MARTEN TRANSPORT LTD
Form 10-K
March 12, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 0R 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

Commission file number 0-15010

MARTEN TRANSPORT, LTD.

(Exact name of registrant as specified in its charter)

DELAWARE	**39-1140809**
(State of incorporation)	(I.R.S. Employer Identification no.)

129 MARTEN STREET		
MONDOVI, WISCONSIN	**54755**	**(715) 926-4216**
(Address of principal executive offices)	(Zip Code)	(Registrant’s telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
COMMON STOCK, PAR VALUE $.01 PER SHARE	**THE NASDAQ STOCK MARKET LLC (NASDAQ GLOBAL SELECT MARKET)**

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. YES NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES NO

As of June 30, 2014 (the last business day of the Registrant's most recently completed second fiscal quarter), the aggregate market value of the Common Stock of the Registrant (based upon the closing price of the Common Stock at that date as reported by the NASDAQ Global Select Market), excluding outstanding shares beneficially owned by directors and executive officers, was $579,887,000.

As of February 27, 2015, 33,447,464 shares of Common Stock of the Registrant were outstanding.

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to in this Report) from the Registrant's Proxy Statement for the annual meeting to be held May 12, 2015, or 2015 Proxy Statement.

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains certain forward-looking statements. Such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements not of historical fact may be considered 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. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially from those expressed in such forward-looking statements. Important factors known to us that could cause such material differences are identified in this Annual Report on Form 10-K under the heading “Risk Factors” beginning on page 7. We undertake no obligation to correct or update any forward-looking statements, whether as a result of new information, future events, or otherwise. You are advised, however, to consult any future disclosures we make on related subjects in future filings with the Securities and Exchange Commission.

References in this Annual Report to “we,” “us,” “our,” or the “Company” or similar terms refer to Marten Transport, Ltd. and its consolidated subsidiaries unless the context otherwise requires.

PART I

ITEM 1. *BUSINESS*

Overview

We are one of the leading temperature-sensitive truckload carriers in the United States. We specialize in transporting and distributing food and other consumer packaged goods that require a temperature-controlled or insulated environment. In 2014, we generated $672.9 million in operating revenue, which consists of revenue from our Truckload, Dedicated, Intermodal and Brokerage operations. Approximately 76% of our Truckload and Dedicated revenue resulted from hauling temperature-sensitive products and 24% from hauling dry freight. We operate throughout the United States and in parts of Canada and Mexico, with substantially all of our revenue generated from within the United States. We provide regional truckload carrier services in the Southeast, West Coast, Midwest, South Central and Northeast regions. Our primary medium-to-long-haul traffic lanes are between the Midwest and the West Coast, Southwest, Southeast, and the East Coast, as well as from California to the Pacific Northwest. In 2014, our average length of haul was 598 miles.

Our growth strategy is to expand our business internally by offering shippers a high level of service and significant freight capacity. We market primarily to shippers that offer consistent volumes of freight in the lanes we prefer and are willing to compensate us for a high level of service. With our fleet of 2,420 company and independent contractor tractors, we are able to offer service levels that include up to 99% on-time performance and delivery within the narrow time windows often required when shipping perishable commodities.

We have four reporting segments – Truckload, Dedicated, Intermodal and Brokerage. Financial information regarding these segments can be found in Footnote 15 to the Notes to Consolidated Financial Statements under Item 8 of this Form 10-K.

The primary source of our operating revenue is provided by our Truckload segment through a combination of regional short-haul and medium-to-long-haul full-load transportation services. We transport food and other consumer packaged goods that require a temperature-controlled or insulated environment across the United States and into and out of Mexico and Canada.

Our Dedicated segment provides customized transportation solutions tailored to meet individual customers' requirements, utilizing temperature-controlled trailers, dry vans and other specialized equipment within the United States. Our customer contracts range from three to five years and are subject to annual rate reviews.

Our Intermodal segment transports our customers' freight within the United States primarily utilizing our temperature-controlled trailers and also our dry containers on railroad flatcars for portions of trips, with the balance of the trips using our tractors or, to a lesser extent, contracted carriers.

