

Our executive offices and primary terminal facilities, which we own, are located in Tontitown, Arkansas. These facilities are located on approximately 49.3 acres and consist of 114,403 square feet of office space and maintenance and storage facilities.

Our subsidiaries lease terminal facilities in West Memphis, Arkansas; Jacksonville, Florida; Springfield, Missouri; Riverdale and Paulsboro, New Jersey; Warren, Ohio; Oklahoma City, Oklahoma; and Laredo, and El Paso, Texas. Our terminal facilities in Columbia, Mississippi; Irving, Texas; North Little Rock, Arkansas; and Willard, Ohio are owned. The leased facilities are leased primarily on a month-to-month basis, and provide on-the-road maintenance and trailer drop and relay stations.

We also have access to trailer drop and relay stations in various other locations across the country. We lease certain of these facilities on a month-to-month basis from an affiliate of our largest shareholder.

We believe that all of the properties that we own or lease are suitable for their purposes and adequate to meet our needs.

Item 3. Legal Proceedings.

The nature of the our business routinely results in litigation, primarily involving claims for personal injuries and property damage incurred in the transportation of freight. We believe that all such routine litigation is adequately covered by insurance and that adverse results in one or more of those cases would not have a material adverse effect on our financial condition.

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

No matters were submitted to a vote of our security holders during the fourth quarter ended December 31, 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Our common stock is traded on the NASDAQ National Market under the symbol PTSI. The following table sets forth, for the quarters indicated, the range of the high and low bid prices per share for our common stock as reported on the NASDAQ National Market. The bid prices in the tables below do not include retail mark-up, mark-down or commission.

Calendar Year Ended December 31, 2003

	<u>High</u>	<u>Low</u>
First Quarter	\$28.17	\$20.25
Second Quarter	26.55	21.00
Third Quarter	22.99	19.80
Fourth Quarter	22.31	18.10

Calendar Year Ended December 31, 2002

	<u>High</u>	<u>Low</u>
First Quarter	\$26.00	\$12.68
Second Quarter	27.55	22.25
Third Quarter	26.23	18.89
Fourth Quarter	26.30	18.15

As of March 8, 2004, there were approximately 208 holders of record of our common stock. We have not declared or paid any cash dividends on our common stock. The policy of our board of directors is to retain earnings for the expansion and development of our business and the repayment of our debt service obligations. Future dividend policy and the payment of dividends, if any, will be determined by the board of directors in light of circumstances then existing, including our earnings, financial condition and other factors deemed relevant by the board.

Item 6. Selected Financial Data.

The following selected financial and operating data should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Report.

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share amounts)				
Statement of operations data:					
Operating revenues.....	\$ 293,547	\$ 264,012	\$ 225,794	\$ 205,245	\$ 207,381
Operating expenses:					
Salaries, wages and benefits.....	119,350	115,432	100,359	90,680	90,248
Operating supplies.....	55,750	51,161	43,289	37,728	35,246
Rent and purchased transportation.....	35,287	9,780	10,526	12,542	13,309
Depreciation and amortization.....	26,601	24,715	20,300	18,806	18,392
Operating taxes and licenses.....	14,710	13,467	11,936	11,140	11,334
Insurance and claims.....	13,500	12,786	10,202	8,674	7,945
Communications and utilities.....	2,540	2,284	2,320	2,234	2,365
Other.....	4,755	4,620	4,707	3,756	4,388
(Gain) loss on sale or disposal of property.....	368	127	886	285	(301)
Total operating expenses.....	272,861	234,372	204,525	185,845	182,926
Operating income.....	20,686	29,640	21,269	19,400	24,455
Non-operating income.....	276	-	-	-	-
Interest expense.....	(1,677)	(1,985)	(4,477)	(5,048)	(5,650)
Income before income taxes.....	19,295	27,655	16,792	14,352	18,805
Income taxes.....	7,805	11,062	6,721	5,694	7,536
Net income.....	\$ 11,490	\$ 16,593	\$ 10,071	\$ 8,658	\$ 11,269
Earnings per common share:					
Basic.....	\$ 1.02	\$ 1.56	\$ 1.18	\$ 1.02	\$ 1.34
Diluted.....	\$ 1.01	\$ 1.55	\$ 1.18	\$ 1.02	\$ 1.33
Average common shares outstanding - Basic.....	11,291	10,669	8,522	8,455	8,393
Average common shares outstanding - Diluted(1).....	11,326	10,715	8,550	8,518	8,488

(1) Diluted income per share for 2003, 2002, 2001, 2000 and 1999 assumes the exercise of stock options to purchase an aggregate of 65,258, 87,984, 107,369, 208,602 and 262,097 shares of common stock, respectively.

	At December 31,				
	2003	2002	2001	2000	1999
	(in thousands)				
Balance Sheet Data:					
Total Assets.....	\$264,849	\$228,320	\$182,516	\$164,518	\$168,961
Long-term debt, excluding current portion.....	26,740	20,175	47,023	42,073	55,617
Stockholders' equity.....	156,875	144,452	72,597	62,210	53,365

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Operating Data:					
Operating ratio (1)	92.9%	88.7%	90.6%	90.5%	88.2%
Average number of truckloads per week	7,105	6,463	5,399	5,169	4,885
Average miles per trip	701	755	769	713	734
Total miles traveled (in thousands)	242,890	238,256	204,303	183,476	186,355
Average miles per tractor	131,934	136,772	131,554	128,936	128,966
Average revenue per tractor per day	\$ 653	\$ 621	\$ 591	\$ 579	\$ 570
Average revenue per loaded mile	\$ 1.13	\$ 1.15	\$ 1.17	\$ 1.18	\$ 1.18
Empty mile factor	4.5%	4.0%	5.5%	5.6%	5.4%
At end of period:					
Total company-owned/leased tractors	1,913(2)	1,781(3)	1,660(4)	1,413(5)	1,468(6)
Average age of all tractors (in years)	1.94	2.12	1.81	1.72	1.64
Total trailers	4,175	3,973	3,932	3,759	3,846(7)
Average age of trailers (in years)	5.15	5.74	5.31	4.66	3.97
Number of employees	2,765	2,538	2,424	2,154	1,899

(1) Total operating expenses as a percentage of total operating revenues.

(2) Includes 103 owner operator tractors.

(3) Includes 130 owner operator tractors.

(4) Includes 135 owner operator tractors.

(5) Includes 117 owner operator tractors.

(6) Includes 148 owner operator tractors.

(7) Includes 21 trailers leased from an affiliate of our majority shareholder.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements. The policies described below represent those that are broadly applicable to the Company's operations and involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related amounts.

Accounts Receivable. We continuously monitor collections and payments from our customers, third party and vendor receivables and maintain a provision for estimated credit losses based upon our historical experience and any specific collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past.

Property, plant and equipment. Management must use its judgment in the selection of estimated useful lives and salvage values for purposes of depreciating tractors and trailers which do not have guaranteed residual values. Estimates of salvage value at the expected date of trade-in or sale are based on the expected market values of equipment at the time of disposal which, in many cases include guaranteed residual values by the manufacturers.

Self Insurance. The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported (IBNR) claims. IBNR claims are estimated using historical information and other data either provided by outside claims administrators or developed internally. This estimation process is subjective, and to the extent that future actual results differ from original estimates, adjustments to recorded accruals may be necessary.

Revenue Recognition. Revenue is recognized in full upon completion of delivery to the receivers location. For freight in transit at the end of a reporting period, the Company recognizes revenue prorata based on relative transit miles completed as a portion of the estimated total transit miles with estimated expenses recognized upon recognition of the related revenue.

Prepaid Tires. Tires purchased with revenue equipment are capitalized as a cost of the related equipment. Replacement tires are included in prepaid expenses and deposits and are amortized over a 24-month period. Substantially all tires are recapped with the cost of recapping expensed when incurred.

Business Combinations and Goodwill. Upon acquisition of an entity, the cost of the acquired entity must be allocated to assets and liabilities acquired. Identification of intangible assets, if any, that meet certain recognition criteria is necessary. This identification and subsequent valuation requires significant judgments. The carrying value of goodwill was tested for impairment on December 31, 2003. The impairment testing requires an estimate of the value of the Company as a whole, as the Company has determined it only has one reporting unit as defined in SFAS No. 142.

Results of Operations

The following table sets forth the percentage relationship of revenue and expense items to operating revenues for the periods indicated.

	Years Ended December 31,		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Operating revenues	100.0%	100.0%	100.0%
Operating expenses:			
Salaries, wages and benefits	40.7	43.7	44.4
Operating supplies	19.0	19.4	19.2
Rent and purchased transportation.....	12.0	3.7	4.7
Depreciation and amortization.....	9.0	9.4	9.0
Operating taxes and licenses.....	5.0	5.1	5.3
Insurance and claims.....	4.6	4.8	4.5
Communications and utilities	0.9	0.9	1.0
Other	1.6	1.7	2.1
Loss on sale or disposal of property	<u>0.1</u>	<u>0.0</u>	<u>0.4</u>
Total operating expenses	<u>92.9</u>	<u>88.7</u>	<u>90.6</u>
Operating income.....	7.1	11.3	9.4
Non-operating income	0.1	0.0	0.0
Interest expense.....	<u>(0.6)</u>	<u>(0.8)</u>	<u>(2.0)</u>
Income before income taxes	6.6	10.5	7.4
Federal and state income taxes	<u>2.7</u>	<u>4.2</u>	<u>3.0</u>
Net income.....	<u>3.9%</u>	<u>6.3%</u>	<u>4.4%</u>

2003 Compared to 2002

For the year ended December 31, 2003, our revenues were \$293.5 million as compared to \$264.0 million for the year ended December 31, 2002. The increase in revenues was due to the revenues generated by East Coast Transport, Inc. and McNeill Express, Inc., which were each acquired during 2003. During 2003, East Coast Transport, Inc. and McNeill Express, Inc. revenues were approximately \$30.5 million and \$10.2 million, respectively. The additional revenues generated by the two acquisitions were partially offset by a decrease in revenues attributable to a decrease in equipment utilization by the truckload operations portion of our business. This decrease in equipment utilization resulted in a 4.9% decrease in average truckload revenue generated per tractor each work day from \$596 in 2002 to \$567 in 2003.

Salaries, wages and benefits decreased from 43.7% of revenues in 2002 to 40.7% of revenues in 2003. The decrease relates to a decrease in company driver wages as a percentage of revenues due to the reliance on third party drivers for our logistics operations which is reflected as purchased transportation costs as discussed below. The decrease, as a percentage of revenues, was partially offset by increases in workers compensation and health insurance costs.

