

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-15057

P.A.M. TRANSPORTATION SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

71-0633135

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

297 West Henri De Tonti, Tontitown, Arkansas 72770

(Address of principal executive offices) (Zip Code)

Registrants telephone number, including area code: (479) 361-9111

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

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

Yes [X] No [_]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Class ----- | Outstanding at August 1, 2003 ----- |
|-------------------------------|--|
| Common Stock, \$.01 Par Value | 11,293,207 |

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

| | June 30, 2003 ----- (unaudited) | December 31, 2002 ----- (note) |
|---|--|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,596 | \$ 30,766 |
| Short-term investments, at fair value | 4,751 | - |
| Receivables: | | |
| Trade, net of allowance | 50,280 | 34,231 |
| Other | 1,137 | 1,221 |
| Operating supplies and inventories | 651 | 411 |
| Deferred income taxes | - | 127 |
| Prepaid expenses and deposits | 6,722 | 3,647 |
| Income taxes refundable | 1,013 | 281 |
| | ----- | ----- |
| Total current assets | 74,150 | 70,684 |
| Property and equipment, at cost | 266,000 | 233,159 |
| Less: accumulated depreciation | (94,993) | (85,787) |
| | ----- | ----- |
| Net property and equipment | 171,007 | 147,372 |
| Other assets: | | |
| Excess of cost over net assets acquired | 15,412 | 8,102 |
| Non compete agreement | 1,179 | - |
| Other | 2,286 | 2,162 |
| | ----- | ----- |
| Total other assets | 18,877 | 10,264 |
| | ----- | ----- |
| Total assets | \$ 264,034 ===== | \$ 228,320 ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 1,083 | \$ 1,017 |
| Trade accounts payable | 20,589 | 15,725 |
| Other current liabilities | 11,910 | 9,601 |
| Deferred income taxes | 295 | - |
| | ----- | ----- |
| Total current liabilities | 33,877 | 26,343 |
| Long-term debt, less current portion | 36,432 | 20,175 |
| Non compete agreement | 871 | - |
| Deferred income taxes | 41,041 | 37,350 |
| Shareholders' equity: | | |
| Preferred Stock, \$.01 par value: | | |
| 10,000,000 shares authorized; none issued | | |
| Common stock, \$.01 par value: | | |
| 40,000,000 shares authorized; issued and | | |
| outstanding- 11,290,207 at June 30, | | |
| 2003, 11,282,207 at December 31, 2002 | | |
| | 113 | 113 |
| Additional paid-in capital | 76,272 | 76,193 |
| Accumulated other comprehensive loss | (587) | (1,005) |
| Retained earnings | 76,015 | 69,151 |
| | ----- | ----- |
| Total shareholders' equity | 151,813 | 144,452 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 264,034 ===== | \$ 228,320 ===== |

