

2006 First Quarter Conference Call

Randy Marten

Good afternoon and welcome to Marten's 2006 first quarter conference call. Before we discuss 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 first quarter results for 2006 improved over an unusually strong first quarter of 2005. For the quarter, operating revenue was up 16%, freight revenue was up 7%, and net income increased about 5%. Our average freight revenue per total mile increased to \$1.45 in the first quarter compared with \$1.35 in the 2005 quarter. Netting fuel surcharges against fuel expense, as many of our peers do, produces an operating ratio of 91.3% for the quarter.

The two main points I'll discuss today are freight demand and how our revenue equipment strategy affected the quarter.

Demand

Demand for our services started out solid in January--in fact, stronger than usual. Then demand slowed more than we expected in February and March, before recovering late in March. Overall, it was a pretty typical first quarter in terms of freight demand, although the normal March pickup was delayed and had us concerned when we put out our release. Currently, demand for the first three weeks of April has continued to strengthen seasonally, and we feel good about the level of freight our customers are tendering to us heading into the prime shipping season.

There are two main reasons that give us confidence regarding the outlook for shipping demand. One reason is that new and existing customers continue to ask us to make capacity commitments, whether under dedicated contracts or normal service. They are trying to lock down capacity for the balance of the year and are willing to pay good rates to make sure that happens.

A second reason is we see little to no additional truck capacity entering our market. Even if truckers wanted to add capacity, it is very difficult to find drivers, and the companies with high turnover are really just renting them for a few weeks.

There has been some concern expressed about the decrease in miles per tractor we experienced during the first quarter versus the first quarter of 2005. The decrease was about 5%. We think 1.5% to 2.5% of that decrease is shared by most of the truckers (at least those who were getting good utilization already) because of the new hours of service regulations and enforcement. The balance is the difference between a very strong 2005 quarter and a more normal 2006 quarter and

the fact that we were carrying extra unseated trucks. We don't think the decrease in miles indicates anything negative about the general business climate or our customers in particular.

Revenue Equipment

There seems to be a lot of interest in our revenue equipment strategy, so let me talk about that. First, some background on how we look at things at Marten.

1. From the time a tractor is placed in service until the time it is sold, it counts against our operating statistics. So our miles and revenue per tractor are affected by every piece of equipment that could be used. This makes us focus on maximizing the utilization of every piece of equipment.
2. The timing of equipment purchases and trades is important beyond simply the amount of sale proceeds because of the effects on (a) drivers and customers from taking trucks off the road, (b) our maintenance facilities and ability to promptly service trucks and keep them moving as we balance ongoing maintenance with in-service and trade prep functions, and (c) our operations department as we rebalance loads to meet truck availability.
3. If you look at our balance sheet, we have about \$287 million of revenue equipment, net. To keep our fleet fresh on an ongoing basis, and ignoring any effect of pre-buys, we will replace approximately one-third to one-fourth of our tractors and one-seventh of our trailers, and add growth units, each year. At our current size, this would mean about 600 trucks and 500 trailers sold during the year.

If you consider the points I just discussed, our management team is constantly balancing a host of operational and finance issues that intersect in fleet management. In fact, we consider it a core part of our business to acquire, depreciate, add and remove from service, and dispose of our equipment. Look at the combination of depreciation plus or minus loss or gain on sale and you'll get the net cost of the fleet. We don't expect to be cut any slack if we take a loss on sale, and we don't expect to have our results discounted if we make a gain on sale.

With that background, let me talk about our approach for the quarter. At the end of 2005, we had too many trucks because we took advantage of a favorable delivery schedule. We had two choices: (1) dispose of used trucks in bulk - pressuring our shops, delaying drivers with regular maintenance needs, and taking a cash hit by accepting lower prices; or (2) maintain our disciplined approach, suffer slightly higher fixed costs as a percentage of revenue, and realize higher cash proceeds. The choice we made was consistent with our normal disciplined approach and yielded greater cash proceeds.

We started the quarter with about 250 extra trucks. We seated about 100 and sold the rest, which was the number we had planned to sell during the quarter anyway. We also added 356 trailers and traded out 195 trailers. We finished the quarter with 3,599 trailers, which is an increase of 10.1% over the 2005 quarter. We expect to carry about 1.4 to 1.5 trailers per tractor in the intermediate term because of the growth in intermodal operations.

At the end of the quarter we had a very new fleet, a manageable number of unseated trucks, and an increase in earnings over last year. If we had to do it over, we'd take the same approach.

In summary, we don't feel any differently about our customer base, the fundamentals of our industry, or our growth strategy than we did last year. We have a great customer base, new equipment, and the best drivers around. Fuel prices are very high, which hurts us some but hurts our smaller competitors more. And the safe, experienced, drivers we recruit are getting even harder to find. We'll continue to offer them excellent jobs with top-tier pay. Based on our view of these factors, we expect freight demand to continue to exceed capacity in our markets, enabling us to increase rates at a level that at least covers cost increases.

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

Jim Hinnendael

Thanks Randy. There are a few financial items to comment on this quarter.

Our expenses reflect the continued trend of owner-operators exiting the market and adding company drivers and company tractors to replace them. Our salaries, wages, and benefits expense as a percentage of freight revenue increased 320 basis points, which was partially offset by a 230 basis point decrease in purchased transportation. Depreciation and supplies and maintenance expense edged higher as a percentage of freight revenue as well, primarily due to the increase in the number of company-owned tractors.

Insurance and claims expense increased about 60 basis points over 2005, as a percentage of freight revenue. Some of that increase in insurance and claims is attributable to an increase in company equipment with employee drivers, as we run workers' compensation through the insurance and claims line.

The price of fuel continues to impact our operations. Our average fuel cost per gallon in the first quarter of 2006 was \$2.39 compared with \$1.95 in the first quarter of 2005. Our relationships with our customers allow us to collect the majority of our fuel surcharges. Fuel and related taxes (net of surcharges) were 14.2% of freight revenue in the first quarter of 2006, compared with 13.3% in the first quarter of 2005.

Our balance sheet is still strong with approximately \$201 million in stockholders' equity and \$61 million in borrowed debt, for a debt-to-capitalization ratio of approximately 23%. We did not have any material off-balance sheet financing arrangements at March 31, 2006.

Randy, I'm turning it back to you.

Randy Marten

In our 2005 year-end conference call we announced our goals for our operating ratio in 2006. Our goal is still to improve our operating ratio by fifty basis points in 2006, which would bring our operating ratio goal to 88.9% in 2006, compared to 89.4% for 2005, netting fuel surcharges against fuel expense. This goal is based on our continued ability to increase freight revenue per tractor based on strong demand and is subject to the risks outlined in our SEC filings, particularly regarding the ability to attract and retain enough drivers.

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