Rent and purchased transportation increased from 3.7% of revenues in 2002 to 12.0% of revenues in 2003. The increase relates primarily to the logistics operations of East Coast Transport, Inc. which purchases transportation services from other transportation companies.

Depreciation and amortization decreased from 9.4% of revenues in 2002 to 9.0% of revenues in 2003. The decrease, as a percentage of revenues, was primarily due to the additional revenues generated by our logistics operations which have no corresponding revenue equipment depreciation expense. Excluding the dilutive effect of the revenues generated by our logistics operations, depreciation and amortization expense increased from 9.8% of truckload revenue in 2002 to 10.4% of truckload revenue in 2003 due to the combined effect of higher purchase prices for new equipment and lower guaranteed residual values offered by the manufacturer.

Our effective tax rate increased from 40.0% during 2002 to 40.4% during 2003 due to an increase in partially non-deductible per-diem payments to drivers. The decrease in income from operations also resulted in a decrease in the provision for income taxes from \$11.1 million in 2002 to \$7.9 million in 2003.

Net income decreased to \$11.5 million, or 3.9% of revenues, in 2003 from \$16.6 million, or 6.3% of revenues in 2002, representing a decrease in diluted net income per share to \$1.02 in 2003 from \$1.55 in 2002.

2002 Compared to 2001

For the year ended December 31, 2002, our revenues were \$264.0 million as compared to \$225.8 million for the year ended December 31, 2001. The increase was due to improved utilization of existing revenue equipment and an increase in the average number of tractors from 1,553 in 2001 to 1,742 in 2002. Improved utilization of existing revenue equipment resulted in a 5.1% increase in average revenue generated per tractor each work day from \$591 in 2001 to \$621 in 2002.

Salaries, wages and benefits decreased from 44.4% of revenues in 2001 to 43.7% of revenues in 2002. While total salaries and wages costs did increase during 2002, the increase in revenues caused these costs to continue at approximately the same percentage of revenue. The decrease, as a percent of revenues, relates to a decrease in the amount reserved for employee health claims incurred but not reported.

Rent and purchased transportation decreased from 4.7% of revenues in 2001 to 3.7% of revenues in 2002. The decrease relates primarily to a decrease in amounts paid to other transportation companies in the form of brokerage fees thereby resulting in a shift of costs for driver wages, fuel and equipment costs, although to a lesser extent, to the Company's other operating expense categories.

Depreciation and amortization increased from 9.0% of revenues in 2001 to 9.4% of revenues in 2002. The increase was primarily due to the combined effect of higher purchase prices for new equipment and lower guaranteed residual values offered by the manufacturer.

Insurance and claims increased from 4.5% of revenues in 2001 to 4.8% of revenues in 2002. The increase relates primarily to an increase in rates for auto liability insurance coverage.

Other expenses decreased from 2.1% of revenues in 2001 to 1.7% of revenues in 2002. The decrease relates primarily to the expiration of non-compete agreements with certain employees of a previously acquired company.

Interest expense decreased from 2.0% of revenues in 2001 to 0.8% of revenues in 2002 due to a decrease in interest rates and to the repayment of debt as discussed in the "Liquidity and Capital Resources" section of this report.

Our effective tax rate remained constant at 40.0% during 2001 and 2002, however, increased net income resulted in an increase in the provision for income taxes from \$6.7 million in 2001 to \$11.1 million in 2002.

Net income increased to \$16.6 million, or 6.3% of revenues, in 2002 from \$10.1 million, or 4.4% of revenues in 2001, representing an increase in diluted net income per share to \$1.55 in 2002 from \$1.18 in 2001.

Quarterly Results of Operations

The following table presents selected consolidated financial information for each of our last eight fiscal quarters through December 31, 2003. The information has been derived from unaudited consolidated financial statements that, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the quarterly information.

	Quarter Ended							
	Mar. 31, <u>2002</u>	June 30, <u>2002</u>	Sept. 30, <u>2002</u>	Dec. 31, <u>2002</u>	Mar. 31, <u>2003</u>	June 30, <u>2003</u>	Sept. 30, <u>2003</u>	Dec. 31, <u>2003</u>
	(in thousands, except earnings per share data)							
Operating revenues	\$63,313	\$70,841	\$65,034	\$64,824	\$70,139	\$74,956	\$74,216	\$74,236
Total operating expenses	56,331	62,082	58,061	57,898	65,185	67,896	68,899	70,881
Operating income	6,982	8,759	6,973	6,926	4,954	7,060	5,317	3,355
Net income	3,606	5,034	3,958	3,995	2,818	4,047	2,965	1,660
Earnings per common share:								
Basic	<u>\$0.40</u>	<u>\$0.45</u>	<u>\$0.35</u>	<u>\$0.36</u>	<u>\$0.25</u>	<u>\$0.36</u>	<u>\$0.26</u>	<u>\$0.15</u>
Diluted	<u>\$0.40</u>	<u>\$0.45</u>	<u>\$0.35</u>	<u>\$0.35</u>	<u>\$0.25</u>	<u>\$0.36</u>	<u>\$0.26</u>	<u>\$0.14</u>

Liquidity and Capital Resources

During 2003, we generated \$37.9 million in cash from operating activities compared to \$48.9 million and \$31.4 million in 2002 and 2001, respectively. Investing activities used \$68.4 million in cash during 2003 compared to \$30.4 million and \$36.7 million in 2002 and 2001, respectively. The cash used in all three years related primarily to the purchase of revenue equipment (tractors and trailers) used in our operations. Financing activities generated \$2.8 million in cash during 2003 compared to cash generated by financing activities of \$11.4 million in 2002 and \$5.7 million in 2001. (See Cash Flow Statement on page 31.)

Our primary use of funds is for the purchase of revenue equipment. We typically use our existing lines of credit on an interim basis, in addition to cash flows from operations, to finance capital expenditures and repay long-term debt. During 2002 and 2003, we utilized cash on hand and our lines of credit to finance revenue equipment purchases for an aggregate of \$35.9 million and \$69.6 million, respectively.

Occasionally we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 36 to 48 months. At December 31, 2003, we had outstanding indebtedness under such installment notes of approximately \$94,000. As of February 28, 2004, we no longer had any outstanding indebtedness under such installment notes.

We maintain a \$20.0 million revolving line of credit and a \$30.0 million revolving line of credit (Line A and Line B, respectively) with separate financial institutions. Amounts outstanding under Line A bear interest at LIBOR (determined as of the first day of each month) plus 1.40%, are secured by our accounts receivable and mature on May 31, 2005. At December 31, 2003, \$4.2 million, including \$1.3 million in letters of credit were outstanding under Line A, with availability to borrow \$15.8 million. Amounts outstanding under Line B bear interest at LIBOR (on the last day of the previous month) plus 1.15%, are secured by revenue equipment and mature on June 30, 2005. At December 31, 2003, \$27.0 million, including \$7.0 million in letters of credit were outstanding with availability to borrow \$3.0 million. In an effort to reduce interest rate risk associated with these floating rate facilities, we have entered into interest rate swap agreements in an aggregate notional amount of \$20.0 million. For additional information regarding the interest rate swap agreements, see Item 7A of this Report.

During March and April 2002, the Company received net proceeds of approximately \$54.5 million from a public offering of 2,621,250 shares of its common stock. The Company repaid approximately \$43.0 million of long-term debt obligations with the proceeds and used the remaining proceeds to fund its capital expenditures and to finance general working capital needs.

During the year ended December 31, 2003, we purchased approximately \$4.0 million of equity securities with excess cash. These securities appreciated approximately \$1.6 million during 2003. The Company has developed a strategy to invest in securities from which it expects to receive dividends that qualify for favorable tax treatment, as well as, appreciate in value. The Company anticipates that increases in the market value of the investments combined with dividend payments will exceed interest rates paid on borrowings for the same period. The holding term depends largely on the general economic environment, the equity markets, borrowing rates and the Company's cash requirements.

Accounts receivable increased approximately \$12.0 million as compared to December 31, 2002. The increase relates to an increase of approximately \$6.5 million generated by the two businesses acquired during 2003 and to an increase in revenues earned but not yet billed as compared to 2002.

Prepaid expenses and deposits at December 31, 2003 increased approximately \$3.0 million as compared to December 31, 2002. The increase relates primarily to the prepayment of auto liability and physical damage insurance policies expiring in August 2004 which in past years, expired on a calendar year basis.

Trade accounts payable at December 31, 2003 increased approximately \$6.6 million as compared to December 31, 2002. This is a normal fluctuation that occurs as a result of the timing of regularly scheduled check runs and how they fall in relation to the end of a period.

For 2004, we expect to purchase approximately 415 new tractors and approximately 310 trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$26.5 million. Management expects that the Company's existing operating cash flows and its available lines of credit will be sufficient to meet the Company's present capital commitments, to repay indebtedness coming due, and to fund its operating needs, during 2004.

On January 31, 2003, the Company closed the purchase of substantially all of the assets of East Coast Transport and Logistics, Inc., a freight brokerage operation based in New Jersey. In connection with this acquisition, the Company issued to the seller an installment note in the amount of approximately \$5.0 million at an interest rate of 6% and paid cash of approximately \$1.9 million utilizing existing cash.

On April 3, 2003, the Company closed the purchase of substantially all of the assets of McNeill Trucking, Inc., a truckload carrier based in North Little Rock, Arkansas. In connection with this acquisition, the Company paid cash of approximately \$8.8 million and assumed liabilities of approximately \$70,000.

Contractual Obligations and Commercial Commitments

The following table sets forth the Company's contractual obligations and commercial commitments as of December 31, 2003 (in thousands):

	<u>Total</u>	<u>Payments due by period</u>			
		<u>Less than 1 year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>More than 5 Years</u>
Long-term debt.....	\$28,779	\$2,039	\$24,218	\$ 1,474	\$ 1,048
Operating leases (1).....	1,573	582	487	336	168
Capital leases.....	-	-	-	-	-
Purchase obligations (2).....	41,165	41,165	-	-	-
Other long-term liabilities	-	-	-	-	-
Total	<u>\$71,517</u>	<u>\$43,786</u>	<u>\$24,705</u>	<u>\$ 1,810</u>	<u>\$ 1,216</u>

(1) Represents building and facilities operating leases.

(2) Represents tractor and trailer purchase obligations which are cancelable by us contingent upon advance notice.