Note: The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|--------------|------------------------------|--------------|
| | 2003 ---- | 2002 ---- | 2003 ---- | 2002 ---- |
| Operating revenues | \$ 74,956 | \$ 70,841 | \$ 145,095 | \$ 134,154 |
| Operating expenses: | | | | |
| Salaries, wages and benefits | 29,925 | 32,007 | 59,208 | 59,987 |
| Operating supplies | 12,711 | 13,065 | 26,871 | 25,078 |
| Rent/purchased transportation | 9,562 | 2,879 | 16,589 | 5,674 |
| Depreciation and amortization | 6,550 | 5,698 | 12,605 | 10,975 |
| Operating taxes and licenses | 3,669 | 3,523 | 7,204 | 6,844 |
| Insurance and claims | 3,643 | 3,432 | 7,131 | 6,946 |
| Communications and utilities | 635 | 643 | 1,236 | 1,259 |
| Other | 1,196 | 820 | 2,209 | 1,602 |
| Loss on sale of equipment | 4 | 15 | 28 | 48 |
| | ----- | ----- | ----- | ----- |
| | 67,895 | 62,082 | 133,081 | 118,413 |
| | ----- | ----- | ----- | ----- |
| Operating income | 7,061 | 8,759 | 12,014 | 15,741 |
| Other income (expense) | | | | |
| Interest expense | (427) | (369) | (684) | (1,341) |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 6,634 | 8,390 | 11,330 | 14,400 |
| Income taxes --current | 25 | 910 | 210 | 774 |
| --deferred | 2,562 | 2,446 | 4,256 | 4,986 |
| | ----- | ----- | ----- | ----- |
| | 2,587 | 3,356 | 4,466 | 5,760 |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 4,047 | \$ 5,034 | \$ 6,864 | \$ 8,640 |
| | ===== | ===== | ===== | ===== |
| Net income per common share: | | | | |
| Basic | \$ 0.36 | \$ 0.45 | \$ 0.61 | \$ 0.86 |
| | ===== | ===== | ===== | ===== |
| Diluted | \$ 0.36 | \$ 0.45 | \$ 0.61 | \$ 0.85 |
| | ===== | ===== | ===== | ===== |
| Average common shares outstanding-Basic | 11,289,811 | 11,182,537 | 11,288,290 | 10,061,271 |
| | ===== | ===== | ===== | ===== |
| Average common shares outstanding-Diluted | 11,332,383 | 11,237,739 | 11,335,673 | 10,112,415 |
| | ===== | ===== | ===== | ===== |

See notes to condensed consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

| | Six Months Ended June 30, | |
|---|------------------------------|-----------|
| | 2003 | 2002 |
| | ---- | ---- |
| OPERATING ACTIVITIES | | |
| Net income | \$ 6,864 | \$ 8,640 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,605 | 10,975 |
| Non compete agreement amortization | 42 | - |
| Provision for deferred income taxes | 4,256 | 4,986 |
| Loss on retirement of property and equipment | 28 | 48 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (15,995) | (20,290) |
| Prepaid expenses and other current assets | (4,976) | (1,344) |
| Accounts payable | 5,075 | 13,789 |
| Accrued expenses | 1,958 | 2,878 |
| | ----- | ----- |
| Net cash provided by operating activities | 9,857 | 19,682 |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (33,375) | (25,586) |
| Acquisition of businesses, net of cash acquired | (10,752) | - |
| Purchases of marketable securities | (3,946) | - |
| Proceeds from sales of assets | 5,588 | 2,706 |
| Lease payments received on direct financing leases | 30 | 85 |
| | ----- | ----- |
| Net cash used in investing activities | (42,455) | (22,795) |
| FINANCING ACTIVITIES | | |
| Borrowings under lines of credit | 179,429 | 182,055 |
| Repayments under lines of credit | (167,214) | (191,131) |
| Borrowings of long-term debt | - | 1,459 |
| Repayments of long-term debt | (866) | (32,687) |
| Proceeds from issuance of common stock | - | 54,784 |
| Proceeds from exercise of stock options | 79 | 255 |
| | ----- | ----- |
| Net cash provided by financing activities | 11,428 | 14,735 |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | (21,170) | 11,622 |
| Cash and cash equivalents at beginning of period | 30,766 | 896 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 9,596 | \$ 12,518 |
| | ===== | ===== |

See notes to condensed consolidated financial statements.

NONCASH INVESTING AND FINANCING ACTIVITIES:

A promissory note in the amount of \$4,974,612 was incurred in connection with the acquisition of a business.

A non-compete agreement in the amount of \$1,000,020, payable in equal monthly installments of \$16,667 over a five year period, was entered into in connection with the acquisition of a business.