Our Brokerage segment arranges for smaller third-party carriers to transport freight for our customers in temperature-controlled trailers and dry vans within the United States and into and out of Mexico while we retain the billing, collection and customer management responsibilities. Our Brokerage segment also included the revenue of MW Logistics, LLC, or MWL, a third-party provider of logistics services to the transportation industry, until we deconsolidated our 45% interest in MWL effective March 28, 2013.

Organized under Wisconsin law in 1970, we are a successor to a sole proprietorship Roger R. Marten founded in 1946. In 1988, we reincorporated under Delaware law. Our executive offices are located at 129 Marten Street, Mondovi, Wisconsin 54755. Our telephone number is (715) 926-4216.

We maintain a website at *www.marten.com*. We are not including the information contained on our website as a part of, nor incorporating it by reference into, this Annual Report on Form 10-K. We post on our website, free of charge, documents that we file with or furnish to the Securities and Exchange Commission, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. We also provide a link on our website to Forms 3, 4 and 5 that our officers, directors and 10% stockholders file with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934.

Marketing and Operations

We approach our business as an integrated effort of marketing and operations. Our emphasis in marketing is directed to the temperature-sensitive market, which is generally service-sensitive, as opposed to being solely price competitive. We target food and consumer packaged goods companies whose products require temperature-sensitive services and who ship multiple truckloads per week. By emphasizing high-quality service, we seek to become a core carrier for our customers. In 2014, our two largest customers were Wal-Mart and Armada.

Our marketing efforts are conducted by a staff of approximately 201 sales, customer service and support personnel under the supervision of our senior management team. Marketing personnel travel within their regions to solicit new customers and maintain contact with existing customers. Customer service managers regularly contact customers to solicit additional business on a load-by-load basis.

Our operations and sales personnel strive to improve our asset productivity by seeking freight that allows for rapid turnaround times, minimizes non-revenue miles between loads, and carries a favorable rate structure. Once we have established a customer relationship, customer service managers work closely with our fleet managers to match customer needs with our capacity and the location of revenue equipment. Fleet managers use our optimization system to assign loads to satisfy customer and operational requirements, as well as to meet the routing needs of our drivers. We attempt to route most of our trucks over selected operating lanes, which we believe assists us in meeting customer requirements, balancing traffic, reducing non-revenue miles, and improving the reliability of delivery schedules.

We employ technology in our operations when we believe that it will allow us to operate more efficiently and the investment is cost-justified. Examples of the technologies we employ include:

Terrestrial- and satellite-based tracking and messaging that allows us to communicate with our drivers, obtain load position updates, provide our customers with freight visibility, and download operating information such as fuel mileage and idling time for the tractor engines and temperature setting and run time for the temperature-control units on our trailers.

Freight optimization software that assists us in selecting loads that match our overall criteria, including profitability, repositioning, identifying capacity for expedited loads, driver availability and home time, and other factors.

Electronic data interchange and internet communication with customers concerning freight tendering, invoices, shipment status, and other information.

Electronic logging devices in our tractors to monitor drivers' hours of service.

Auxiliary power units installed on our company-owned tractors that allow us to decrease fuel costs associated with idling our tractors.

Fuel-routing software that optimizes the fuel stops for each trip to take advantage of volume discounts available in our fuel network.

We believe this integrated approach to our marketing and operations, coupled with our use of technology, has allowed us to provide our customers with a high level of service and support our revenue growth in an efficient manner. For example, we had a non-revenue mile percentage of 8.4% during 2014, which points to the efficiency of our operations and we believe compares favorably to other temperature-sensitive and dry van trucking companies.

Major Customers

An important part of our growth strategy is our business with large customers, as a significant amount of our business is concentrated with a relatively small number of customers. In 2014, our top 30 customers accounted for approximately 58% of our revenue, and our top ten customers accounted for 39% of our revenue. Eight of our top ten customers have been significant customers of ours for over ten years. We believe our relationships with these key customers are sound, but we are dependent upon them and the loss of some or all of their business could have a materially adverse effect on our results.