Insurance

With respect to physical damage for tractors, cargo loss and auto liability, the Company maintains insurance coverage to protect it from certain business risks. These policies are with various carriers and have per occurrence deductibles of \$2,500, \$10,000 and \$2,500 respectively. The Company elected in 2002 and 2003 to self insure itself for physical damage to trailers. During 2003, the Company changed its workers' compensation coverage in Arkansas, Oklahoma, Mississippi, Ohio and Florida from a fully insured policy with a \$350,000 per occurrence deductible to become self insured with a \$500,000 per occurrence excess policy. The Company has elected to opt out of workers' compensation coverage in Texas and is providing coverage through the P.A.M. Texas Injury Plan. The Company has reserved for estimated losses to pay such claims as well as claims incurred but not yet reported. The Company has not experienced any adverse trends involving differences in claims experienced versus claims estimates for workers' compensation claims. Letters of credit aggregating \$3,433,000 are held by a bank as security for workers' compensation claims. The Company self insures for employee health claims with a stop loss of \$150,000 per covered employee per year and estimates its liability for claims incurred but not reported.

Seasonality

Our revenues do not exhibit a significant seasonal pattern, due primarily to our varied customer mix. Operating expenses can be somewhat higher in the winter months, primarily due to decreased fuel efficiency and increased maintenance costs associated with inclement weather. In addition, the automobile plants for which we transport a large amount of freight typically utilize scheduled shutdowns of two weeks in July and one week in December and the volume of freight we ship is reduced during such scheduled plant shutdowns.

Inflation

Inflation has an impact on most of our operating costs. Recently, the effect of inflation has been minimal.

Competition for drivers has increased in recent years, leading to increased labor costs. While increases in fuel and driver costs affect our operating costs, we do not believe that the effects of such increases are greater for us than for other trucking concerns.

Adoption of Accounting Policies

See "Item 8. Financial Statements and Supplementary Data, Note 1 to the Consolidated Financial Statements - Recent Accounting Pronouncements."

Item 7A. Quantitative and Qualitative Disclosure about Market Risk.

Our primary market risk exposures include commodity price risk (the price paid to obtain diesel fuel for our tractors) and interest rate risk. The potential adverse impact of these risks and the general strategies we employ to manage such risks are discussed below.

The following sensitivity analyses do not consider the effects that an adverse change may have on the overall economy nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results of changes in prices or rates may differ materially from the hypothetical results described below.

Commodity Price Risk

Prices and availability of all petroleum products are subject to political, economic and market factors that are generally outside of our control. Accordingly, the price and availability of diesel fuel, as well as other petroleum products, can be unpredictable. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. For 2003 and 2002, fuel expenses represented 15.7% and 15.0%, respectively, of our total operating expenses. Based upon our 2003 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$4.3 million.

In August 2000 and July 2001, we entered into agreements to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under these agreements, we were obligated to purchase minimum amounts of diesel fuel per month, with a price protection component, for the six month periods ended March 31, 2001 and February 28, 2002. The agreements also provide that if during the 48 months commencing April 2001, the price of heating oil on the New York Mercantile Exchange ("NY MX HO") falls below \$.58 per gallon, we are obligated to pay, for a maximum of twelve different months selected by the contract holder during such 48-month period, the difference between \$.58 per gallon and NY MX HO average price, multiplied by 900,000 gallons. Accordingly, in any month in which the holder exercises such right, we would be obligated to pay the holder \$9,000 for each cent by which \$.58 exceeds the average NY MX HO price for that month. For example, the NY MX HO average price during February 2002 was approximately \$.54, and if the holder were to exercise its payment right, we would be obligated to pay the holder approximately \$36,000. In addition, if during any month in the twelve-month period commencing January 2005, the average NY MX HO is below \$.58 per gallon, we will be obligated to pay the contract holder the difference between \$.58 and the average NY MX HO price for such month, multiplied by 1,000,000 gallons. The agreements are stated at their fair value of \$750,000 which is included in accrued liabilities in the accompanying Consolidated Financial Statements.

Interest Rate Risk

Our two lines of credit each bear interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are effected by changes in interest rates generally, will affect the interest rate on, and therefore our costs under, the lines of credit. In an effort to manage the risks associated with changing interest rates, we entered into interest rate swap agreements effective February 28, 2001 and May 31, 2001, on notional amounts of \$15,000,000 and \$5,000,000, respectively. The “pay fixed rates” under the \$15,000,000 and \$5,000,000 swap agreements are 5.08% and 4.83%, respectively. The “receive floating rate” for both swap agreements is “1-month” LIBOR. These interest rate swap agreements terminate on March 2, 2006 and June 2, 2006, respectively. Assuming \$20.0 million of variable rate debt was outstanding under each of Line A and Line B for a full fiscal year, a hypothetical 100 basis point increase in LIBOR would result in approximately \$200,000 of additional interest expense, net of the effect of the swap agreements. For additional information with respect to the interest rate swap agreements, see Note 15 to our consolidated financial statements.

Item 8. Financial Statements and Supplementary Data.

The following statements are filed with this report:

Report of Independent Public Accountants

Consolidated Balance Sheets - December 31, 2003 and 2002

Consolidated Statements of Income - Years ended December 31, 2003, 2002 and 2001

Consolidated Statements of Shareholders' Equity - Years ended December 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows - Years ended December 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

Board of Directors
P.A.M. Transportation Services, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of P.A.M. Transportation Services, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements for the year ended December 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 21, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of P.A.M. Transportation Services, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill to conform to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002.

Deloitte & Touche LLP

Little Rock, Arkansas
March 10, 2004

THE FOLLOWING IS A COPY OF A REPORT ISSUED BY ARTHUR ANDERSEN LLP AND INCLUDED IN THE 2001 FORM 10-K REPORT FILED ON MARCH 1, 2002. THIS REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP, AND ARTHUR ANDERSEN LLP HAS NOT CONSENTED TO ITS USE IN THIS FORM 10-K. SEE ITEM 9 AND EXHIBIT 23.2 FOR MORE INFORMATION.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
P.A.M. Transportation Services, Inc.:

We have audited the accompanying consolidated balance sheets of P.A.M. Transportation Services, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of P.A.M. Transportation Services, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Tulsa, Oklahoma
February 21, 2002

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(In thousands)

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,064	\$ 30,766
Accounts receivable—net:		
Trade	46,120	34,231
Other	1,150	1,221
Inventories	653	411
Prepaid expenses and deposits	6,771	3,647
Marketable equity securities available-for-sale	5,492	
Deferred income taxes		127
Income taxes refundable	<u>1,256</u>	<u>281</u>
Total current assets	64,506	70,684
PROPERTY AND EQUIPMENT:		
Land	2,674	2,237
Structures and improvements	9,258	7,552
Revenue equipment	249,713	215,509
Service vehicles	911	805
Office furniture and equipment	<u>6,863</u>	<u>7,056</u>
Accumulated depreciation	<u>269,419</u> <u>(86,689)</u>	<u>233,159</u> <u>(85,787)</u>
	182,730	147,372
OTHER ASSETS:		
Goodwill	15,413	8,102
Other	<u>2,200</u>	<u>2,162</u>
	<u>17,613</u>	<u>10,264</u>
TOTAL	<u>\$ 264,849</u>	<u>\$ 228,320</u>

(Continued)

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(In thousands, except share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002
CURRENT LIABILITIES:		
Trade accounts payable	\$ 22,295	\$ 15,725
Accrued expenses and other liabilities	11,167	9,601
Current portion of long-term debt	2,039	1,017
Deferred income taxes—current	<u>1,330</u>	<u> </u>
Total current liabilities	36,831	26,343
Long-term debt—less current portion	26,740	20,175
Deferred income taxes	43,708	37,350
Other	695	
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value:		
Authorized shares—10,000,000		
Issued and outstanding shares: 0 at December 31, 2003 and 2002		
Common stock, \$.01 par value:		
Authorized shares—40,000,000		
Issued and outstanding shares: 11,294,207 and 11,282,207 at December 31, 2003 and 2002, respectively	113	113
Additional paid-in capital	75,957	76,193
Accumulated other comprehensive gain/(loss)	164	(1,005)
Retained earnings	<u>80,641</u>	<u>69,151</u>
Total shareholders' equity	<u>156,875</u>	<u>144,452</u>
TOTAL	<u>\$ 264,849</u>	<u>\$ 228,320</u>

See notes to consolidated financial statements.

(Concluded)

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 (In thousands, except share data)

	2003	2002	2001
OPERATING REVENUES	\$ 293,547	\$ 264,012	\$ 225,794
OPERATING EXPENSES AND COSTS:			
Salaries, wages, and benefits	119,350	115,432	100,359
Operating supplies and expenses	55,750	51,161	43,289
Rents and purchased transportation	35,287	9,780	10,526
Depreciation and amortization	26,601	24,715	20,300
Operating taxes and licenses	14,710	13,467	11,936
Insurance and claims	13,500	12,786	10,202
Communications and utilities	2,540	2,284	2,320
Other	4,755	4,620	4,707
Loss on sale or disposal of equipment	<u>368</u>	<u>127</u>	<u>886</u>
	<u>272,861</u>	<u>234,372</u>	<u>204,525</u>
OPERATING INCOME	20,686	29,640	21,269
NON-OPERATING INCOME	276		
INTEREST EXPENSE	<u>(1,667)</u>	<u>(1,985)</u>	<u>(4,477)</u>
INCOME BEFORE INCOME TAXES	19,295	27,655	16,792
FEDERAL AND STATE INCOME TAXES:			
Current	630	1,718	1,301
Deferred	<u>7,175</u>	<u>9,344</u>	<u>5,420</u>
	<u>7,805</u>	<u>11,062</u>	<u>6,721</u>
NET INCOME	<u>\$ 11,490</u>	<u>\$ 16,593</u>	<u>\$ 10,071</u>
EARNINGS PER COMMON SHARE:			
Basic	<u>\$ 1.02</u>	<u>\$ 1.56</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 1.01</u>	<u>\$ 1.55</u>	<u>\$ 1.18</u>
AVERAGE COMMON SHARES OUTSTANDING:			
Basic	<u>11,291</u>	<u>10,669</u>	<u>8,522</u>
Diluted	<u>11,326</u>	<u>10,715</u>	<u>8,550</u>

