

## **2005 Second Quarter Conference Call**

### **Randy Marten**

Good afternoon. I would like to begin by welcoming everyone to our second quarter conference call. Before discussing the quarter, I'll make our forward-looking statements announcement.

This conference call will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are usually identified by words such as "expect," "anticipate," "project," "intend," "plan," and "believe." Forward-looking statements are based on our current assumptions and expectations and are subject to change, as well as risks and uncertainties that may cause actual results to vary from our expectations. We encourage you to review the risks identified in our filings with the Securities and Exchange Commission.

We continue to show solid growth in both revenue and net income. For the quarter, operating revenue was up 22.7%, freight revenue was up 14.0%, and net income was up 40.5% over the 2004 quarter. Customers continue to demand our services, give us additional business opportunities and share the burden of increased fuel prices. As a result, we have been able to increase rates, collect on our fuel surcharge program and produce solid utilization. Driver supply remains tight and we are seeing a positive response to our recent pay increases, which has allowed us to keep our trucks seated. In addition to the information in the press release, there are a few areas that I would like to comment on in more depth.

- Our average freight revenue per total mile, excluding fuel surcharges and non-freight revenue, was up 8.0% over the second quarter of 2004. In the second quarter, we continued to see a good balance between demand and truck capacity in the temperature-controlled market, and this has continued during the first two weeks of July.
- Our average freight revenue per tractor per week increased 5.7% from the second quarter of 2004, partially offset by a 2.1% decrease in average miles per tractor.
- Our seated trucks were a high point of the quarter. We seated 238 additional tractors since the end of the 2004 quarter. We attribute the additional improvement to our recent pay increases, our low driver turnover, the successful efforts of our driver recruiting team and our reputation for treating our drivers well.
- We continue our focus on cost controls, and this will always be central to the way we do business at Marten. Despite the continuing industry-wide challenges of a tight driver market and increasingly high fuel prices, our

operating ratio improved to 90.0% this quarter from 91.4% in the second quarter of 2004.

- We always listen to our customers and attempt to respond to demands for new services, where it makes sense for our business. We are in the beginning stages of planning and putting in place the infrastructure for an intermodal division under which our temperature-controlled trailers would move on flat cars in specific long-haul lanes. We are excited about the prospects of this division and what it could mean for Marten, in terms of revenue growth, utilization, driver-friendly lanes and capital expenditure requirements. We do not expect this initiative to have a material impact in 2005 and are not rushing any step along the way. Right now, we are in the process of searching for highly qualified people to fill the key positions in this new division.

Darrell Rubel will now discuss a financial summary of the quarter, before I make some concluding remarks.

### **Darrell Rubel**

Thanks, Randy. I will give you a brief update on our revenue presentation going forward. We had a small amount of revenue from brokerage operations in the second quarter, which along with fuel surcharge and MWL revenue, has been excluded from freight revenue. Going forward in our presentation of freight revenue, we will exclude revenue from brokerage, intermodal, and MWL operations, or non-freight revenue, in addition to fuel surcharge revenue.

On the expense side, our average fuel cost per gallon increased over fifty cents, or 31%, since the second quarter of 2004. We remain focused on collecting our surcharge revenue to help offset these increasing costs. We collect a high percentage of the fuel price increases. However, the small uncollected percentage has become meaningful as the absolute numbers have grown.

Salaries, wages and benefits as a percentage of freight revenue increased approximately 265 basis points for the second quarter due to our two driver pay increases on January 1 and April 1 of this year, along with a higher percentage of company-owned tractors in our fleet.

Maintenance and supplies expense in the second quarter of 2005, as a percentage of freight revenue, remained at 2004 levels in spite of an increase in our company-owned fleet and a reduction in our independent contractors. Due to our fleet upgrade, the average age of our company tractor fleet decreased to 1.5 years from 1.6 years in the 2004 quarter and the average age of our trailer fleet decreased to 3.1 years from 3.9 years in the 2004 quarter. When we accelerated our tractor and trailer upgrades, we expected to reap the rewards in the maintenance line of our financials and this quarter's numbers validate those expectations.

At the end of the quarter, our balance sheet remained solid, with approximately \$180.0 million in stockholders' equity and \$34.7 million of borrowed debt, which resulted in a debt-to-total capitalization ratio of approximately 16.2%. We did not have any material off-balance sheet financing arrangements at June 30, 2005.

We currently anticipate capital expenditures of approximately \$84 million in 2005, net of proceeds from sales of used equipment. We spent approximately \$27 million of this amount in the first six months of 2005. Capital expenditures in 2005 could be higher depending on the number of tractors we add and the mix of company tractors and independent contractors.

Randy, I'm turning it back to you.

**Randy Marten**

Thanks, Darrell. Now I would like to comment on our expectations for the rest of the year. We are not updating our operating ratio expectation of between 91% and 91.5% for the year. We feel very good about the Company's strategic position. However, we remain cautious because of high fuel prices, a tight driver market, and the uncertainties of year-end demand.

That concludes our remarks. At this time, I will open it up for questions.