Drivers and Other Personnel

We believe that maintaining a safe and productive professional driver group is essential to providing excellent customer service and achieving profitability. Approximately 138 of our drivers as of December 31, 2014 have driven more than one million miles for us without a preventable accident, while approximately 40 of our drivers have driven more than two million miles and 9 have driven more than three million miles for us without a preventable accident.

We select drivers, including independent contractors, using our specific guidelines for safety records, including drivers' Compliance, Safety, Accountability, or CSA, scores, driving experience, and personal evaluations. We maintain stringent screening, training, and testing procedures for our drivers to reduce the potential for accidents and the corresponding costs of insurance and claims. We train new drivers at a number of our terminals in all phases of our policies and operations, as well as in safety techniques and fuel-efficient operation of the equipment. All new drivers also must pass DOT required tests prior to assignment to a vehicle.

We primarily pay company-employed drivers a fixed rate per mile. The rate increases based on length of service. We also compensate drivers after one hour of detention, for inclement weather and for road service delays. Drivers also are eligible for bonuses based upon safe, efficient driving. We pay independent contractors a fixed rate per mile. Independent contractors pay for their own fuel, insurance, maintenance, and repairs.

Competition in the trucking industry for qualified drivers is normally intense and is expected to increase. Our operations have been impacted, and from time-to-time we have experienced under-utilization and increased expense, as a result of a shortage of qualified drivers. We place a high priority on the recruitment and retention of an adequate supply of qualified drivers.

As of December 31, 2014, we had approximately 3,240 employees. This total consists of approximately 2,449 drivers, 277 mechanics and maintenance personnel, and 514 support personnel, which includes management and administration. As of that date, we also contracted with 52 independent contractors. None of our employees are represented by a collective bargaining unit. We consider relations with our employees to be good.

Revenue Equipment

Our revenue equipment programs are an important part of our overall goal of profitable growth. We evaluate our equipment decisions based on factors such as initial cost, useful life, warranty terms, expected maintenance costs, fuel economy, driver comfort, customer needs, manufacturer support, and resale value. We generally operate newer, well-maintained equipment with uniform specifications to minimize our spare parts inventory, streamline our maintenance program, and simplify driver training.

As of December 31, 2014, we operated a fleet of 2,420 tractors, including 2,368 company-owned tractors and 52 tractors supplied by independent contractors. The average age of our company-owned tractor fleet at December 31, 2014 was approximately 1.7 years. In 2014, we replaced our company-owned tractors within an average of 4.2 years after purchase.

Peterbilt and Freightliner manufacture most of our company-owned tractors. Maintaining a relatively new and standardized fleet allows us to operate most miles while the tractors are under warranty to minimize repair and maintenance costs. It also enhances our ability to attract drivers, increases fuel economy, and improves customer acceptance by minimizing service interruptions caused by breakdowns. We adhere to a comprehensive maintenance program during the life of our equipment. We perform most routine servicing and repairs at our terminal facilities to reduce costly on-road repairs and out-of-route trips. We do not have any agreements with tractor manufacturers pursuant to which they agree to repurchase the tractors or guarantee a residual value, and we therefore could incur losses upon disposition if resale values of used tractors decline.

The EPA adopted revised emissions control regulations, which required progressive reductions in exhaust emissions from diesel engines through 2010, for engines manufactured in October 2002 and thereafter. The revised regulations decrease the amount of emissions that can be released by tractor engines and affect tractors produced after the effective date of the regulations. The last of three stepped reductions in exhaust emissions was effective for engines manufactured in January 2010 and thereafter. As of December 31, 2014, 1,907 of the tractors in our fleet have tractor engines which were manufactured in January 2010 or thereafter and, therefore, were required to meet the revised design requirements. Compliance with these regulations has increased the cost of new tractors as manufacturers have significantly increased new equipment prices, in part to meet the more stringent engine design requirements imposed by the EPA.