See notes to consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

(In thousands)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Other</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Comprehensive</u>	<u>Comprehensive</u>	<u>Earnings</u>	
			<u>Capital</u>	<u>Income</u>	<u>Loss</u>		
BALANCE—December 31, 2000	8,470	85	\$19,638		\$ -	\$42,487	\$ 62,210
Components of comprehensive income:							
Net earnings				\$10,071		10,071	10,071
Other comprehensive loss—Unrealized loss on hedge, net of tax of \$339				<u>(508)</u>	(508)		(508)
Total comprehensive income				<u>\$ 9,563</u>			
Exercise of stock options-shares issued	<u>142</u>	<u>1</u>	<u>823</u>				<u>824</u>
BALANCE—December 31, 2001	8,612	86	20,461		(508)	52,558	72,597
Components of comprehensive income:							
Net earnings				\$16,593		16,593	16,593
Other comprehensive loss—Unrealized loss on hedge, net of tax of \$331				<u>(497)</u>	(497)		(497)
Total comprehensive income				<u>\$16,096</u>			
Stock options—deferred stock compensation	39		478				478
Issuance of common stock	2,621	26	54,732				54,758
Exercise of stock options-shares issued including tax benefits	<u>10</u>	<u>1</u>	<u>522</u>				<u>523</u>
BALANCE—December 31, 2002	11,282	113	76,193		(1,005)	69,151	144,452
Components of comprehensive income:							
Net earnings				\$11,490		11,490	11,490
Other comprehensive loss:							
Unrealized gain on hedge, net of tax of tax of \$779				223	223		223
Unrealized gain on marketable securities, net of tax of \$631				<u>946</u>	946		946
Total comprehensive income				<u>\$12,659</u>			
Stock options—deferred stock compensation			(398)				(398)
Exercise of stock options-shares issued including tax benefits	<u>12</u>		<u>162</u>				<u>162</u>
BALANCE—December 31, 2003	<u>11,294</u>	<u>\$113</u>	<u>\$75,957</u>		<u>\$ 164</u>	<u>\$80,641</u>	<u>\$156,875</u>

See notes to consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003, 2002

(In thousands)

	2003	2002	2001
OPERATING ACTIVITIES:			
Net income	\$ 11,490	\$ 16,593	\$ 10,071
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	26,601	24,715	20,300
Bad debt expense	110	1,028	897
Non-competition agreement amortization	42		131
Provision for deferred income taxes	7,175	9,344	5,420
Gain on sale of marketable equity securities	(47)		
Loss on sale or disposal of equipment	368	127	886
Changes in operating assets and liabilities—net of acquisition:			
Accounts receivable	(11,983)	(11,516)	(2,453)
Prepaid expenses, inventories, and other assets	(3,170)	(349)	(763)
Income taxes refundable	(975)	(357)	235
Trade accounts payable	7,156	7,925	(3,927)
Accrued expenses	1,168	1,357	648
Net cash provided by operating activities	<u>37,935</u>	<u>48,867</u>	<u>31,445</u>
INVESTING ACTIVITIES:			
Purchases of property and equipment	(74,238)	(42,067)	(47,515)
Proceeds from sale or disposal of equipment	20,393	11,565	10,536
Purchase of marketable equity securities	(4,020)		
Proceeds from sales of marketable equity securities	152		
Lease payments received on direct financing leases	55	107	232
Acquisition of business—net of cash acquired	<u>(10,752)</u>		
Net cash used in investing activities	<u>(68,410)</u>	<u>(30,395)</u>	<u>(36,747)</u>
FINANCING ACTIVITIES:			
Borrowings under line of credit	353,899	362,148	278,147
Repayments under line of credit	(351,030)	(371,224)	(258,197)
Borrowings of long-term credit	1,666	1,459	7,943
Repayments of long-term debt	(1,922)	(35,907)	(23,004)
Proceeds from issuance of common stock		54,538	
Other	160	384	824
Net cash provided by financing activities	<u>2,773</u>	<u>11,398</u>	<u>5,713</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(27,702)</u>	<u>29,870</u>	<u>411</u>
CASH AND CASH EQUIVALENTS—beginning of year	<u>30,766</u>	<u>896</u>	<u>485</u>
CASH AND CASH EQUIVALENTS—end of year	<u>\$ 3,064</u>	<u>\$ 30,766</u>	<u>\$ 896</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—			
Cash paid during the year for:			
Interest	<u>\$ 1,591</u>	<u>\$ 2,100</u>	<u>\$ 4,500</u>
Income taxes	<u>\$ 1,119</u>	<u>\$ 1,500</u>	<u>\$ 1,100</u>

See notes to consolidated financial statements

P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2003, 2002, AND 2001

1. ACCOUNTING POLICIES

Description of Business and Principles of Consolidation—P.A.M. Transportation Services, Inc. (the “Company”), through its subsidiaries, operates as a truckload motor carrier.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: P.A.M. Transport, Inc., P.A.M. Special Services, Inc. (inactive as of December 31, 2003), P.A.M. Dedicated Services, Inc., P.A.M. Logistics, Inc. (inactive as of December 31, 2003), Choctaw Express, Inc., Choctaw Brokerage, Inc. (inactive as of December 31, 2003), Allen Freight Services, Inc., T.T.X., Inc., Transcend Logistics, Inc., Decker Transport Co., Inc., East Coast Transport and Logistics, LLC, and McNeill Express Inc. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents—The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable Allowance—An allowance is provided for accounts receivable based on historical collection rates applied to accounts receivable in the aggregate considering the number of days the receivables have been outstanding. Additionally, management considers any accounts individually known to exhibit characteristics indicating a collection problem.

Marketable Equity Securities—Marketable equity securities are carried at market value with unrelated gains and losses recognized in accumulated comprehensive income in the statements of stockholders’ equity. Realized gains and losses are computed utilizing the specific identification method.

Property and Equipment—Property and equipment is recorded at cost, less accumulated depreciation. For financial reporting purposes, the cost of such property is depreciated principally by the straight-line method. For tax reporting purposes, accelerated depreciation or applicable cost recovery methods are used. Depreciation is recognized over the estimated asset life, considering the estimated salvage value of the asset. Such salvage values are based on estimates using expected market values for used equipment and the estimated time of disposal which, in many cases include guaranteed residual values by the manufacturers. Gains and losses are reflected in the year of disposal. The following is a table reflecting estimated ranges of asset useful lives by major class of depreciable assets:

Asset Class	Estimated Asset Life
Service vehicles	3-5 years
Office furniture and equipment	3-7 years
Revenue equipment	3-10 years
Structures and improvements	5-30 years

Prepaid Tires—Tires purchased with revenue equipment are capitalized as a cost of the related equipment. Replacement tires are included in prepaid expenses and deposits and are amortized over a 24-month period. Amounts paid for the recapping of tires are expensed when incurred.

Repairs and Maintenance—Repairs and maintenance costs are expensed as incurred.

Goodwill—Goodwill was being amortized on a straight-line basis over 25 years for years prior to 2002. Effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, (“SFAS No. 142”), which requires the Company to assess acquired goodwill for impairment at least annually in the absence of an indicator of possible impairment, and immediately upon an indicator of possible impairment. The Company completed an assessment in accordance with the provisions of the standard in second quarter 2002 using data as of January 1, 2002, and determined there was no impairment as of the date of adoption of SFAS No. 142. The annual assessment of impairment was completed on December 31, 2003.

Self Insurance Liability—A liability is recognized for known health, workers’ compensation, cargo damage and property damage. An estimate of the incurred but not reported claims for each type of liability is made based on historical claims made, estimated frequency of occurrence, and considering changing factors that contribute to the overall cost of insurance.

Income Taxes—The Company applies the provisions of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (“SFAS No. 109”). Under this method, deferred tax liabilities and assets are determined based on the difference between the financial reporting basis and the tax reporting basis of assets and liabilities using enacted tax rates.

Revenue Recognition Policy—Revenue is recognized in full upon completion of delivery to the receiver’s location. For freight in transit at the end of a reporting period, the Company recognizes revenue pro rata based on relative transit miles completed as a portion of the estimated total transit miles with estimated expenses recognized upon recognition of the related revenue.

Compensation to Employees—Stock based compensation to employees is accounted for based on the intrinsic value method under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for those plans. Stock-based compensation expense has been recognized for variable stock options in accordance with Interpretation 28 to APB Opinion No. 25. Stock-based compensation expense is not reflected in net income for non-variable stock options as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant. During 2002, the Company adopted the disclosure provisions of SFAS No. 148 as described below and in Note 10.

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (“SFAS No. 123”). The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	2003	2002	2001
	(In thousands, except per share data)		
Net income—as reported	\$ 11,490	\$ 16,593	\$ 10,071
Add: Stock-based employee compensation included in reported net income—net of related tax effects	(28)	76	
Deduct total stock-based employee compensation expense determined under fair value based method for all awards—net of related tax effects	<u>(322)</u>	<u>(445)</u>	<u>(48)</u>
Pro forma net income	<u>\$ 11,140</u>	<u>\$ 16,224</u>	<u>\$ 10,023</u>
Earnings per share:			
Basic—as reported	\$ 1.02	\$ 1.56	\$ 1.18
Basic—pro forma	\$ 0.99	\$ 1.52	\$ 1.18
Diluted—as reported	\$ 1.01	\$ 1.55	\$ 1.18
Diluted—pro forma	\$ 0.98	\$ 1.51	\$ 1.18

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used during the periods above:

	2003	2002	2001
Dividend yield	0 %	0 %	0 %
Volatility range	37.34%—61.27%	35.00%—61.27%	31.63%—76.64%
Risk-free rate range	3.02%—4.38%	3.97%—6.01%	4.74%—7.02%
Expected life	5 years	5 years	5 years

Business Segment and Concentrations of Credit Risk—The Company operates in one business segment, motor carrier operations. The Company provides transportation services to customers throughout the United States and portions of Canada and Mexico. The Company performs ongoing credit evaluations and generally does not require collateral from its customers. The Company maintains reserves for potential credit losses. In view of the concentration of the Company’s revenues and accounts receivable among a limited number of customers within the automobile industry, the financial health of this industry is a factor in the Company’s overall evaluation of accounts receivable.

