MARTEN TRANSPORT, LTD.

2016 Annual Report

CONTINUING ON THE PATH OF
EVOLUTION • GROWTH • STABILITY
for over 70 years

Who We Are

Marten Transport, Ltd., with headquarters in Mondovi, Wisconsin, strives to be the premier supplier of time and temperature-sensitive transportation and distribution services to customers in the United States, Canada and Mexico. We will accomplish this by exceeding the expectations of our customers, employees, stockholders and society. We serve customers with demanding delivery deadlines, as well as those who ship products requiring modern temperature-controlled trailers to protect goods.

Founded in 1946, we have been a public company since 1986. Our common stock trades on the NASDAQ Global Select Market under the symbol MRTN. At December 31, 2016, we employed 3,622 people, including drivers, office personnel and mechanics.

Five-Year Financial Summary

	Years ended December 31,				
(Dollars in thousands, except per share amounts)	**2016**	2015	2014	2013	2012
FOR THE YEAR					
Operating revenue	**$ 671,144**	$ 664,994	$ 672,929	$ 659,214	$ 638,456
Operating income	**58,303**	61,063	51,006	51,995	45,853
Net income	**33,464**	35,745	29,834	30,147	27,267
Operating ratio(1)	**91.3%**	90.8%	92.4%	92.1%	92.8%
PER-SHARE DATA(2)					
Basic earnings per common share	**$ 1.03**	$ 1.07	$ 0.89	$ 0.91	$ 0.82
Diluted earnings per common share	**1.02**	1.06	0.89	0.90	0.82
Dividends declared per common share	**0.10**	0.10	0.10	0.083	0.563
Book value	**13.40**	12.50	11.61	10.78	10.01
AT YEAR END					
Total assets(3)	**$ 653,748**	$ 631,528	$ 576,461	$ 522,387	$ 487,468
Long-term debt	**7,886**	37,867	24,373	–	2,726
Stockholders' equity	**437,338**	409,421	387,926	359,137	331,923

(1) Represents operating expenses as a percentage of operating revenue.

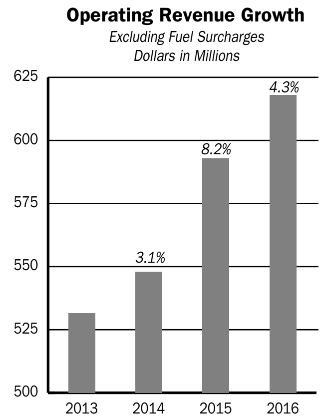
(2) The amounts for December 31, 2012 have been restated to reflect the three-for-two stock split effected in the form of a 50% stock dividend on June 14, 2013.

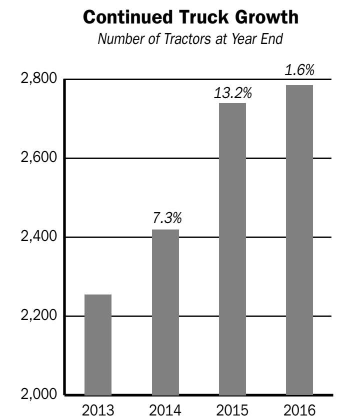
(3) The amounts for December 31, 2012 through 2014 have been restated to reflect the reclassification of current deferred income tax assets to be consistent with the current presentation upon adoption of FASB ASU No. 2015-17, "Income Taxes" effective December 31, 2015.

To Our Stockholders and Employees

The combination of industry-wide cost inflation and depressed freight rates pushed profit growth out of reach for most trucking companies in 2016. Most, but not all. Marten Transport pushed back by employing the disciplined diversity of our multifaceted business platform to generate 2016 net income of $33.5 million, an improvement on record 2015 earnings, excluding a gain on the disposition of facilities—differentiating us from the competition.

We set a higher earnings goal for 2016 than we achieved; however, we see our results as a positive outcome in a year when excessive carrier capacity nationally drove a decline in freight rates to levels substantially out of step with industry-wide cost increases. The difference for Marten was the continued growth in profitability of our Dedicated, Intermodal and Brokerage businesses in combination with the smart, disciplined work—throughout the company—of a dedicated and experienced workforce. For each of these three business operations, the fourth quarter of 2016 was the eighth consecutive quarter of year-over-year growth in operating income. In the aggregate, the Dedicated, Intermodal and Brokerage segments produced a 43.9 percent year-over-year increase in operating income for 2016, effectively offsetting a 22.7 percent decline for the Truckload segment.





2016 Financial Results

Marten's earnings per diluted share have grown by 108 percent since 2009. For 2016, net income was $33.5 million, or $1.02 per diluted share, compared with $35.7 million, or $1.06 per diluted share, for 2015. Net income for 2015, excluding the $4.1 million gain on the disposition of facilities, was $33.3 million, or 99 cents per diluted share.