We historically have contracted with independent contractors to provide and operate a portion of our tractor fleet. Independent contractors own their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and taxes. The percentage of our fleet provided by independent contractors was 2.1% as of December 31, 2014 compared to 2.2% as of December 31, 2013 and 1.6% as of December 31, 2012.

As of December 31, 2014, we operated a fleet of 4,265 trailers. Most of our trailers are equipped with Thermo-King refrigeration units, air ride suspensions, and anti-lock brakes. Most of our single van trailers are refrigerated, 53 feet long and 102 inches wide. The average age of our trailer fleet at December 31, 2014 was approximately 2.5 years. In 2014, we replaced our company-owned trailers within an average of 5.6 years after purchase.

Insurance and Claims

We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We are responsible for our proportionate share of the legal expenses relating to such claims as well. We reserve currently for anticipated losses and expenses. We periodically evaluate and adjust our insurance and claims reserves to reflect our experience. We are responsible for the first $1.0 million on each auto liability claim. We are also responsible for the first $750,000 on each workers' compensation claim. We have $9.2 million in standby letters of credit to guarantee settlement of claims under agreements with our insurance carriers and regulatory authorities. We maintain insurance coverage for per-incident and total losses in excess of the amounts for which we self-insure up to specified policy limits with licensed insurance carriers. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. We believe that our policy of self-insuring up to set limits, together with our safety and loss prevention programs, are effective means of managing insurance costs.

Fuel

Our operations are heavily dependent upon the use of diesel fuel. The price and availability of diesel fuel can vary and are subject to political, economic, and market factors that are beyond our control. Fuel prices fluctuated dramatically and quickly at various times during the last three years. We actively manage our fuel costs by purchasing fuel in bulk in Mondovi and at a number of our other maintenance facilities throughout the country and have volume purchasing arrangements with national fuel centers that allow our drivers to purchase fuel at a discount while in transit. During 2014, over 99% of our fuel purchases were made at these designated locations. To help further reduce fuel consumption, we have equipped our company-owned tractors with auxiliary power units since 2007. These units reduce fuel consumption by providing quiet climate control and electrical power for our drivers without idling the tractor engine. We have also invested in satellite tracking equipment for the temperature-control units on our trailers that has improved fuel usage through management of required temperature settings and run time of the units.

We further manage our exposure to changes in fuel prices through fuel surcharge programs with our customers and other measures that we have implemented. We have historically been able to pass through a significant portion of long-term increases in fuel prices and related taxes to customers in the form of fuel surcharges. These fuel surcharges, which adjust with the cost of fuel, enable us to recover a substantial portion of the higher cost of fuel as prices increase, except for non-revenue miles, out-of-route miles or fuel used while the tractor is idling. As of December 31, 2014, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Competition

We operate primarily in the temperature-sensitive segment of the truckload market. This market is highly competitive and fragmented. We compete with many other truckload carriers that provide temperature-sensitive service of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, and other transportation companies, many of which have more equipment, a wider range of services, and greater capital resources than we do or have other competitive advantages. In particular, several of the largest truckload carriers that offer primarily dry-van service also offer temperature-sensitive service, and these carriers could attempt to increase their business in the temperature-sensitive market. We also compete with other motor carriers for the services of drivers, independent contractors, and management employees. We believe that the principal competitive factors in our business are service, freight rates, capacity, and financial stability. As one of the largest and best-capitalized carriers focused on the temperature-sensitive segment, we believe we are well positioned to compete in that segment.

Regulation

The United States Department of Transportation, or DOT, and various state and local agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and insurance requirements. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours-of-service.

The DOT, through the Federal Motor Carrier Safety Administration, or FMCSA, imposes safety and fitness regulations on us and our drivers. In December 2010, the FMCSA introduced the Compliance, Safety, Accountability, or CSA, system to measure and evaluate the on-road safety performance of commercial carriers and individual drivers. CSA's Motor Carrier Safety Measurement System replaced the former SafeStat system and uses more roadside data to identify behaviors that predict safety issues, is more proactive with intervention and maximizes compliance monitoring resources. The CSA system has removed a number of drivers from the industry as carriers are less willing to hire and retain drivers with marginal ratings, which has increased and will continue to increase competition for qualified drivers. The FMCSA is expected to issue in 2015 a proposal to create a new carrier-safety rating process.