A non-compete agreement in the amount of \$300,000, payable in equal monthly installments of \$12,500 over a two year period, was entered into in connection with the acquisition of a business.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

| | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | OTHER COMPREHENSIVE INCOME | ACCUMULATED COMPREHENSIVE INCOME/ (LOSS) | RETAINED EARNINGS | TOTAL |
|---|-----------------|----------------------------------|----------------------------------|--|----------------------|-----------|
| BALANCE AT DECEMBER 31, 2002 | \$ 113 | \$ 76,193 | | \$ (1,005) | \$ 69,151 | \$144,452 |
| Components of comprehensive income: | | | | | | |
| Net earnings | | | \$ 6,864 | | 6,864 | 6,864 |
| Other comprehensive loss - | | | | | | |
| Unrealized loss on hedge, net of tax of \$39 | | | (58) | (58) | | (58) |
| Unrealized gain on securities, net of tax of \$317 | | | 476 | 476 | | 476 |
| Total comprehensive income | | | \$ 7,282 | | | |
| Exercise of stock options- shares issued including tax benefits | - | 79 | | | | 79 |
| BALANCE AT JUNE 30, 2003 | \$ 113 | \$ 76,272 | | \$ (587) | \$ 76,015 | \$151,813 |

See notes to consolidated financial statements.

P.A.M. TRANSPORTATION SERVICES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2003

NOTE A: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and the footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2002.

NOTE B: DERIVATIVE FINANCIAL INSTRUMENTS 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 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. The Company records all derivatives at fair value as assets or liabilities in the condensed consolidated balance sheet, with classification as current or long-term depending on the duration of the instrument. At June 30, 2003, the net after tax deferred hedging loss in accumulated other comprehensive loss was approximately \$1,063,000.

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. This method is based upon the premise that only the floating-rate component of the swap provides the cash flow hedge, and any changes in the swap's fair value attributable to the fixed-rate leg is not relevant to the variability of the hedged interest payments on the floating-rate liability. The calculation of ineffectiveness involves a comparison of the present value of the cumulative change in the expected future cash flows on the variable leg of the swap and the present value of the cumulative change in the expected future interest cash flows on the floating-rate liability. Ineffectiveness related to these hedges was not significant.

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 average monthly 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.

NOTE C: COMMON STOCK OFFERING

During March 2002, the Company received net proceeds of approximately \$43.9 million from a public offering of 2,100,000 shares of its common stock. The Company has repaid certain long-term debt obligations and intends to use the remaining proceeds to fund its capital expenditures and to finance general working capital needs.

During April 2002, the Company received net proceeds of approximately \$10.9 million from the sale of an additional 521,250 shares of its common stock in order to cover broker over-allotments. The Company intends to use the proceeds to fund its capital expenditures and to finance general working capital needs.

NOTE D: RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets, including: (i) the timing of liability recognition; (ii) initial measurement of the liability; (iii) allocation of asset retirement cost to expense; (iv) subsequent measurement of the liability; and (v) financial statement disclosures. SFAS No. 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The adoption of SFAS No. 143 on January 1, 2003 did not have a material impact on the Company's financial position or results of operations.

In May 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44 and 64, Amendment of SFAS No. 13, and Technical Corrections" as of April 2002. SFAS No. 145, rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and SFAS No. 64, "Extinguishments of Debt made to Satisfy Sinking-Fund Requirements". Under the provisions of SFAS No. 145, gains and losses from extinguishment of debt can only be classified as extraordinary items if they meet the criteria in APB Opinion No. 30. This statement also amends SFAS No. 13, "Accounting for Leases", to eliminate an inconsistency between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects that are similar and is effective for transactions occurring after May 15, 2002. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The adoption of SFAS No. 145 on January 1, 2003 did not have a material impact on the Company's financial position or results of operations.

In July of 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 replaces EITF No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan as was required by EITF No. 94-3. Examples of costs covered by SFAS No. 146 include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS No. 146 is to be applied to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 on January 1, 2003 did not have a material impact on the Company's financial position or results of operations.

During December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure, an Amendment of FASB Statement No. 123 ("SFAS No. 148"), which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 was effective for fiscal years ending after December 15, 2002. Management has determined that adoption of the disclosure provisions of this statement did not have any material impact on the financial position or results of operations of the Company during 2002 and expects no significant impact on future periods.

FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45") elaborates on the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. Management has determined that since December 31, 2002, no guarantees have been issued or modified, and therefore, the initial recognition and initial measurement provisions of FIN 45 did not have any material impact on the financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133 for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. Management does not expect that the provisions of SFAS 149 will have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity ("SFAS 150"), which requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The Company does not have any financial instruments that meet the provisions of SFAS 150; therefore, adopting the provisions of SFAS 150 is not expected to have a material impact on the Company's financial position or results of operations.

NOTE E: MARKETABLE SECURITIES

The Company's investments in marketable securities, which are classified as available for sale, had a net unrealized gain in market value of \$476,000, net of deferred income taxes, for the six month period ended June 30, 2003. The investments consist entirely of equity securities with a combined original cost of approximately \$3,950,000 and a combined fair market value of approximately \$4,750,000 as of June 30, 2003. There were no sales or reclassifications of investment securities during the six month period ended June 30, 2003.

NOTE F: STOCK BASED COMPENSATION

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:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---------------------------------------|----------|------------------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | (in thousands, except per share data) | | | |
| Net income | \$ 4,047 | \$ 5,034 | \$ 6,864 | \$ 8,640 |
| Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (82) | (106) | (164) | (212) |
| Pro forma net income | \$ 3,965 | \$ 4,928 | \$ 6,700 | \$ 8,428 |
| Earnings per share: | | | | |
| Basic - as reported | \$.36 | \$.45 | \$.61 | \$.86 |
| Basic - pro forma | \$.35 | \$.44 | \$.59 | \$.84 |
| Diluted - as reported | \$.36 | \$.45 | \$.61 | \$.85 |
| Diluted - pro forma | \$.35 | \$.44 | \$.59 | \$.83 |

NOTE G: BUSINESS ACQUISITIONS

On January 31, 2003, P.A.M. Transportation Services, Inc. acquired substantially all of the assets of East Coast Transport, Inc. The results of East Coast Transport, 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 \$6.6 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 a cash payment of approximately \$1.6 million. A non-compete agreement in the amount of \$1.0 million and covering a 5 year period was also entered into. Approximately \$6.6 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 Trucking, Inc. The results of McNeill Trucking, 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 \$8.7 million was paid in the form of cash in the amount of approximately \$8.6 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.

PART I - FINANCIAL INFORMATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Certain information included in this Quarterly Report on Form 10-Q constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which are indicated by the use of words such as "expect", "intend", "estimate", "project", "is likely", "plan", "forecast" or similar expressions, may relate to future financial results or plans for future business activities, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, excess capacity in the trucking industry, recessionary economic cycles, downturns in customers' business cycles, increases or rapid fluctuations in fuel prices, interest rates, operating taxes and licenses, registration fees, increases in the price of new revenue equipment, the resale value of used revenue equipment, increases in compensation for and the availability of qualified drivers, increases in insurance premiums and deductible amounts relating to accident, cargo, workers' compensation, health, and other claims, seasonal factors such as adverse weather conditions that increase operating costs, competition from trucking, rail, and intermodal competitors, regulatory requirements that increase costs or decrease efficiency, the ability to identify acceptable acquisition candidates, consummate acquisitions, and integrate acquired operations, as well as other uncertainties detailed in this report and detailed from time to time in other filings by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events (whether anticipated or not anticipated), or otherwise.

CRITICAL ACCOUNTING POLICIES

The Company's management makes estimates and assumptions in preparing the consolidated financial statements that affect reported amounts and disclosures therein. In the opinion of management, the accounting policies that generally have the most significant impact on the financial position and results of operations of the Company include:

Accounts Receivable. We continuously monitor collections from our customers, third parties and vendors 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.