Operating revenue improved 0.9 percent to $671.1 million for 2016 from $665.0 million for 2015, despite a $19.1 million decrease in fuel surcharges resulting from lower fuel prices during 2016. Excluding fuel surcharges, 2016 operating revenue was $617.9 million, up 4.3 percent from $592.6 million for 2015.

Our operating ratio (operating expenses as a percentage of operating revenue), was 91.3 percent for 2016 and 90.8 percent for 2015. The operating ratio, net of fuel surcharges, was 90.6 percent for 2016. The operating ratio for 2015, net of both fuel surcharges and the gain on the disposition of facilities, was 90.4 percent.

Achieved in an unfavorable operating environment, our overall results again provide a measure of the discipline and operating resilience built into our multifaceted business model. The squeeze between costs and rates further sharpened our ongoing focus on cost efficiencies while building productivity through customer diversity, lane density and improved freight efficiency—keeping our equipment moving in a dense and diverse freight network. The disciplined response of the Marten team made it possible to sustain or even improve productivity as shown by key measures of equipment utilization. Truckload and Dedicated loads per tractor per week increased by 12.0 percent in 2016 over a strong performance in 2015. Load growth for all segments increased by 19.5 percent.

With the expansion of our Dedicated operations, we increased the average number of Truckload and Dedicated tractors by 226 in 2016, up 9.1 percent from 2015. Our focus on expanding our business platform network has produced organic growth of 546 tractors, or 25 percent, since the end of 2013.

Implementing Strategic Vision

The Marten Transport story now spans more than 70 years—and some of the flavor of that lengthy story can be captured in just three words: stability, growth, evolution.

- *Stability* in financial strength, reliably superior customer service and the talent and teamwork of the people who are Marten.
- *Growth* in financial performance, customer diversity and geographical reach.
- *Evolution* from long-haul carrier to an expanding network of transportation capabilities aimed at providing the best, most efficient services for Marten customers.

Stability, growth and evolution are exemplified in the four business platforms used to implement Marten's strategic vision—transportation service solutions for today and into the future.

Truckload*—regional and over-the-road fleets operating from 15 regional service centers.* Despite the especially challenging market environment for truckload operations, Marten successfully launched a new dry van operation out of its Kansas City, Kansas, facility in early 2016, and by year's end it was operating 42 tractors. Truckload revenue was $375.9 million for 2016, compared with $398.4 million for 2015. Excluding fuel surcharges, Truckload revenue was $340.0 million for 2016, compared with $348.1 million for 2015. Operating income was $27.4 million versus $35.5 million for 2015. The 2016 Truckload operating ratio was 92.7 percent, and the operating ratio, net of fuel surcharges, was 91.9 percent.

Dedicated*—customized solutions tailored to individual customers' requirements utilizing refrigerated trailers, dry vans and other specialized equipment.* Dedicated revenue improved to $157.4 million for 2016 from $118.3 million for 2015. Excluding fuel surcharges, Dedicated revenue was $147.0 million for 2016, up 37.1 percent from $107.3 million for 2015. Operating income increased 52.5 percent to $19.6 million from $12.8 million for 2015. The 2016 Dedicated operating ratio was 87.6 percent, and the operating ratio, net of fuel surcharges, was 86.7 percent. Marten Transport jumped to No. 16 among the top dedicated carriers nationally in 2016, based on the number of tractors and straight trucks provided for the exclusive use of shippers in North America. In April, Walmart named Marten as its Grocery Dedicated Carrier of the Year for 2015, as a company that has "demonstrated a dedication to customer service and a commitment to creating innovation solutions in an evolving yet extremely important business."

Intermodal*—refrigerated TOFC (trailer on flatcar) services, providing the economies and energy efficiencies of long-haul rail transportation with extended door-to-door support from Marten's truck network.* Marten is the largest truckload temperature-controlled carrier with BNSF Railway Company. Intermodal revenue was $71.5 million for 2016, compared with $77.0 million for 2015. Excluding revenue from both fuel surcharges and our discontinued dry-container service, Intermodal revenue was $64.5 million for 2016, compared with $64.6 million for 2015. Operating income increased 47.6 percent to $7.1 million from $4.8 million for 2015. The 2016 Intermodal operating ratio was 90.0 percent, and the operating ratio, net of fuel surcharges, was 88.9 percent.