The FMCSA issued a regulatory rule effective in July 2013 that revised the hours-of-service requirements for drivers, which designate the length of time that drivers are allowed to drive and work. The rule retained the 11-hour driving maximum under which the industry has been operating since 2004. However, changes to the "34-hour restart" provision and required breaks effectively reduced the maximum workweek for drivers. These changes reduced on-duty non-driving time and moderately decreased industry productivity. An omnibus bill adopted in December 2014 suspended through September 2015 the additional restrictions effective in July 2013 to the "34-hour restart" provision, which moderately increases industry productivity. The FMCSA is expected to issue additional rules regarding hours of service in 2015.

In January 2011, the FMCSA issued a regulatory proposal that would require commercial carriers to track compliance with hours-of-service regulations using electronic logging devices, or ELD's, which was vacated and sent back to the FMCSA for further analysis and review in September 2011 by the 7th U.S. Circuit Court of Appeals. The Moving Ahead for Progress in the 21st Century Act, or MAP-21 Act, includes a provision directing the FMCSA to develop a final ELD rule in 2013, which has been delayed and is expected to be issued in 2015. Our entire tractor fleet has been equipped with ELD's since early 2011.

The EPA adopted revised emissions control regulations, which required progressive reductions in exhaust emissions from diesel engines through 2010, for engines manufactured in October 2002 and thereafter. The revised regulations decrease the amount of emissions that can be released by tractor engines and affect tractors produced after the effective date of the regulations. The last of three stepped reductions in exhaust emissions was effective for engines manufactured in January 2010 and thereafter. As of December 31, 2014, 1,907 of the tractors in our fleet have tractor engines which were manufactured in January 2010 or thereafter and, therefore, were required to meet the revised design requirements. Compliance with these regulations has increased the cost of new tractors as manufacturers have significantly increased new equipment prices, in part to meet the more stringent engine design requirements imposed by the EPA.

We are also subject to various environmental laws and regulations dealing with the handling of hazardous materials, fuel storage tanks, air emissions from our facilities, engine idling, and discharge and retention of storm water. These regulations did not have a significant impact on our operations or financial results in 2012 through 2014.

ITEM 1A. ***RISK FACTORS***

The following factors are important and should be considered carefully in connection with any evaluation of our business, financial condition, results of operations, prospects, or an investment in our common stock. The risks and uncertainties described below are those that we currently believe may materially affect our company or our financial results. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations or affect our financial results.

Our business is subject to general economic and business factors that are largely beyond our control, any of which could have a materially adverse effect on our operating results. Our business is dependent on a number of general economic and business factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. These factors include excess capacity in the trucking industry, strikes or other work stoppages, and significant increases or fluctuations in interest rates, fuel taxes, fuel prices, and license and registration fees. We are affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries where we have a significant concentration of customers. Economic conditions may adversely affect our customers and their ability to pay for our services.

It is not possible to predict the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against any foreign state, heightened security requirements, or other related events and the subsequent effects on the economy or on consumer confidence in the United States, or the impact, if any, on our future results of operations.

Instability of the credit markets and the resulting effects on the economy could have a material adverse effect on our operating results. If the credit markets and the economy weaken, our business, financial results, and results of operations could be materially and adversely affected, especially if consumer confidence declines and domestic spending decreases. We may need to incur additional indebtedness, which may include drawing on our credit facility, or issue debt securities in the future to fund working capital requirements, make investments, or for general corporate purposes. Additionally, stresses in the credit market causes uncertainty in the equity markets, which may result in volatility of the market price for our securities.