Other current liabilities - 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 lag information and other data provided by claims administrators. 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 expenses - 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. Costs related to tire recapping are expensed when incurred.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2003 VS. THREE MONTHS ENDED JUNE 30, 2002

For the quarter ended June 30, 2003, revenues increased 5.8% to \$75.0 million as compared to \$70.8 million for the quarter ended June 30, 2002. The increase was primarily due to an increase in revenues generated by the Company as a result of the East Coast Transport, Inc. and McNeill Trucking, Inc. business acquisitions which closed on January 31, 2003 and April 3, 2003, respectively.

Salaries, wages and benefits decreased from 45.2% of revenues in the second quarter of 2002 to 39.9% of revenues in the second quarter of 2003. The decrease of approximately \$2.1 million relates to a decrease in amounts accrued for employee performance based compensation plans and 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.

Operating supplies and expenses decreased from 18.4% of revenues in the second quarter of 2002 to 17.0% of revenues in the second quarter of 2003. The decrease of approximately \$350,000 relates to increased collections of fuel surcharges, which, when in effect, help offset increased fuel costs due to rising fuel prices by passing a portion of the increased costs to the customer.

Rent and purchased transportation increased from 4.1% of revenues in the second quarter of 2002 to 12.8% of revenues in the second quarter of 2003. The increase of approximately \$6.7 million relates primarily to the East Coast Transport acquisition which purchases transportation services from other transportation companies in order to support our logistics operations which is reflected as purchased transportation costs.

Depreciation and amortization increased from 8.0% of revenues in the second quarter of 2002 to 8.7% of revenues in the second quarter of 2003. The increase of approximately \$850,000 was due to the replacement of trailers which were fully depreciated and the combined effect of higher tractor purchase prices and lower tractor residual values, which was partially offset by an increase in logistics revenues which have no associated tractor depreciation expense.

The Company's operating ratio increased to 90.6% for the second quarter of 2003 from 87.6% for the second quarter of 2002, as a result of the factors described above.

The decrease in income before income taxes to \$6.6 million from \$8.4 million, respectively, for the three month period ended June 30, 2003 and 2002 resulted in a decrease in the provision for income taxes from \$3.4 million for the second quarter of 2002 to \$2.6 million for the second quarter of 2003.

Net income decreased to \$4.0 million, or 5.4% of revenues, in the second quarter of 2003 from \$5.0 million, or 7.1% of revenues in the second quarter of 2002. The decrease in net income resulted in a decrease in diluted net income per share to \$.36 in the second quarter of 2003 from \$.45 in the second quarter of 2002.

SIX MONTHS ENDED JUNE 30, 2003 VS. SIX MONTHS ENDED JUNE 30, 2002

For the six months ended June 30, 2003, revenues increased 8.2% to \$145.1 million as compared to \$134.2 million for the six months ended June 30, 2002. The increase was primarily due to an increase in revenues generated by the Company as a result of the East Coast Transport, Inc. and McNeill Trucking, Inc. business acquisitions which closed on January 31, 2003 and April 3, 2003, respectively. An increase in the average number of tractors from 1,724 in the first six months of 2002 to 1,811 in the first six months of 2003 also contributed to the increase in revenues.

Salaries, wages and benefits decreased from 44.7% of revenues in the first six months of 2002 to 40.8% of revenues in the first six months of 2003. The decrease of approximately \$780,000 relates to a decrease in amounts accrued for employee performance based compensation plans and 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.

Rent and purchased transportation increased from 4.2% of revenues in the first six months of 2002 to 11.4% of revenues in the first six months of 2003. The increase of approximately \$10.9 million relates primarily to the East Coast Transport acquisition which purchases transportation services from other transportation companies in order to support our logistics operations which is reflected as purchased transportation costs.

Depreciation and amortization increased from 8.2% of revenues in the first six months of 2002 to 8.7% of revenues in the first six months of 2003. The increase of approximately \$1.6 million was due to the replacement of trailers which were fully depreciated and the combined effect of higher tractor purchase prices and lower tractor residual values, which was partially offset by an increase in logistics revenues which have no associated tractor depreciation expense.

