MARTEN TRANSPORT, LTD.

2017 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. Our dry freight services are expanding, with 966 dry trailers operating as of December 31, 2017.

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, 2017, we employed 3,492 people, including drivers, office personnel and mechanics.

Five-Year Financial Summary

	Years ended December 31,				
(Dollars in thousands, except per share amounts)	**2017**	2016	2015	2014	2013
FOR THE YEAR					
Operating revenue	**$698,120**	$671,144	$664,994	$672,929	$659,214
Operating income	**56,862**	58,303	61,063	51,006	51,995
Net income	**90,284**	33,464	35,745	29,834	30,147
Net income – excluding 2017 deferred income taxes benefit(1)	**33,819**	33,464	35,745	29,834	30,147
Operating ratio(2)	**91.9%**	91.3%	90.8%	92.4%	92.1%
PER-SHARE DATA(3)					
Basic earnings per common share	**$ 1.66**	$ 0.62	$ 0.64	$ 0.54	$ 0.54
Basic earnings per common share – excluding 2017 deferred income taxes benefit(1)	**0.62**	0.62	0.64	0.54	0.54
Diluted earnings per common share	**1.65**	0.61	0.64	0.53	0.54
Diluted earnings per common share – excluding 2017 deferred income taxes benefit(1)	**0.62**	0.61	0.64	0.53	0.54
Dividends declared per common share	**0.08**	0.06	0.06	0.06	0.05
Book value	**9.64**	8.04	7.50	6.96	6.47
AT YEAR END					
Total assets(4)	**$690,403**	$653,748	$631,528	$576,461	$522,387
Long-term debt	**–**	7,886	37,867	24,373	–
Stockholders' equity	**525,500**	437,338	409,421	387,926	359,137

(1) Net income and basic and diluted earnings per common share for 2017 are presented for comparative purposes excluding the $56.5 million deferred income taxes benefit recorded to recognize the impact of the reduction of the federal corporate statutory income tax rate from 35% to 21% related to the Tax Cuts and Jobs Act of 2017.

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

(3) The amounts for December 31, 2013 through 2016 have been restated to reflect the five-for-three stock split effected in the form of a 66⅔% stock dividend on July 7, 2017.

(4) The amounts for December 31, 2013 and 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

For the trucking industry, the second half of 2017 brought escalating freight demand and tightening capacity as an improving economy ran smack into a worsening driver shortage. For the year, the rising rates were more than offset by rising costs in an operating environment that squeezed profit growth out of reach for most of the trucking industry for the second year in a row.

But not for Marten Transport.

The disciplined execution of our multifaceted business model across Marten's entire organization produced 2017 net income of $33.8 million, excluding a deferred income taxes benefit—our third consecutive improvement in annual earnings, excluding a gain on the disposition of facilities in 2015.

Marten people again made the difference with their smart, hard work within our culture of continuous improvement of systems and processes. Marten uses a proprietary information technology system that provides the real-time visible information needed to efficiently make data-driven decisions for improved supply chain productivity.

Achieving an improvement in Marten's 2017 earnings meant overcoming a significantly smaller gain on disposition of our revenue equipment—a reflection of a depressed used-truck market.

2017 Financial Results

For 2017, net income improved to $90.3 million, or $1.65 per diluted share, including a deferred income taxes benefit of $56.5 million related to the Tax Cuts and Jobs Act of 2017. Excluding that benefit, net income improved 1.1 percent to $33.8 million, or 62 cents per diluted share, from $33.5 million, or 61 cents per diluted share, for 2016.

Operating revenue improved 4.0 percent to a record $698.1 million for 2017 from $671.1 million for 2016. Fuel surcharge revenue increased to $67.1 million for 2017 from $53.2 million for 2016. Excluding fuel surcharges, 2017 operating revenue improved 2.1 percent to $631.0 million from $617.9 million for 2016.