We operate in a highly competitive and fragmented industry, and numerous competitive factors could impair our ability to maintain our current profitability. We compete with many other truckload carriers that provide temperature-sensitive service of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads and other transportation companies, many of which have more equipment, a wider range of services and greater capital resources than we do or have other competitive advantages. In particular, several of the largest truckload carriers that offer primarily dry-van service also offer temperature-sensitive service, and these carriers could attempt to increase their business in the temperature-sensitive market. Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain significant growth in our business. In addition, many customers reduce the number of carriers they use by selecting so-called “core carriers” as approved service providers, or conduct bids from multiple carriers for their shipping needs, and in some instances we may not be selected as a core carrier or to provide service under such bids.

In addition, the trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size. Competition from freight logistics and brokerage companies may negatively impact our customer relationships and freight rates. Furthermore, economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve such carriers’ ability to compete with us.

We derive a significant portion of our revenue from our major customers, the loss of one or more of which could have a materially adverse effect on our business. A significant portion of our revenue is generated from our major customers. For 2014, our top 30 customers, based on revenue, accounted for approximately 58% of our revenue; our top ten customers accounted for approximately 39% of our revenue; our top five customers accounted for approximately 27% of our revenue; and our top two customers accounted for approximately 15% of our revenue. Generally, we enter into one-year contracts with our major customers, the majority of which do not contain any firm obligations to ship with us. We cannot ensure that, upon expiration of existing contracts, these customers will continue to use our services or that, if they do, they will continue at the same levels. Many of our customers periodically solicit bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in loss of business to our competitors. Some of our customers also operate their own private trucking fleets, and they may decide to transport more of their own freight. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

If the growth in our regional operations declines, or if we expand into a market with insufficient economic activity, our results of operations could be adversely affected. We operate regional service centers which are located in a number of cities within the United States. In order to support future growth, these regional operations require the commitment of additional capital, revenue equipment and facilities along with qualified management, drivers and other personnel. Should the growth in our regional operations decline, the results of our operations could be adversely affected. It may become more difficult to identify additional cities that can support service centers, and we may expand into cities where there is insufficient economic activity, reduced capacity for growth or less driver and non-driver personnel to support our operations. We may encounter operating conditions in these new markets that materially differ from our current operations and customer relationships may be difficult to obtain at appropriate freight rates. Also, we may not be able to apply our regional operating strategy successfully in additional cities, and it might take longer than expected or require a more substantial financial commitment than anticipated to establish our operations in the additional cities.

Increased prices and restricted availability of new revenue equipment could cause our financial condition, results of operations and cash flows to suffer. We have experienced higher prices for new tractors and trailers over the past few years, primarily as a result of higher commodity prices and government regulations applicable to newly manufactured tractors and diesel engines. We expect to continue to pay increased prices for revenue equipment for the foreseeable future. Our business could be harmed if we are unable to continue to obtain an adequate supply of new tractors and trailers or if we have to pay increased prices for new revenue equipment.

The EPA adopted revised emissions control regulations, which required progressive reductions in exhaust emissions from diesel engines through 2010, for engines manufactured in October 2002 and thereafter. The revised regulations decrease the amount of emissions that can be released by tractor engines and affect tractors produced after the effective date of the regulations. The last of three stepped reductions in exhaust emissions was effective for engines manufactured in January 2010 and thereafter. As of December 31, 2014, 1,907 of the tractors in our fleet have tractor engines which were manufactured in January 2010 or thereafter and, therefore, were required to meet the revised design requirements. Compliance with these regulations has increased the cost of new tractors as manufacturers have significantly increased new equipment prices, in part to meet the more stringent engine design requirements imposed by the EPA.

We have significant ongoing capital requirements that could harm our financial condition, results of operations and cash flows if we are unable to generate sufficient cash from our operations. The truckload industry is capital intensive, and our policy of operating newer equipment requires us to expend significant amounts annually. If we elect to expand our fleet in future periods, our capital needs would increase. We expect to pay for projected capital expenditures with cash flows from operations and borrowings under our revolving credit facility. If we are unable to generate sufficient cash from operations and obtain financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a materially adverse effect on our profitability.