Recent Accounting Pronouncements—In November 2002, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 45, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45”). For financial statements issued after December 15, 2002, FIN 45 requires a guarantor make certain disclosures regarding guarantees or indemnification agreements. Starting January 1, 2003, FIN 45 requires that a liability be recognized at the fair value of the guarantee. The Company has adopted the disclosure provisions and the liability recognition provision of FIN 45 in the accompanying consolidated financial statements, which did not have a material effect.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (“SFAS No. 149”). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this statement did not have a material impact on the Company’s consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting or Certain Financial Instruments with Characteristics of Both Liabilities and Equity* (“SFAS No. 150”). This Statement 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. This Statement provides guidance for determining the classification of and accounting for certain financial instruments that embody obligations of the issuing entity. The adoption of this Statement did not have a material impact on the Company’s consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised December 2003), *Employers’ Disclosures about Pensions and Other Postretirement Benefits—an amendment of FASB Statements No. 87, 88 and 106* (“SFAS No. 132R”). This Statement revises employers’ disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans. This Statement retains the disclosure requirements contained in FASB Statement No. 132, which it replaces. It requires additional disclosures to those in the original Statement 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. Disclosure of information for public entities required by this Statement is effective for fiscal years ending after December 15, 2003. Adoption on SFAS No. 132R did not have a material effect on the Company’s consolidated financial statements.

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements* (“FIN 46R”), which replaced FIN 46. FIN 46 clarifies the application of Accounting Research Bulletin No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company is required to adopt the provisions of FIN 46R by the beginning of the first annual period beginning after December 15, 2004. The Company does not believe that it has an interest in an entity that is subject to the Interpretation, therefore, the adoption of FIN 46R is not expected to have a material effect on the Company’s consolidated financial statements.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications—Certain 2002 and 2001 amounts have been reclassified to conform to the 2003 presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable is presented net of an allowance for doubtful accounts as shown below. An analysis of changes in the allowance for the years ended December 31, 2003, 2002, and 2001 follows:

	2003	2002 (In thousands)	2001
Balance—beginning of year	\$ 716	\$ 1,515	\$ 656
Provision for bad debts	110	1,028	898
Charge-offs		(1,827)	(39)
Recoveries	<u>8</u>	<u> </u>	<u> </u>
Balance—end of year	<u>\$ 834</u>	<u>\$ 716</u>	<u>\$ 1,515</u>

The 2002 provision for bad debt includes an amount of \$660,055 for a liability relating to a preferential payment claim lawsuit filed by the creditors of one of the Company's subsidiaries (see Note 13). In addition, 2002 charge-offs reflect the write-off of items included in the 2001 provision for bad debts.

3. MARKETABLE EQUITY SECURITIES

Marketable equity securities, which are classified as available for sale, had gross unrealized gains of approximately \$1,578,000 and gross unrealized losses of approximately \$1,000 at December 31, 2003. The investments consist of equity securities with a combined original cost of approximately \$4,020,000 and a combined fair market value of approximately \$5,492,000. Such gains and losses, net of income tax are presented in stockholders' equity as elements of other comprehensive income for the year ended December 31, 2003.

4. GOODWILL

A reconciliation of previously reported net income and earnings per share to the amounts adjusted for the exclusion of goodwill amortization net of related income tax effect for the years ended December 31, 2003, 2002, and 2001 follows:

	2003	2002 (In thousands)	2001
Reported net income	\$ 11,490	\$ 16,593	\$ 10,071
Goodwill amortization—net of tax	<u> </u>	<u> </u>	<u>243</u>
Adjusted net income	<u>\$ 11,490</u>	<u>\$ 16,593</u>	<u>\$ 10,314</u>
Adjusted net income per common share:			
Basic	<u>\$ 1.02</u>	<u>\$ 1.56</u>	<u>\$ 1.21</u>
Diluted	<u>\$ 1.01</u>	<u>\$ 1.55</u>	<u>\$ 1.21</u>

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. At this date, amortization of goodwill ceased and an assessment of impairment was made. Such assessment resulted in a conclusion that no impairment was indicated. Goodwill is net of amortization through December 31, 2001, of \$1,219,000.

5. ACCRUED EXPENSES

Accrued expenses at December 31 is summarized as follows:

	2003	2002
	(in thousands)	
Payroll	\$ 2,805	\$ 1,638
Accrued vacation	1,629	1,414
Taxes—other than income	1,798	1,535
Interest	149	73
Driver escrows	835	893
Self-insurance claims reserves	<u>3,951</u>	<u>4,048</u>
	<u>\$ 11,167</u>	<u>\$ 9,601</u>

6. CLAIMS LIABILITIES

With respect to physical damage for tractors, cargo loss and auto liability, the Company maintains insurance coverage to protect it from certain business risks. These policies are with various carriers and have per occurrence deductibles of \$2,500, \$10,000 and \$2,500, respectively. The Company elected in 2002 to self insure itself for physical damage to trailers. During 2001, the Company changed its workers' compensation coverage in Arkansas, Oklahoma, Mississippi and Florida from a fully insured first dollar policy to a fully insured policy with a \$500,000 per occurrence deductible. The company continues to be self insured for workers' compensation claims in the State of Ohio with a \$500,000 self insured retention with excess insurance. The Company has reserved for estimated losses to pay such claims as well as claims incurred but not yet reported. The Company has not experienced any adverse trends involving differences in claims experienced versus claims estimates for workers' compensation claims. Letters of credit aggregating \$1,550,000 are held by insurers as security for workers' compensation claims and letters of credit aggregating \$150,000 are held by insurers for auto liability claims. The Company self insures for employee health claims with a stop loss of \$150,000 per covered employee per year and estimates its liability for claims incurred but not reported.

7. LONG-TERM DEBT

Long-term debt at December 31, consists of the following:

	2003	2002
	(In thousands)	
Equipment financings (1)	\$ 94	\$ 1,066
Line of credit with a bank—due May 31, 2005, and collateralized by accounts receivable (2)	2,868	
Line of credit with a bank—due November 30, 2005, and collateralized by revenue equipment (3)	20,000	20,000
Note payable (4)	4,486	
Other (5)	<u>1,331</u>	<u>126</u>
	28,779	21,192
Less current maturities	<u>(2,039)</u>	<u>(1,017)</u>
Long-term debt—net of current maturities	<u>\$ 26,740</u>	<u>\$ 20,175</u>

- (1) Equipment financings consist of installment obligations for revenue equipment and service vehicles, payable in various monthly installments of \$47,748 through February 2004, at a weighted average interest rate of 7.16% and collateralized by equipment with a net book value of approximately \$1.2 million at December 31, 2003.
- (2) Line of credit agreement with a bank provides for maximum borrowings of \$20.0 million and contains certain restrictive covenants that must be maintained by the Company on a consolidated basis. Borrowings on the line of credit are at an interest rate of LIBOR as of the first day of the month plus 1.40% (2.57% at December 31, 2003). The Company was in compliance with all provisions of the agreement at December 31, 2003.
- (3) Line of credit agreement with a bank provides for maximum borrowings of \$30.0 million and contains certain restrictive covenants that must be maintained by the Company on a consolidated basis. Borrowings on the line of credit are at an interest rate of LIBOR as of the last day of the previous month plus 1.15% (2.32% at December 31, 2003). The Company was in compliance with all provisions of the agreement at December 31, 2003.
- (4) 6.0% note to the former owner of an acquired entity, payable in monthly installments of \$72,672 through March 2010.
- (5) Various notes at December 31, 2003, payable in monthly installments through January 2005.

The Company has provided letters of credit to third parties totaling approximately \$8,300,000 at December 31, 2003. The letters are held by these third parties to assist such parties in collection of any amounts due by the Company should the Company default in its commitments to the parties.

Scheduled annual maturities on long-term debt outstanding at December 31, 2003, are:

	(In thousands)
2004	\$ 2,039
2005	23,523
2006	695
2007	738
2008	<u>1,784</u>
	<u>\$ 28,779</u>

8. SIGNIFICANT CUSTOMERS AND INDUSTRY CONCENTRATION

In 2003, 2002, and 2001, one customer, who is in the automobile manufacturing industry, accounted for 46%, 56%, and 40% of revenues, respectively. The Company also provides transportation services to other manufacturers who are suppliers for automobile manufacturers including suppliers for the Company's largest customer. As a result, concentration of the Company's business within the automobile industry is significant. Of the Company's revenues for 2003, 2002, and 2001, 67%, 68%, and 55%, respectively, were derived from transportation services provided to the automobile manufacturing industry. Accounts receivable from the largest customer totaled \$28,100,000 and \$25,000,000 at December 31, 2003 and 2002, respectively.

9. INCOME TAXES

Under SFAS No. 109, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax reporting purposes.

Significant components of the Company's deferred tax liabilities and assets at December 31 are as follows:

	2003		2002	
	Current	Long-Term	Current	Long-Term
	(In thousands)			
Deferred tax liabilities:				
Property and equipment	\$ -	\$ 48,671	\$ -	\$ 40,608
Unrealized gains on securities	631			
Prepaid expenses	<u>3,208</u>	<u>19</u>	<u>2,307</u>	<u> </u>
Total deferred tax liabilities	3,839	48,690	2,307	40,608
Deferred tax assets:				
Alternative minimum tax credit		1,783		2,016
Allowance for doubtful accounts	298		267	
Compensated absences	618		537	
Self-insurance allowances	1,082		1,402	
Hedging derivative	285	521		670
Accrued compensation	156		228	
Non-competition agreement		474		450
Net operating loss carryovers		2,156		
Other	<u>70</u>	<u>48</u>	<u> </u>	<u>122</u>
Total deferred tax assets	<u>2,509</u>	<u>4,982</u>	<u>2,434</u>	<u>3,258</u>
Net deferred tax asset (liability)	<u>\$ (1,330)</u>	<u>\$ (43,708)</u>	<u>\$ 127</u>	<u>\$ (37,350)</u>

The reconciliation between the effective income tax rate and the statutory Federal income tax rate is for year ended December 31, 2003, 2002 and 2001 presented in the following table:

	2003		2002		2001	
	Amount	Percent	Amount	Percent	Amount	Percent
	(In thousands)					
Income tax at the statutory federal rate of 34%	\$ 6,560	34.0 %	\$ 9,403	34.0 %	\$ 5,709	34.0 %
Nondeductible expenses	548	2.8	401	1.5	338	2.0
State income taxes—net of federal benefit	697	3.6	1,552	5.6	804	4.8
Other	<u>-</u>	<u>-</u>	<u>(294)</u>	<u>(1.1)</u>	<u>(130)</u>	<u>(0.8)</u>
Total income taxes	<u>\$ 7,805</u>	<u>40.4 %</u>	<u>\$ 11,062</u>	<u>40.0 %</u>	<u>\$ 6,721</u>	<u>40.0 %</u>

The current income tax provision consists of the following:

	2003	2002 (In thousands)	2001
Federal	\$ 282	\$ 975	\$ 951
State	<u>348</u>	<u>743</u>	<u>350</u>
	<u>\$ 630</u>	<u>\$ 1,718</u>	<u>\$ 1,301</u>

The Company has alternative minimum tax credits of approximately \$1.8 million at December 31, 2003, which have no expiration date under the current federal income tax laws. The Company also has a net operating loss carryover for federal income purposes of approximately \$6,000,000 which expires in 2024.

