2005 Third Quarter Conference Call

Randy Marten

Good morning. I would like to begin by welcoming everyone to our third 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 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.

Our third quarter results reflect solid growth in both revenue and net income. For the quarter, operating revenue was up 21.6%, freight revenue was up 11.3%, and net income was up 33.2% over the 2004 quarter. Improved asset utilization and continued focus on controlling costs drove a 100 basis point improvement in our operating ratio to 91% from 92%, despite a 39.2% increase in fuel prices, higher driver wages, and other cost pressures.

There are three main topics I'd like to address today before we get into the details - the business environment and its effect on our operations, the driver environment, and our revenue equipment strategy.

Business Environment and Operations

The business environment remains very favorable for disciplined operators that have good equipment, good customers, good fuel surcharge programs, and good drivers. This may seem like stating the obvious. However, I want to make the point that the business environment is good, but to be successful you cannot afford to let your fleet or costs get out of control.

From a demand perspective, the freight market is solid. New and existing customers continue to offer additional business opportunities, and we are able to be choosy about where we allocate our equipment. We are continuing to see additional opportunities from high-quality accounts every week. In addition, we are always listening to our customers and attempting to respond to demands for new services, where it makes sense for our business. For example, we recently initiated intermodal service where our temperature-controlled trailers move on flat cars in specific long-haul lanes. We are optimistic about the prospects for this division and what it could mean for Marten, in terms of revenue growth, utilization, and capital expenditure requirements. However, to be conservative, we are not modeling any material impact on the remainder of 2005 or 2006 until we have more information.

From a supply perspective, we continue to believe that the driver shortage and increasing capital and operating costs are limiting the amount of new capacity entering the market. There is an ongoing debate in the investment banking community about whether capacity is re-entering the marketplace at a rate sufficient to change the pricing and utilization dynamics of our business. At Marten we have not seen any evidence of meaningful capacity expansion in our marketplace. We also believe it is highly doubtful that small-to-midsized carriers, who typically pay more for tractors, trailers, fuel, and other items, and many of whom offer compensation and benefits that are less than the major carriers, have the capital and ability to attract and retain drivers to fuel a major expansion of capacity in our industry.

Based on these factors, we feel good about the general business environment. And we believe our numbers provide good support. For the quarter, average freight revenue per tractor per week increased 5.5% and the size of our tractor fleet also increased 5.5%. Average freight revenue per tractor per week reached $3,140 compared with $2,976 in the 2004 quarter.

Our sales and operations departments did an excellent job of managing our freight base to improve our bottom line. With disciplined freight selection, we were able to increase average freight revenue per total mile by 8.9% over the third quarter of 2004. This was partially offset by a 3.1% decrease in average miles per tractor. The resulting increase in average freight revenue per tractor per week was driven by higher rates with fewer miles, which means less fuel, driver pay, and other variable expenses associated with that revenue. A shorter average length of haul contributed to this effort.

Drivers

The driver environment remains very competitive, and our people are doing a good job of keeping us where we need to be. During the quarter we added 117 company trucks, which allowed us to expand and overcome the loss of 33 independent contractors. We believe excellent pay, a new fleet, and a driver-oriented culture are all important aspects of managing growth in a difficult driver market. To address the independent contractor situation, effective November 1 we are revising our pay structure to offer differing rates per mile in different mileage bands. We believe this will address the desire of some independent contractors to take shorter lengths of haul without sacrificing as much revenue. The new pay structure may increase our cost per mile for purchased transportation, but less than the proportionate component of the rate increases we have achieved over the past several quarters.

Revenue Equipment Strategy

Now a word about our revenue equipment strategy. At September 30, our average tractor age was 1.4 years and our average trailer age was 3 years. As we enter 2006, we plan to keep our fleet relatively new to obtain maintenance savings, appeal to drivers, and allow us to manage through the 2007 engine changes mandated by the EPA. Based on anticipated orders and deliveries during 2006, our anticipated fleet age will not require us to purchase any tractors in 2007 while maintaining our manageable maintenance costs and driver appeal. This would afford us the flexibility to evaluate the 2007 engines and only purchase in 2007 if we feel good about pricing and performance.

The strong market for well-maintained used equipment has also boosted our equipment strategy. During the third quarter we recognized gains on disposition of revenue equipment of $1.2 million compared with $544,000 in the 2004 quarter.

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

Darrell Rubel

Thanks, Randy. The revenue numbers were covered in our press release, so I won't repeat them here.

On the expense side, our average fuel cost per gallon increased 69 cents, or 39.2%, compared with the third quarter 2004. We remain focused on collecting our fuel 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 so large. Fuel and related taxes (net of surcharges) were 14.2% of freight revenue in the third quarter of 2005, compared with 13.6% in the third quarter of 2004.

Salaries, wages, and benefits, as a percentage of freight revenue, increased to 32.5%, from 31.1% in the 2004 quarter. The increase reflects a combination of our driver pay increases in January and April, an increase in the number of company-owned tractors in our fleet, and a relative decrease in the number of independent contractors. Even with the decrease in independent contractors, purchased transportation increased over 2004. This is primarily because of increases in the amount of fuel surcharges passed through to independent contractors and in carrier payments made by Marten.

We had a good safety quarter, which resulted in a 66 basis point improvement as a percentage of freight revenue in insurance and claims versus last year’s third quarter.

At the end of the quarter, our balance sheet remained solid, with approximately $186.6 million in stockholders' equity and $36.3 million of borrowed debt, which resulted in a debt-to-total capitalization ratio of approximately 16.3%. We did not have any material off-balance sheet financing arrangements at September 30, 2005.

We currently anticipate capital expenditures of approximately $87 million in 2005, net of proceeds from sales of used equipment. We spent approximately $20 million of this amount in the third quarter, net of proceeds, and have expended approximately $47 million, net, through three quarters. The estimate of capital expenditures for the remainder of this year may be impacted by the timing of tractor and trailer deliveries between 2005 and 2006.

Randy, I'm turning it back to you.

Randy Marten

Thanks Darrell. Before opening the call to questions I'd like to comment on our outlook. For the fourth quarter, we are sticking with our previously announced guidance of a 91.0% to 91.5% operating ratio for the entire year. We expect the fourth quarter to be solid and to produce results in the range we have communicated. Although business is good, we are not counting on the surge revenue from pop-up fleets that we had last year. We wouldn't turn it down if it happened, but we don't want to count on it. We feel pretty good about our fourth quarter forecast even with fuel prices at current levels or moderately higher.

On a longer term basis, we continue to feel very good about Marten's strategic position. We believe our experienced drivers, our new fleet, our strong balance sheet, and our deep management team position us to compete effectively in our markets. Our goal is to continue to grow steadily and to improve our operating ratio. We expect to have further information about our expectations for 2006 in future communications.

Lastly, I am proud to mention that we have recently been named to *Forbes Magazine's* list of the 200 Best Small Companies in America, which appears in the October 31, 2005 issue. This recognition exemplifies the progress Marten has made in the temperature-sensitive transportation marketplace and I am thankful to our employees and contractors for their hard work and dedication.

At this time, I will open it up for questions.