The Company's operating ratio increased to 91.7% for the first six months of 2003 from 88.3% for the first six months of 2002, as a result of the factors described above.

The decrease in income before income taxes to \$11.3 million from \$14.4 million, respectively, for the six month periods ended June 30, 2003 and 2002 resulted in a decrease in the provision for income taxes from \$5.8 million for the first six months of 2002 to \$4.5 million for the first six months of 2003.

Net income decreased to \$6.9 million, or 4.7% of revenues, in the first six months of 2003 from \$8.6 million, or 6.4% of revenues in the first six months of 2002. The decrease in net income, combined with a 12.1% increase in the average number of shares outstanding, resulted in a decrease in diluted net income per share to \$.61 in the first six months of 2003 from \$.85 in the first six months of 2002.

LIQUIDITY AND CAPITAL RESOURCES

During the first six months of 2003, the Company generated \$9.9 million of cash from operating activities. Investing activities used \$42.5 million in cash in the first six months of 2003. Financing activities generated \$11.4 million in the first six months of 2003, primarily from borrowings against lines of credit.

Short-term investments at June 30, 2003 increased approximately \$4.8 million from December 31, 2002. Increases were due to a combination of additional purchases of equity securities during periods of excess cash and appreciation in stock value during the first six months of 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 trading value of the stock combined with dividend payments will exceed interest rates paid on borrowings for the same period. The duration of the investments depends largely on the general economic environment, the equity markets and borrowing rates.

Accounts receivable at June 30, 2003 increased approximately \$16.0 million from December 31, 2002. Approximately \$6.8 million of the increase is related to the revenues generated by East Coast Transport, Inc. and McNeill Transport, Inc. which were acquired in January 2003 and April 2003, respectively. Also, certain of the Company's largest customers regularly schedule plant shutdowns for various periods during December and the volume of freight we ship is reduced during such scheduled shutdowns. This reduction in freight volume results in a reduction in accounts receivable at the end of each year.

Prepaid expenses and deposits at June 30, 2003 increased approximately \$3.1 million as compared to December 31, 2002. The increase relates to the Company's annual registration fees for tractors and trailers which occurs each January, and to the prepayment of certain annual insurance policies during the first quarter of 2003 which had been paid on a monthly basis during the previous year.

Trade accounts payable at June 30, 2003 increased approximately \$4.9 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.

During March and April 2002, the Company received net proceeds of approximately \$54.8 million from a public offering of 2,621,250 shares of its common stock. The Company has repaid certain long-term debt obligations and intends to use the remaining proceeds to fund its capital expenditures and to finance general working capital needs. For additional information see Note C to the condensed consolidated financial statements.

The Company's principal subsidiary, P.A.M. Transport, Inc., maintains two lines of credit with separate financial institutions. "Line A" is a \$20.0 million line maturing May 31, 2005 bearing interest at LIBOR (on the first day of the month) plus 1.40%, and is secured by accounts receivable. At June 30, 2003, outstanding advances on Line A were approximately \$13.7 million, including \$1.5 million in letters of credit, with availability to borrow \$6.3 million. "Line B" is a \$30.0 million line maturing on June 30, 2005 bearing interest at LIBOR (on the last London Business Day of the previous month) plus 1.15%, and is secured by equipment. At June 30, 2003, outstanding advances on Line B were approximately \$27.0 million, including \$7.0 million in letters of credit, with availability to borrow \$3.0 million.

In addition to cash flows from operations, the Company uses its existing lines of credit on an interim basis to finance capital expenditures and repay long-term debt. Longer-term transactions, such as installment notes (generally three to five year terms at fixed rates), are typically entered into for the purchase of revenue equipment; however, the Company purchased additional revenue equipment during the first six months of 2003 at a cost of approximately \$30.9 million using its existing lines of credit and available cash balances. During the remainder of 2003, the Company plans to replace 419 tractors and 410 trailers, which would result in net capital expenditures of approximately \$26.0 million. Management expects that the Company's existing working capital and its available lines of credit will be sufficient to meet the Company's present capital commitments, to repay indebtedness coming due in the current year, and to fund its operating needs during the remainder of fiscal 2003.