10. SHAREHOLDERS' EQUITY

The Company maintains an incentive stock option plan and a nonqualified stock option plan for the issuance of options to directors, officers, key employees and others. The option price under these plans is the fair market value of the stock at the date the options were granted, ranging from \$8.25 to \$23.22 as of December 31, 2003. At December 31, 2003, approximately 292,000 shares were available for granting future options.

Outstanding incentive stock options at December 31, 2003, must be exercised within six years from the date of grant and vest in increments of 20% each year. Outstanding nonqualified stock options at December 31, 2003, must be exercised within five to nine years. Certain nonqualified options may not be exercised within one year of the date of grant.

In August 2002, PAM granted performance-based variable stock options to certain key executives. For these awards, the exercise price was fixed at the grant date and was equal to the fair market value of the stock on that date. The number of shares earned will not be known until the date the performance criteria is measured. Compensation cost is estimated at each reporting date with the final measurement date on the date each performance criteria is measured. Vesting will be measured on an accelerated vesting schedule.

Transactions in stock options under these plans are summarized as follows:

	Shares Under Option	Weighted Average Exercise Price
Outstanding—December 31, 2000:	240,300	\$ 7.34
Granted	8,000	8.25
Exercised	(142,300)	5.79
Canceled	<u>(1,000)</u>	7.38
Outstanding—December 31, 2001:	105,000	\$ 9.50
Granted	320,500	23.03
Exercised	<u>(39,000)</u>	9.84
Outstanding—December 31, 2002:	386,500	\$ 20.69
Granted	14,000	22.68
Exercised	(12,000)	9.88
Canceled	<u>(40,000)</u>	23.22
Outstanding—December 31, 2003	<u>348,500</u>	\$ 20.85
Options Exercisable—December 31, 2003	<u>141,000</u>	

The following is a summary of stock options outstanding as of December 31, 2003:

Options Outstanding	Option Exercise Price	Weighted Average Remaining Years	Options Exercisable
30,000	\$ 9.25	1.5	30,000
2,000	\$ 8.63	1.2	2,000
6,000	\$ 10.25	1.6	6,000
8,000	\$ 9.13	2.2	8,000
8,000	\$ 8.25	3.2	8,000
8,000	\$ 20.79	4.3	8,000
260,000	\$ 23.22	8.8	60,000
12,500	\$ 19.88	4.8	5,000
<u>14,000</u>	\$ 22.68	5.2	<u>14,000</u>
<u>348,500</u>			<u>141,000</u>

11. EARNINGS PER SHARE

The Company applies Statement of Financial Accounting Standards No. 128, *Earnings Per Share*, for computing and presenting earnings per share. Basic earnings per common share were computed by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per common share were calculated as follows:

	For the Year Ended December 31, 2003 (In thousands, except per share data)		
	Net Income	Shares	Per Share Amount
Basic earnings per share data	\$ 11,490	11,291	\$ 1.02
Effect of dilutive securities—stock options	_____	_____ 35	_____
Diluted earnings per share data	<u>\$11,490</u>	<u>11,326</u>	<u>\$ 1.01</u>

	For the Year Ended December 31, 2002 (In thousands, except per share data)		
	Net Income	Shares	Per Share Amount
Basic earnings per share data	\$ 16,593	10,669	\$ 1.56
Effect of dilutive securities—stock options	_____	_____ 46	_____
Diluted earnings per share data	<u>\$16,593</u>	<u>10,715</u>	<u>\$ 1.55</u>

	For the Year Ended December 31, 2001 (In thousands, except per share data)		
	Net Income	Shares	Per Share Amount
Basic earnings per share data	\$ 10,071	8,522	\$ 1.18
Effect of dilutive securities—stock options	_____	_____ 28	_____
Diluted earnings per share data	<u>\$10,071</u>	<u>8,550</u>	<u>\$ 1.18</u>

12. PROFIT SHARING PLAN

The Company sponsors a profit sharing plan for the benefit of all eligible employees. The plan qualifies under Section 401(k) of the Internal Revenue Code thereby allowing eligible employees to make tax-deductible contributions to the plan. The plan provides for employer matching contributions of 50% of each participant's voluntary contribution up to 3% of the participant's compensation. Total employer matching contributions to the plan totaled approximately \$270,000, \$250,000 and \$225,000 in 2003, 2002 and 2001, respectively.

13. COMMITMENTS AND CONTINGENCIES

On October 10, 2002, a suit was filed against one of the Company's subsidiaries. The suit, which has been filed in the United States Bankruptcy Court for the District of Delaware, alleges preferential transfers of \$660,055 were made to the Company's subsidiary, Allen Freight Services Co., within the 90 day period preceding the bankruptcy petition date of the plaintiff. The suit is currently in pretrial

proceedings. The settlement of this matter is not expected to have a material effect on the financial position or results of operations of the Company.

As to other matters, the Company is not a party to any pending legal proceedings which management believes to be material to the financial position or results of operations of the Company. The Company maintains liability insurance against risks arising out of the normal course of its business.

Associated with the purchase of East Coast (see Note 17), the Company entered into a five year consulting agreement with the previous owner of East Coast, whereby such individual will serve as the president of East Coast and will be compensated based on a percentage of East Coast revenue along with eligibility for a yearly bonus subject to certain events.

The Company leases certain premises under noncancelable operating lease agreements. Future minimum annual lease payments under these leases are as follows:

2004	\$ 581,999
2005	324,144
2006	163,000
2007	168,000
2008 and thereafter	<u>336,000</u>
Total	<u>\$ 1,573,143</u>

Total rental expense, net of amounts reimbursed for the years ended December 31, 2003, 2002 and 2001 was approximately \$964,000, \$809,000, and \$972,000, respectively.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, *Disclosure About Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

For cash and cash equivalents, receivables, trade accounts payable, and accrued expenses, the carrying amount is a reasonable estimate of fair value as the assets are readily redeemable or short-term in nature and the liabilities are short-term in nature. Marketable equity securities are carried at their fair value.

For long-term debt other than the line of credit, the fair values are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value of this other long-term debt at December 31, 2003 and 2002, respectively, is \$5,911,000 and \$1,192,000. The fair value of long-term debt is estimated to be \$6,436,000 and \$1,217,000 at December 31, 2003 and 2002.

The carrying amount for the line of credit approximates fair value because the line of credit interest rates are adjusted frequently.

The carrying value of all hedging financial instruments approximates their fair value and is the amount at which the hedges could be settled, based on estimates determined by dealers. Hedging liabilities total \$2,054,000 and \$2,425,000 at December 31, 2003 and 2002, respectively.

15. DERIVATIVES AND HEDGING ACTIVITIES

Effective February 28, 2001, the Company entered into an interest rate swap agreement on a notional amount of \$15,000,000. The pay fixed rate under the swap is 5.08%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on March 2, 2006. Effective May 31, 2001, the Company entered into an interest rate swap agreement on a notional amount of \$5,000,000. The pay fixed rate under the swap is 4.83%, while the receive floating rate is "1-month" LIBOR. This interest rate swap agreement terminates on June 2, 2006.

The Company designates both of these interest rate swaps as cash flow hedges of its exposure to variability in future cash flows resulting from interest payments indexed to "1-month" LIBOR. Changes in future cash flows from the interest rate swaps will offset changes in interest rate payments on the first \$20,000,000 of the Company's current revolving credit facility or future "1-month" LIBOR based borrowings that reset on the last London Business Day prior to the start of the next interest period. The hedge locks the interest rate at 5.08% or 4.83% plus the pricing spread (currently 1.15%) for the notional amounts of \$15,000,000 and \$5,000,000, respectively.

These interest rate swap agreements meet the specific hedge accounting criteria. The measurement of hedge effectiveness is based upon a comparison of the floating-rate leg of the swap and the hedged floating-rate cash flows on the underlying liability. The effective portion of the cumulative gain or loss has been reported as a component of accumulated other comprehensive loss in shareholders' equity and will be reclassified into current earnings by June 2, 2006, the latest termination date for all current swap agreements. At December 31, 2003, the net after tax deferred hedging loss in accumulated other comprehensive loss was approximately \$782,000. Ineffectiveness related to these hedges was not significant.

In August 2000 and July 2001, the Company entered into agreements to obtain price protection and reduce a portion of our exposure to fuel price fluctuations. Under these agreements, we were obligated to purchase minimum amounts of diesel fuel per month, with a price protection component, for the six month periods ended March 31, 2001 and February 28, 2002. The agreements also provide that if during the 48 months commencing April 2001, the price of heating oil on the New York Mercantile Exchange ("NY MX HO") falls below \$.58 per gallon, the Company is obligated to pay, for a maximum of twelve different months selected by the contract holder during such 48-month period, the difference between \$.58 per gallon and NY MX HO average price, multiplied by 900,000 gallons. Accordingly, in any month in which the holder exercises such right, the Company would be obligated to pay the holder \$9,000 for each cent by which \$.58 exceeds the average NY MX HO price for that month. For example, the NY MX HO average price during February 2002 was approximately \$.54, and if the holder were to exercise its payment right, we would be obligated to pay the holder approximately \$36,000. In addition, if during any month in the twelve-month period commencing January 2005, the average NY MX HO is below \$.58 per gallon, the Company will be obligated to pay the contract holder the difference between \$.58 and the average NY MX HO price for such month, multiplied by 1,000,000 gallons. The agreements are stated at their fair value of \$750,000 which is included in accrued liabilities in the accompanying consolidated balance sheets.

16. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company provides and receives transportation, repair and other services for and from companies affiliated with a major stockholder, and recognized \$195,595, \$354,241 and \$58,030 in operating revenue and \$1,194,283, \$1,103,062 and \$905,570 in operating expenses in

2003, 2002, and 2001, respectively. At December 31, 2003 \$1,015,852 was owed to the Company from these affiliates. Of these accounts receivable \$195,595 represents revenue resulting from maintenance performed in the Company's maintenance facilities, \$409,836 is due for an insurance claim, \$244,897 remains receivable from 2002 and the remaining balance represents charges paid by the Company on behalf of their affiliate and charged back at the amount paid. Accounts receivable from affiliates at December 31 2002 was \$479,342. At December 31, 2003 and 2002 amounts payable to these affiliates totaled \$1,401,759 and \$494,342 respectively.