Ongoing insurance and claims expenses could significantly affect our earnings. Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We also are responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and expenses. We periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase, or if we experience a claim in excess of our coverage limits, or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business. The DOT and various state and local agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and insurance requirements. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours-of-service. We also may become subject to new or more restrictive regulations relating to fuel emissions, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security, or DHS, also regulate our equipment, operations, and drivers. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us or by our suppliers who pass the costs onto us through higher prices could adversely affect our results of operations.

The DOT, through the Federal Motor Carrier Safety Administration, or FMCSA, imposes safety and fitness regulations on us and our drivers. In December 2010, the FMCSA introduced the Compliance, Safety, Accountability, or CSA, system to measure and evaluate the on-road safety performance of commercial carriers and individual drivers. CSA's Motor Carrier Safety Measurement System replaced the former SafeStat system and uses more roadside data to identify behaviors that predict safety issues, is more proactive with intervention and maximizes compliance monitoring resources. The CSA system has removed a number of drivers from the industry as carriers are less willing to hire and retain drivers with marginal ratings, which has increased and will continue to increase competition for qualified drivers. The FMCSA is expected to issue in 2015 a proposal to create a new carrier-safety rating process.

The FMCSA issued a regulatory rule effective in July 2013 that revised the hours-of-service requirements for drivers, which designate the length of time that drivers are allowed to drive and work. The rule retained the 11-hour driving maximum under which the industry has been operating since 2004. However, changes to the "34-hour restart" provision and required breaks effectively reduced the maximum workweek for drivers. These changes reduced on-duty non-driving time and moderately decreased industry productivity. An omnibus bill adopted in December 2014 suspended through September 2015 the additional restrictions effective in July 2013 to the "34-hour restart" provision, which moderately increases industry productivity. The FMCSA is expected to issue additional rules regarding hours of service in 2015.

In January 2011, the FMCSA issued a regulatory proposal that would require commercial carriers to track compliance with hours-of-service regulations using electronic logging devices, or ELD's, which was vacated and sent back to the FMCSA for further analysis and review in September 2011 by the 7th U.S. Circuit Court of Appeals. The Moving Ahead for Progress in the 21st Century Act, or MAP-21 Act, includes a provision directing the FMCSA to develop a final ELD rule in 2013, which has been delayed and is expected to be issued in 2015. Our entire tractor fleet has been equipped with ELD's since early 2011.

From time to time, various federal, state, or local taxes are increased, including taxes on fuels. We cannot predict whether, or in what form, any such increase applicable to us will be enacted, but such an increase could adversely affect our profitability.

Increases in compensation or difficulty in attracting drivers could affect our profitability and ability to grow. The transportation industry has historically experienced substantial difficulty in attracting and retaining qualified drivers, including independent contractors. With increased competition for drivers, including the impact that regulatory changes mandated by CSA have on the number of drivers in the transportation industry, we could experience greater difficulty in attracting sufficient numbers of qualified drivers. In addition, the available pool of independent contractor drivers is smaller than it has been historically. Accordingly, we may face difficulty in attracting and retaining drivers for all of our current tractors and for those we may add. Additionally, we may face difficulty in increasing the number of our independent contractor drivers. In addition, our industry suffers from high turnover rates of drivers. Our turnover rate requires us to recruit a substantial number of drivers. Moreover, our turnover rate could increase. If we are unable to continue to attract drivers and contract with independent contractors, we could be required to continue adjusting our driver compensation package beyond the norm or let trucks sit idle. An increase in our expenses or in the number of tractors without drivers could materially and adversely affect our growth and profitability.