During January 2003 a seven year promissory note in the amount of \$4,974,612 million and payable in equal monthly installments at a fixed interest rate of 6.0% was incurred in connection with the acquisition of East Coast Transport, Inc.

During February 2001 and May 2001 the Company entered into separate interest rate swap agreements on notional amounts of \$15,000,000 and \$5,000,000, respectively. The pay fixed rate under the swaps are 5.08% and 4.83%, respectively, while the receive floating rate is "1-month" LIBOR. The \$15,000,000 swap agreement terminates on March 2, 2006 while the \$5,000,000 swap agreement terminates on June 2, 2006. For additional information with respect to the interest rate swap agreements, see Note B to the condensed consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

See Note D to the condensed consolidated financial statements for a description of the most recent accounting pronouncements and their impact, if any, on the Company.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

The Company's 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 the Company employs 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 the Company 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. Based upon our 2002 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$3.5 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 average monthly 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 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 see Note B to the condensed consolidated financial statements.

Item 4. 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 rules and forms. An evaluation was carried out as of June 30, 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 are effective.

CEO AND CFO CERTIFICATES

Exhibit 31.1 and Exhibit 31.2 to this report on Form 10-Q includes certifications by the CEO and the CFO, respectively. They are required under Section 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certifications"). This Item 4, Controls and Procedures, is referred to in the Section 302 Certifications and should be read in conjunction with the Section 302 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-Q, 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-Q. 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-Q.

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 to ensure 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-Q.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On October 10, 2002, a suit was filed against one of the Company's subsidiaries and is entitled "The Official Committee of Unsecured Creditors of Bill's Dollar Stores, Inc. v. Allen Freight Services Co." 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 defendant, Allen Freight Services Co., within the 90 day period preceding the bankruptcy petition date of Bill's Dollar Stores, Inc. The suit is currently in pretrial proceedings.

In addition to the specific legal action mentioned above, the nature of 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.

The 2003 Annual Meeting of Stockholders of the Company was held on May 29, 2003. The results of the voting with respect to each matter voted on at the meeting is set forth below:

(1) Proposal to elect eight directors:

| | Votes FOR | Votes WITHHELD | Broker NON-VOTES |
|-----------------------|--------------|-------------------|---------------------|
| Fredrick P. Calderone | 9,027,509 | 1,984,485 | 0 |
| Frank L. Conner | 10,905,724 | 106,270 | 0 |
| Thomas H. Cooke | 10,865,763 | 146,231 | 0 |
| Manuel J. Moroun | 9,121,455 | 1,890,539 | 0 |
| Matthew T. Moroun | 10,828,401 | 183,593 | 0 |
| Daniel C. Sullivan | 10,873,438 | 138,556 | 0 |
| Robert W. Weaver | 9,063,059 | 1,948,935 | 0 |
| Charles F. Wilkins | 10,894,938 | 117,056 | 0 |

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits required by Item 601 of Regulations S-K:

- 11.1 - Statement Re: Computation of Diluted Earnings Per Share
- 31.1 - Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 - Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 - Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 - Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

A Current Report on Form 8-K was filed on April 25, 2003 regarding a press release issued to announce the Company's first quarter 2003 results. No other reports on Form 8-K were filed during the second quarter ending June 30, 2003.

SIGNATURES

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

P.A.M. TRANSPORTATION SERVICES, INC.

Dated: August 5, 2003

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

Dated: August 5, 2003

By: /s/ Larry J. Goddard

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

P.A.M. TRANSPORTATION SERVICES, INC.