17. ACQUISITIONS

On January 31, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of East Coast Transport and Logistics, Inc. a freight brokerage operation based in New Jersey. The results of East Coast Transport and Logistics, Inc. have been included in the consolidated financial statements since that date. In accordance with SFAS No. 141, Business Combinations, the acquisition was accounted for under the purchase method of accounting.

The aggregate purchase price of approximately \$6.9 million was paid in the form of a 7 year installment note in the amount of approximately \$5.0 million at an interest rate of 6% and cash payments of approximately \$1.9 million. A non-compete agreement in the amount of \$1.0 million and covering a 5 year period was also entered into. Approximately \$6.9 million of additional goodwill was recognized as a result of the acquisition.

On April 3, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of McNeill Express, Inc. a truckload motor carrier. The results of McNeill Express, Inc. have been included in the consolidated financial statements since that date. In accordance with SFAS No. 141, Business Combinations, the acquisition was accounted for under the purchase method of accounting.

The aggregate purchase price of approximately \$8.87 million was paid in the form of cash in the amount of approximately \$8.8 million and the assumption of liabilities aggregating approximately \$70,000. A non-compete agreement in the amount of \$300,000 and covering a 2 year period was also entered into. Approximately \$370,000 of additional goodwill was recognized as a result of the acquisition.

The following unaudited pro forma information is being provided for the business acquisitions made during the year ended December 31, 2003 as though the Company made the acquisitions at the beginning of the year ended December 31:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(In thousands, except per share data)		
Operating income	\$ 20,869	\$ 32,160	\$ 22,705
Income before income taxes	19,444	29,790	17,843
Net income	11,578	18,521	11,056
Basic earnings per share	\$ 1.03	\$ 1.74	\$ 1.30
Diluted earnings per share	1.02	1.73	1.29

18. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The tables below present quarterly financial information for 2003 and 2002:

	2003			
	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share data)			
Operating revenues	\$ 70,139	\$ 74,956	\$ 74,216	\$ 74,236
Operating expenses	<u>65,185</u>	<u>67,896</u>	<u>68,899</u>	<u>70,881</u>
Operating income	4,954	7,060	5,317	3,355
Non-operating income	10	59	70	137
Interest expense	268	485	445	469
Income taxes	<u>1,878</u>	<u>2,587</u>	<u>1,977</u>	<u>1,363</u>
Net income	<u>\$ 2,818</u>	<u>\$ 4,047</u>	<u>\$ 2,965</u>	<u>\$ 1,660</u>
Net income per common share:				
Basic	<u>\$ 0.25</u>	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 0.15</u>
Diluted	<u>\$ 0.25</u>	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 0.14</u>
Average common shares outstanding:				
Basic	<u>11,287</u>	<u>11,290</u>	<u>11,293</u>	<u>11,291</u>
Diluted	<u>11,338</u>	<u>11,332</u>	<u>11,327</u>	<u>11,326</u>

	2002			
	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share data)			
Operating revenues	\$ 63,313	\$ 70,841	\$ 65,034	\$ 64,824
Operating expenses	<u>56,331</u>	<u>62,082</u>	<u>58,061</u>	<u>57,898</u>
Operating income	6,982	8,759	6,973	6,926
Interest expense	972	369	377	267
Income taxes	<u>2,404</u>	<u>3,356</u>	<u>2,638</u>	<u>2,664</u>
Net income	<u>\$ 3,606</u>	<u>\$ 5,034</u>	<u>\$ 3,958</u>	<u>\$ 3,995</u>
Net income per common share:				
Basic	<u>\$ 0.40</u>	<u>\$ 0.45</u>	<u>\$ 0.35</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.45</u>	<u>\$ 0.35</u>	<u>\$ 0.35</u>
Average common shares outstanding:				
Basic	<u>8,928</u>	<u>11,183</u>	<u>11,263</u>	<u>11,268</u>
Diluted	<u>8,974</u>	<u>11,238</u>	<u>11,307</u>	<u>11,308</u>

* * * * *

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

On July 9, 2002, the Company dismissed its independent auditors, Arthur Andersen LLP, and on the same date engaged Deloitte & Touche LLP as its independent auditors for the fiscal year ending December 31, 2002. Each of these actions was approved by the Audit Committee of the Company. Information with respect to this matter is included in the Company's current report on Form 8-K filed July 12, 2002, which information is incorporated herein by reference.

Item 9A. Controls and Procedures.

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed by P.A.M. Transportation Services, Inc. in reports that it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission ("SEC") rules and forms. An evaluation was carried out as of December 31, 2003 under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2003.

CEO and CFO Certificates

Attached as Exhibits 31.1 and 31.2 to this report on Form 10-K are two certifications, one each by the CEO and the CFO, respectively. They are required in accordance with Rule 13a-14 of the Exchange Act. This Item 9A, Controls and Procedures, includes the information concerning the controls evaluation referred to in the certifications and should be read in conjunction with the certifications.

Disclosure Controls

"Disclosure Controls" are procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure Controls are also designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

Internal Controls

"Internal Controls" are procedures that are designed to provide reasonable assurance that (1) our transactions are properly authorized, recorded and reported and (2) our assets are safeguarded against unauthorized or improper use, so that our financial statements may be prepared in accordance with generally accepted accounting principles.

Limitations on the Effectiveness of Controls

Our management, including the CEO and CFO, do not expect that our Disclosure Controls and/or our Internal Controls will prevent or detect all error or fraud. A system of controls is able to provide only reasonable, not complete, assurance that the control objectives are being met, no matter how extensive those control systems may be. Also, control systems must be established within the opposing forces of risk and resources, (i.e., the benefits of a control system must be considered relative to its costs). Because of these inherent limitations that exist in all control systems, no evaluation of Disclosure Controls and/or Internal Controls can provide absolute assurance that all errors or fraud, if any, have been detected. The inherent limitations in control systems include various human and system factors that may include errors in judgment or interpretation

regarding events or circumstances or inadvertent error. Additionally, controls can be circumvented by the acts of a single person, by collusion on the part of two or more people or by management override of the control. Over time, controls can also become ineffective as conditions, circumstances, policies, technologies, level of compliance and people change. Because of such inherent limitations, in any cost-effective control system over financial information, misstatements may occur due to error or fraud and may not be detected.

Scope of Evaluation of Disclosure Controls

The evaluation of our Disclosure Controls performed by our CEO and CFO included obtaining an understanding of the design and objective of the controls, the implementation of those controls and the results of the controls on this report on Form 10-K. We have established a Disclosure Committee whose duty is to perform procedures to evaluate the Disclosure Controls and provide the CEO and CFO with the results of their evaluation as part of the information considered by the CEO and CFO in their evaluation of Disclosure Controls. In the course of the evaluation of Disclosure Controls, we reviewed the controls that are in place to record, process, summarize and report, on a timely basis, matters that require disclosure in our reports filed under the Securities Exchange Act of 1934. We also considered the adequacy of the items disclosed in this report on Form 10-K.

Conclusions

Based upon the evaluation of Disclosure Controls described above, our CEO and CFO have concluded that, subject to the limitations described above, our Disclosure Controls are effective so that material information relating to P.A.M. Transportation Services, Inc. and its consolidated subsidiaries is made known to management, including the CEO and CFO, so that required disclosures have been included in this report on Form 10-K.

PART III

Portions of the information required by Part III of Form 10-K are, pursuant to General Instruction G (3) of Form 10-K, incorporated by reference from our definitive proxy statement to be filed pursuant to Regulation 14A for our Annual Meeting of Stockholders to be held on May 20, 2004. We will, within 120 days of the end of our fiscal year, file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A.

Item 10. Directors and Executive Officers of the Registrant.

The information responsive to this item, with the exception of the Audit Committee and Code of Ethics information presented below, is incorporated by reference from the section entitled "Election of Directors" contained in the proxy statement.

Audit Committee

We have a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee consist of Frank L. Conner, Thomas H. Cooke, Daniel C. Sullivan, and Charles F. Wilkins. The Board of Directors has determined that Mr. Conner and Mr. Cooke, both members of the Audit Committee, are each qualified as an audit committee financial expert, as that term is defined in the rules of the Securities and Exchange Commission. Mr. Conner and Mr. Cooke are independent, as independence for audit committee members is defined in the listing standards of the Nasdaq Stock Market and the rules of the Securities and Exchange Commission.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Code of Ethics is posted on our website (www.pamt.com). We intend to post amendments to or waivers from our Code of Ethics, of the type referred to in Item 10 of Form 8-K, to the extent applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, on our website.

Item 11. Executive Compensation.

The information responsive to this item is incorporated by reference from the section entitled "Executive Compensation" contained in the proxy statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information responsive to this item, with the exception of the equity compensation plan information presented below, is incorporated by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" contained in the proxy statement.

Equity Compensation Plan Information

The following table summarizes, as of December 31, 2003, information about compensation plans under which equity securities of the Company are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity Compensation Plans approved by Security Holders	348,500	\$20.85	291,500
Equity Compensation Plans not approved by Security Holders	-0-	-0-	-0-

Item 13. Certain Relationships and Related Transactions.

The information responsive to this item is incorporated by reference from the section entitled "Certain Relationships and Related Transactions" contained in the proxy statement.

Item 14. Principal Accountant Fees and Services.

The information responsive to this item is incorporated by reference from the section entitled "Principal Accountant Fees and Services" contained in the proxy statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial Statements and Schedules.

- (1) Financial Statements: See Part II, Item 8 hereof.

Report of Independent Public Accountants
Consolidated Balance Sheets - December 31, 2003 and 2002
Consolidated Statements of Income - Years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Shareholders' Equity - Years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Cash Flows - Years ended December 31, 2003, 2002 and 2001
Notes to Consolidated Financial Statements

- (2) Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the SEC are omitted as the required information is inapplicable, or because the information is presented in the consolidated financial statements or related notes.

- (3) Exhibits.

The Exhibit Index filed herewith and appearing immediately following the signatures in this Report is incorporated by reference in response to this Item.

(b) Reports on Form 8-K.

A Current Report on Form 8-K was filed on October 28, 2003 regarding a press release issued to announce our third quarter 2003 results. No other reports on Form 8-K were filed during the fourth quarter ended December 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

P.A.M. TRANSPORTATION SERVICES, INC.