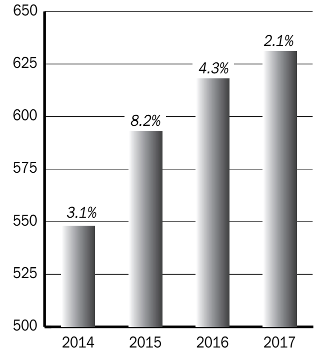
Our operating ratio (operating expenses as a percentage of operating revenue), was 91.9 percent for 2017 and 91.3 percent for 2016. The operating ratio, net of fuel surcharges, was 91.0 percent for 2017 and 90.6 percent for 2016.

In terms of freight environment, 2017 came in like a lamb and went out like a lion. From an exceptionally weak level at the start of the year, freight demand surged in the second quarter and grew to a situation in the fourth quarter where it substantially exceeded the declining supply of seated trucks available nationally. We expect the pressure to meet freight demand to intensify in 2018, with expansion of capacity further constrained by two major factors:

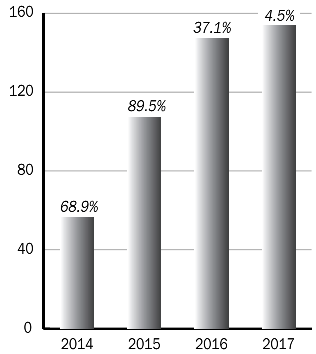
- The most critical driver shortage in history,
- The beginning of the new Electronic Logging Device (ELD) era.

Marten has focused on being out in front on both issues.

Operating Revenue Growth
Excluding Fuel Surcharges
Dollars in Millions



Dedicated Revenue Growth
Excluding Fuel Surcharges
Dollars in Millions



Driver Shortage and ELDs

The chronic national driver shortage has become acute. Retirements are cutting into the nation's core of veteran drivers, and the industry as a whole is not attracting enough younger workers to provide replacements, let alone meet the underlying demand for more capacity. And those who *are* attracted to the challenge of driving in the big leagues of over-the-road transportation today are a different breed, generally far less enamored with life on the road than their predecessors were.

Marten has built a distinct competitive edge in recruiting and retention of top drivers, offering industry-leading compensation, first-class equipment and a network of transportation capabilities dominated by an attractive range of dedicated, regional and intermodal runs that make it possible for drivers to stay closer to home.

The ELD mandate, which went into effect in December 2017, requires electronic logging of drivers' hours, eliminating reliance on traditional paper log books. Because electronic logging precisely captures waiting time and other delays in transit, the mandate is expected to cut into the regulated time available for drivers to be on the road—further tightening truckload capacity. We also expect ELDs to level the competitive playing field for all truckload carriers and, most important, to have a positive impact on safety.

Marten is positioned like no other carrier for the ELD era with our unique driver pay package and unique business model. We were one of the first carriers to fully implement electronic logging in early 2011—more than six years before it was mandated. To compensate our drivers for lost driving hours in the transition from paper logs to ELDs, we introduced a series of mileage and non-driving time pay increases. We pay our drivers industry leading per hour compensation for waits at customer docks, inclement weather downtime and road service delays. In short, we compensate our drivers for their non-driving time like no other carrier in the new electronic era.

In addition to leading the industry in compensation improvements, we have focused on the creation of better jobs for our drivers—the best jobs in the industry for the best drivers in the industry. A major factor in the creation of better jobs has been Marten's strategic transition from long-haul carrier to a multifaceted business platform offering a network of truck-based transportation capabilities. The regional build out of our network across 15 operating centers nationally has not only addressed customer trends toward regional distribution, it has helped fulfill the desire of many of our drivers for more time at home.

Our regional centers have provided the foundation for the development of our diversified customer solutions, enabling supportive interaction across our four distinct business platforms—Truckload, Dedicated, Intermodal and Brokerage.

Truckload*—regional and over-the-road fleets operating from 15 regional service centers.* While cost inflation undercut the improving freight environment in 2017, key measures of Truckload productivity were positive. Revenue, net of fuel surcharges, per tractor per week—a main measure of asset productivity—increased by 2.5 percent from 2016. Miles per tractor improved slightly. Truckload revenue was $380.2 million for 2017, compared with $375.9 million for 2016. Excluding fuel surcharges, Truckload revenue was $336.6 million for 2017, compared with $340.0 million for 2016. Operating income was $26.3 million versus $27.4 million for 2016. The 2017 Truckload operating ratio was 93.1 percent, and the operating ratio, net of fuel surcharges, was 92.2 percent.