INDEX TO EXHIBITS TO FORM 10-Q

| Exhibit Number | Exhibit Description |
|-------------------|--|
| 11.1 | Statement Re: Computation of Diluted Earnings Per Share |
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| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

EXHIBIT (11.1)----STATEMENT RE: COMPUTATION OF DILUTED EARNINGS PER SHARE

Diluted earnings per share computations assume the exercise of stock options to purchase shares of common stock. The shares assumed exercised are based on the weighted average number of shares under options outstanding during the period and only include those options for which the exercise price is less than the average share price during the period. The net additional shares issuable are calculated based on the treasury stock method and are added to the weighted average number of shares outstanding during the period.

| DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED JUNE 30, 2003 | Three Months | Six Months |
|--|--------------|--------------|
| ----- | ----- | ----- |
| Actual net income (A) | \$ 4,046,569 | \$ 6,864,137 |
| | ===== | ===== |
| Assumed exercise of stock options and warrants | 380,396 | 377,353 |
| Application of assumed proceeds (\$7,988,524 and \$7,900,471) toward repurchase of outstanding common stock at an average market price of \$23.647 and \$23.943, respectively. | (337,824) | (329,970) |
| | ----- | ----- |
| Net additional shares issuable | 42,572 | 47,383 |
| | ===== | ===== |
| Adjustment of shares outstanding: | | |
| Weighted average common shares outstanding | 11,289,811 | 11,288,290 |
| Net additional shares issuable | 42,572 | 47,383 |
| | ----- | ----- |
| Adjusted shares outstanding (B) | 11,332,383 | 11,335,673 |
| | ===== | ===== |
| Net income per common share (A) divided by (B) | \$ 0.36 | \$ 0.61 |
| | ===== | ===== |

| DILUTED EARNINGS PER SHARE FOR THE PERIOD ENDED JUNE 30, 2002 | Three Months | Six Months |
|--|--------------|--------------|
| ----- | ----- | ----- |
| Actual net income (A) | \$ 5,033,511 | \$ 8,639,601 |
| | ===== | ===== |
| Assumed exercise of stock options and warrants | 94,934 | 95,193 |
| Application of assumed proceeds (\$990,519 and \$965,333) toward repurchase of outstanding common stock at an average market price of \$24.930 and \$21.915, respectively. | (39,732) | (44,049) |
| | ----- | ----- |
| Net additional shares issuable | 55,202 | 51,144 |
| | ===== | ===== |
| Adjustment of shares outstanding: | | |
| Weighted average common shares outstanding | 11,182,537 | 10,061,271 |
| Net additional shares issuable | 55,202 | 51,144 |
| | ----- | ----- |
| Adjusted shares outstanding (B) | 11,237,739 | 10,112,415 |
| | ===== | ===== |
| Net income per common share (A) divided by (B) | \$ 0.45 | \$ 0.85 |
| | ===== | ===== |

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officers 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

The registrant's other certifying officers 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: August 5, 2003

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

I have reviewed this quarterly report on Form 10-Q of P.A.M. TRANSPORTATION SERVICES, INC., a Delaware corporation (the "registrant");

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officers 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

The registrant's other certifying officers 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: August 5, 2003

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

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

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350, and accompanies the quarterly report on Form 10-Q for the quarter ended June 30, 2003 (the "Form 10-Q") of P.A.M. Transportation Services, Inc. (the "Issuer").

I, Robert W. Weaver, President and Chief Executive Officer of the Issuer, certify that:

(i) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: August 5, 2003

By: /s/ Robert W. Weaver

Robert W. Weaver
President and Chief Executive Officer
(chief executive officer)

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

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350, and accompanies the quarterly report on Form 10-Q for the quarter ended June 30, 2003 (the "Form 10-Q") of P.A.M. Transportation Services, Inc. (the "Issuer").

I, Larry J. Goddard, Vice President - Finance, Chief Financial Officer, Secretary and Treasurer of the Issuer, certify that:

(i) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d); and

(ii) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: August 5, 2003

By: /s/ Larry J. Goddard

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