Dated: March 12, 2004

By: /s/ Robert W. Weaver
ROBERT W. WEAVER
President and Chief Executive Officer
(principal executive officer)

Dated: March 12, 2004

By: /s/ Larry J. Goddard
LARRY J. GODDARD, Vice President-
Finance, Chief Financial Officer,
Secretary and Treasurer
(principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Dated: March 12, 2004

By: /s/ Robert W. Weaver
ROBERT W. WEAVER, President and Chief
Executive Officer, Director

Dated: March 12, 2004

By: /s/ Matthew T. Moroun
MATTHEW T. MOROUN, Director

Dated: March 12, 2004

By: /s/ Daniel C. Sullivan
DANIEL C. SULLIVAN, Director

Dated: March 12, 2004

By: /s/ Charles F. Wilkins
CHARLES F. WILKINS, Director

Dated: March 12, 2004

By: /s/ Frederick P. Calderone
FREDERICK P. CALDERONE, Director

Dated: March 12, 2004

By: /s/ Manuel J. Moroun
MANUEL J. MOROUN, Director

Dated: March 12, 2004

By: /s/ Thomas H. Cooke
THOMAS H. COOKE, Director

Dated: March 12, 2004

By: /s/ Frank L. Conner
FRANK L. CONNER, Director

EXHIBIT INDEX

The following exhibits are filed with or incorporated by reference into this report. The exhibits which are denominated by an asterisk (*) were previously filed as a part of, and are hereby incorporated by reference from either (i) the Form S-1 Registration Statement under the Securities Act of 1933, as filed with the Securities and Exchange Commission on July 30, 1986, Registration No. 33-7618, as amended on August 8, 1986, September 3, 1986 and September 10, 1986 (“1986 S-1”); (ii) the Annual Report on Form 10-K for the year ended December 31, 1987 (“1987 10-K”); (iii) the Annual Report on Form 10-K for the year ended December 31, 1992 (“1992 10-K”); (iv) the Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (“6/30/94 10-Q”); (v) the Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 (“6/30/95 10-Q”); (vi) the Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 (9/30/96 10-Q); (vii) the Annual Report on Form 10-K for the year ended December 31, 1996 (“1996 10-K”); (viii) the Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (“6/30/98 10-Q”); (ix) the Form S-8 Registration Statement filed on June 11, 1999; (x) the Annual Report on Form 10-K for the year ended December 31, 2001 (“2001 10-K”); or (xi) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (“3/31/02 10-Q”).

<u>Exhibit #</u>	<u>Description of Exhibit</u>
*3.1	— Amended and Restated Certificate of Incorporation of the Registrant (Exh. 3.1, 1986 S-1)
*3.1.1	— Amendment to Certificate of Incorporation dated June 24, 1987 (Exh. 3.1.1, 1987 10-K)
*3.1.2	— Amended and Restated Certificate of Incorporation of the Registrant (Exh. 3.1, 3/31/02 10-Q)
*3.2.4	— Amended and Restated By-Laws of the Registrant (Exh. 3.2, 3/31/02 10-Q)
*4.1	— Specimen Stock Certificate (Exh. 4.1, 1986 S-1)
*4.2	— Loan Agreement dated July 26, 1994 among First Tennessee Bank National Association, Registrant and P.A.M. Transport, Inc. together with Promissory Note (Exh. 4.1, 6/30/94 10-Q)
*4.2.1	— Security Agreement dated July 26, 1994 between First Tennessee Bank National Association and P.A.M. Transport, Inc. (Exh. 4.2, 6/30/94 10-Q)
*4.3	— First Amendment to Loan Agreement dated June 27, 1995 by and among P.A.M. Transport, Inc., First Tennessee Bank National Association and P.A.M. Transportation Services, Inc., together with Promissory Note in the principal amount of \$2,500,000 (Exh. 4.1.1, 6/30/95 10-Q)
*4.3.1	— First Amendment to Security Agreement dated June 28, 1995 by and between P.A.M. Transport, Inc. and First Tennessee Bank National Association (Exh. 4.2.2, 6/30/95 10-Q)
*4.3.2	— Security Agreement dated June 27, 1995 by and between Choctaw Express, Inc. and First Tennessee Bank National Association (Exh. 4.1.3, 6/30/95 10-Q)
*4.3.3	— Guaranty Agreement of P.A.M. Transportation Services, Inc. dated June 27, 1995 in favor of First Tennessee Bank National Association respecting \$10,000,000 line of credit (Exh. 4.1.4, 6/30/95 10-Q)
*4.4	— Second Amendment to Loan Agreement dated July 3, 1996 by P.A.M. Transport, Inc., First Tennessee Bank National Association and P.A.M. Transportation Services, Inc., together with Promissory Note in the principal amount of \$5,000,000 (Exh. 4.1.1, 9/30/96 10-Q)

- *4.4.1 — Second Amendment to Security Agreement dated July 3, 1996 by and between P.A.M. Transport, Inc. and First Tennessee National Bank Association (Exh. 4.1.2, 9/30/96 10-Q)
- *4.4.2 — First Amendment to Security Agreement dated July 3, 1996 by and between Choctaw Express, Inc. and First Tennessee Bank National Association (Exh. 4.1.3, 9/30/96 10-Q)
- *4.4.3 — Security Agreement dated July 3, 1996 by and between Allen Freight Services, Inc. and First Tennessee Bank National Association (Exh. 4.1.4, 9/30/96 10-Q)
- *4.5.1 — Loan Agreement dated as of November 22, 2000 by and between P.A.M. Transport, Inc. and SunTrust Bank (Exh 4.5.1, 2001 10-K)
- *4.5.2 — Revolving Credit Note dated November 22, 2000 (Exh 4.5.2, 2001 10-K)
- *4.5.3 — Security Agreement by and between P.A.M. Transport, Inc. and SunTrust Bank (Exh 4.5.3, 2001 10-K)
- *4.5.4 — First Amendment to Loan Agreement, Revolving Credit Note and Security Deposit (Exh 4.5.4, 2001 10-K)
- *10.1.1 — Employment Agreement between the Registrant and Robert W. Weaver, effective July 1, 2002 (Exh 10.1.1, 2001 10-K)
- *10.2 — Employment Agreement between the Registrant and W. Clif Lawson, dated January 1, 2002 (Exh 10.2, 2001 10-K)
- *10.3 — Employment Agreement between the Registrant and Larry J. Goddard, dated January 1, 2002 (Exh 10.3, 2001 10-K)
- *10.4 — 1995 Stock Option Plan, as Amended and Restated (Exh. 4.1, 6/11/99 S-8)
- *10.5 — Interest rate swap agreement, dated March 1, 2001 (Exh 10.5, 2001 10-K)
- *10.6 — Interest rate swap agreement dated June 1, 2001 (Exh 10.6, 2001 10-K)
- 21.1 — Subsidiaries of the Registrant
- 23.1 — Consent of Deloitte & Touche LLP
- 23.2 — Notice regarding Consent of Arthur Andersen, LLP
- 31.1 — Rule 13a-14(a) Certification of Principal Executive Officer
- 31.2 — Rule 13a-14(a) Certification of Principal Financial Officer
- 32.1 — Section 1350 Certification of Chief Executive Officer
- 32.2 — Section 1350 Certification of Chief Financial Officer

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

P.A.M. Transport, Inc. (Arkansas Corporation)
P.A.M. Dedicated Services, Inc. (Ohio Corporation)
P.A.M. Logistics Services, Inc. (Arkansas Corporation)
T.T.X., Inc. (Texas Corporation)
Choctaw Express, Inc. (Oklahoma Corporation)
Choctaw Brokerage, Inc. (Oklahoma Corporation)
Allen Freight Services, Inc. (Missouri Corporation)
Decker Transport Co., Inc. (Ohio Corporation)
Transcend Logistics, Inc. (Indiana Corporation)
East Coast Transport and Logistics, Inc. (Arkansas LLC)
McNeill Express, Inc. (Arkansas Corporation)
S & L Logistics, Inc. (Texas Corporation)
P.A.M. International, Inc. (Ohio Corporation)
P.A.M. Canada, Inc. (Canadian Corporation)

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-80505 of P.A.M. Transportation Services, Inc. (the "Company") on Form S-8 of our report dated March 10, 2004, relating to the consolidated financial statements of the Company as of and for the years ended December 31, 2003 and 2002 (which report expresses an unqualified opinion and includes an explanatory paragraph concerning the Company's change in its method of accounting for goodwill to conform to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002), appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2003.

Deloitte & Touche LLP

Little Rock, Arkansas
March 5, 2004

EXHIBIT 23.2

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

We have not been able to obtain, after reasonable efforts, the reissued report or consent of Arthur Andersen LLP related to the 2001 financial statements included in this report on Form 10-K. Therefore, we have included a copy of their previously issued report.

Because we have been unable to obtain the above-referenced consent of Arthur Andersen LLP, we are required to disclose any resulting limitations on recovery by investors. Section 11(a) of the Securities Act of 1933 allows, under certain circumstances, a person acquiring a security to assert a claim against, among others, an accountant who has consented to be named as having prepared any report for use in connection with the registration statement if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Because Arthur Andersen LLP has not consented to being named in this Form 10-K, it will not be liable under Section 11(a) of the Securities Act for any untrue statements or omissions of material fact contained in the financial statements audited by Arthur Andersen LLP.

EXHIBIT 31.1

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, ROBER W. WEAVER, President and Chief Executive Officer, certify that:

- (1) I have reviewed this annual report on Form 10-K of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this annual 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 annual 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)) 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) 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
 - (c) 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 the 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: March 12, 2004

By: /s/ Robert W. Weaver
Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

RULE 13a-14(a) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, LARRY J. GODDARD, Chief Financial Officer, certify that:

- (1) I have reviewed this annual report on Form 10-K of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");
- (2) Based on my knowledge, this annual 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 annual 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)) 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) 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
 - (c) 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 the 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: March 12, 2004

By: /s/ Larry J. Goddard
Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(principal accounting and financial officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Annual Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003, (the "Report") filed with the Securities and Exchange Commission, I, Robert W. Weaver, 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 to the best of my knowledge:

- (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.

Date: March 12, 2004

By: /s/ Robert W. Weaver
Robert W. Weaver
President and Chief Executive Officer
(chief executive officer)

EXHIBIT 32.2

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Annual Report of P.A.M. Transportation Services, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003, (the "Report") filed with the Securities and Exchange Commission, I, Larry J. Goddard, 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 to the best of my knowledge:

- (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.

Date: March 12, 2004

By: /s/ Larry J. Goddard
Larry J. Goddard
Vice President-Finance, Chief Financial
Officer, Secretary and Treasurer
(chief accounting and financial officer)