Dedicated*—customized solutions tailored to individual customers' requirements utilizing refrigerated trailers, dry vans and other specialized equipment.* Over the past four years, Dedicated revenue, excluding fuel surcharges, has more than quadrupled. Dedicated revenue increased to $166.9 million for 2017 from $157.4 million for 2016. Excluding fuel surcharges, Dedicated revenue improved 4.5 percent to $153.7 million for 2017 from $147.0 million for 2016. Operating income was $17.1 million, compared with $19.6 million for 2016. Revenue, net of fuel surcharges, per tractor per week increased by 1.4 percent from 2016. The 2017 Dedicated operating ratio was 89.8 percent, and the operating ratio, net of fuel surcharges, was 88.9 percent. In response to continuing awards of new business, the total number of Dedicated tractors is projected to grow to more than 1,150 by June 2018.

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 increased to $80.6 million for 2017 from $71.5 million for 2016. Excluding fuel surcharges, Intermodal revenue improved 9.0 percent to $70.3 million for 2017 from $64.5 million for 2016. Operating income increased 16.4 percent to $8.3 million from $7.1 million for 2016. The 2017 Intermodal operating ratio was 89.7 percent, and the operating ratio, net of fuel surcharges, was 88.2 percent. In May, Marten's Intermodal operation was recognized as one of the 2016 Carriers of the Year serving Armada Supply Chain Solutions LLC, a major provider of supply chain management services in the food industry.

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.* Brokerage revenue was $70.4 million for 2017, up 6.0 percent from $66.4 million for 2016. Brokerage operating income increased 23.3 percent to $5.2 million from $4.2 million for 2016. The Brokerage operating ratio was 92.7 percent for 2017.

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 2017 revenue was $64.6 million—reported as part of our Truckload and Brokerage results.

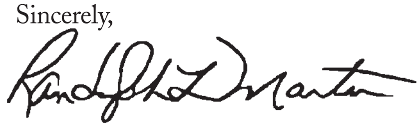
We summarize the story of Marten's multifaceted strategic development in three words—stability, growth and evolution.

- *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.

In recognition of Marten's continuing financial stability, the Board of Directors declared a five-for-three stock split of the company's common stock in the form of a 66⅔ percent stock dividend in the second quarter of 2017. Holders of the stock received an additional two-thirds share for each outstanding share of common stock held. Marten improved its balance sheet position with $15.8 million in cash at the end of 2017 from $7.9 million in debt at the beginning of the year.

We expect to further capitalize on profitable growth opportunities with our diversified platform, cost control emphasis, modern fleet, strong balance sheet and the continuing smart, hard work of our people. More than anything else, our financial performance in 2017 was the product of the talent and teamwork of the people of Marten. As Apple co-founder Steve Jobs once observed, "Great things in business are never done by one person. They're done by a team of people." That describes Marten Transport.

Sincerely,



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

February 27, 2018

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

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www.marten.com

Stockholder Information

Additional copies of our 2017 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 8, 2018, at 2:00 p.m. at the Roger Marten Community Center, 120 South Franklin Street, Mondovi, Wisconsin.

Stock Listing

NASDAQ Global Select Market symbol: MRTN

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

Executive Officers and Directors

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Chief Executive Officer and Director

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President

Timothy P. Nash
Executive Vice President of Sales and Marketing

James J. Hinnendael
Executive Vice President and Chief Financial Officer

John H. Turner
Senior Vice President of Sales

Thomas A. Letscher
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Minneapolis, Minnesota

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Management Consultant
Pewaukee, Wisconsin

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Chairman of the Board and Chief Executive Officer,
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Business Consultant and former President, Chief Executive Officer and Chairman of the Board,
MOCON, Inc.
Minneapolis, Minnesota

G. Larry Owens
Director
Retired Chairman of the Board, Chief Executive Officer,
President and Secretary,
Smithway Motor Xpress Corp.
Milford, Iowa

Ronald R. Booth
Director
Retired Partner
KPMG LLP
Dellwood, Minnesota

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