Brokerage*—surge flexibility to supplement Marten's capabilities through temperature-controlled and dry van service within the United States and into and out of Mexico through arrangements with smaller third-party carriers.* Reflecting the challenging rate environment, Brokerage revenue was $66.4 million for 2016, down 7.0 percent from $71.4 million for 2015. Brokerage operating income increased 10.3 percent to $4.2 million from $3.8 million for 2015. The Brokerage operating ratio was 93.7 percent for 2016.

Operating within our Truckload and Brokerage segments, another component of Marten's vision and plan is MRTN de México, which provides door-to-door Mexican business service with our Mexican partner carriers. Its 2016 revenue grew by 3.9 percent to $71.9 million—reported as part of Truckload and Brokerage results. An additional entry facility, in El Paso, Texas, is being added in 2017.

The pressure of cost inflation continued unabated in 2016, with substantial increases in the cost of new tractors and trailers. Tractors and trailers we put in service during 2016 cost 12 percent and 22 percent, respectively, more than the equipment replaced.

Looking Ahead

The double whammy of cost inflation and depressed freight rates is expected to continue well into the current year. But we believe the likelihood of increased demand and gradually tightening capacity bodes well for a sustainable recovery in rates going into the second half. One of the factors projected to contribute to reduced capacity down the road is the Electronic Logging Device (ELD) mandate, which has now been upheld by a U.S. Court of Appeals. We remain encouraged by the Court's decision and maintain our view that the ELD mandate—with compliance required by mid-December, 2017—will level the competitive playing field for all truckload carriers, reduce industry capacity and have a positive impact on safety and truckload fundamentals.

Marten was one of the first carriers to fully implement electronic logging in early 2011. We accompanied this with a series of annual mileage pay and non-driving time pay increases to compensate our drivers for lost driving hours in the transition from paper logs to ELDs. We have been able to seat our growing fleet despite a national shortage of experienced drivers because we compensate our drivers for their non-driving time like no other carrier in today's electronic era. We believe Marten is the only major carrier to hire *only* experienced drivers.

Our planning today recognizes that the outlook for capacity, rates and economic activity is subject to change without notice. We're hoping for an early improvement in our operating environment—but are fully prepared for a slow recovery. We remain confident in our ability to capitalize profitably on growth opportunities across all of our business units with our competitive position, cost control emphasis, strong balance sheet, a growing truck network, an expanding, diversified customer base and our diversified transportation service solutions to match. In other words—stability, growth, evolution.

Sincerely,

Randolph L. Marten
Chairman of the Board
and Chief Executive Officer

February 28, 2017

This Annual Report, including the Stockholders and Employees Letter above, contains forward-looking statements. Written words such as "may," "expect," "believe," "anticipate," "plan," "goal," or "estimate," or other variations of these or similar words, identify such statements. Our actual results may differ materially from those expressed in such forward-looking statements because of important factors known to us that could cause such material differences including those noted in the attached Form 10-K under the heading "Risk Factors."

Corporate Information

Corporate Headquarters

129 Marten Street
Mondovi, Wisconsin 54755
Telephone: (715) 926-4216
Fax: (715) 926-4530
www.marten.com

Stockholder Information

Additional copies of our 2016 Annual Report on Form 10-K as filed with the Securities and Exchange Commission are available by writing to James J. Hinnendael, executive vice president and chief financial officer, at our corporate headquarters.

Annual Meeting

Stockholders, employees and friends may attend our annual meeting on Tuesday, May 9, 2017, at 3:00 p.m. at the Roger Marten Community Center, 120 South Franklin Street, Mondovi, Wisconsin.

Stock Listing

NASDAQ Global Select Market symbol: MRTN

Legal Counsel

Fox Rothschild LLP
Campbell Mithun Tower – Suite 2000
222 South Ninth Street
Minneapolis, Minnesota 55402

Independent Registered Public Accounting Firm

Grant Thornton LLP
200 South Sixth Street, Suite 1400
Minneapolis, Minnesota 55402

Transfer Agent and Registrar

Computershare Shareowner Services

Stockholder correspondence mailing address:
P.O. Box 30170
College Station, Texas 77842-3170

Overnight correspondence address:
211 Quality Circle, Suite 210
College Station, Texas 77845

Telephone: (866) 637-5412
TDD: (800) 231-5469
Foreign: (201) 680-6578
www.computershare.com/investor

Stockholder online inquiries:
www-us.computershare.com/investor/contact

Direct communications about stock certificates or a change of address to Computershare Shareowner Services.

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Timothy P. Nash
Executive Vice President of Sales and Marketing

James J. Hinnendael
Executive Vice President and Chief Financial Officer

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Milford, Iowa

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MARTEN TRANSPORT, LTD. 129 MARTEN STREET MONDOVI, WISCONSIN 54755 TELEPHONE: (715) 926-4216 FAX: (715) 926-4530 www.marten.com