Fluctuations in the price or availability of fuel may increase our cost of operation, which could materially and adversely affect our profitability. We require large amounts of diesel fuel to operate our tractors and to power the temperature-control units on our trailers. Fuel is one of our largest operating expenses. Fuel prices tend to fluctuate, and prices and availability of all petroleum products are subject to political, economic and market factors that are beyond our control. We depend primarily on fuel surcharges, auxiliary power units for our tractors, satellite tracking equipment for the temperature-control units on our trailers, volume purchasing arrangements with truck stop chains and bulk purchases of fuel at our terminals to control and recover our fuel expenses. There can be no assurance that we will be able to collect fuel surcharges, enter into volume purchase agreements, or execute successful hedges in the future. Additionally, we may encounter decreases in productivity that may offset or eliminate savings from auxiliary power units or satellite tracking equipment, or may incur unexpected maintenance or other costs associated with such units. The absence of meaningful fuel price protection through these measures, fluctuations in fuel prices, or a shortage of diesel fuel, could materially and adversely affect our results of operations.

Seasonality and the impact of weather can affect our profitability. Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase, with harsh weather creating higher accident frequency, increased claims and more equipment repairs. We can also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice-storms, and floods that could harm our results or make our results more volatile.

Lack of capacity and service instability in the railroad industry could increase our operating costs and reduce our ability to offer intermodal services, which could adversely affect our revenue, results of operations, and customer relationships. Our Intermodal segment is dependent on railroad services and their capacity to transport freight for our customers. We expect our dependence on railroads will continue to increase as we expand our Intermodal services. We compete for the availability of railroad services with other intermodal operators as well as certain industries reliant on the use of rail cars, such as oil and agricultural, which have recently seen a significant increase in railroad capacity consumption. In most markets, rail service is limited to a few railroads or even a single railroad. Any capacity constraints, service problems or reduction in service by the railroads with which we have, or in the future may have, relationships is likely to increase the cost of the rail-based services we provide and reduce the reliability, timeliness, and overall attractiveness of our rail-based services, which could adversely affect our revenue, results of operations and customer relationships. Furthermore, railroads are relatively free to adjust shipping rates up or down as market conditions permit. Price increases could result in higher costs to our customers and reduce or eliminate our ability to offer Intermodal services. In addition, we cannot assure you that we will be able to negotiate additional contracts with railroads to expand our capacity, add additional routes, or obtain multiple providers, which could limit our ability to provide this service.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties. We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, engine idling, and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances or if we are found to be in violation of applicable laws or regulations, we could be subject to liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on our business and operating results.

If we are unable to retain our executive officers and key management employees, our business, financial condition and results of operations could be adversely affected. We are highly dependent upon the services of our executive officers and key management employees, including our Chief Executive Officer. Currently, we do not have employment agreements with these employees and the loss of their services for any reason could have a materially adverse effect on our operations and future profitability. In addition, we must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. While our Board regularly engages in succession planning for our Chief Executive Officer and executive leadership team, there is no guarantee that a candidate or plan will be successful. Although we strive to reduce the potential negative impact of any such changes, the loss of any executive officers or key management employees could result in disruptions to our operations. In addition, hiring, training, and successfully integrating replacement personnel, whether internal or external, could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact our business, financial condition and results of operations.

We depend on the stability, availability and security of the technology related to our management information and communication systems, which may prove to be inadequate. We depend upon our management information and communication systems for the efficient operation of our business. Our systems are used for receiving, planning and optimizing loads, communicating with and monitoring our drivers, tractors and trailers, billing customers and financial reporting. In addition, some of our key software has been developed internally by our programmers or by adapting purchased software to our needs and this software may not be easily modified or integrated with other software and systems. Although we have taken steps to prevent and mitigate service interruptions and data security threats, the operational and security risks associated with information technology systems have increased in recent years because of the complexity of the systems and the sophistication and amount of cyber attacks. Our business will be materially and adversely affected if our management information and communication systems are compromised or disrupted by a failure or security breach or if we are unable to improve, upgrade, integrate or expand our systems as we continue to execute our growth strategy.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

ITEM 2. ***PROPERTIES***

Our executive offices and principal terminal are located on approximately seven acres in Mondovi, Wisconsin. This facility consists of 39,000 square feet of office space and 21,000 square feet of equipment repair and maintenance space. We added additional equipment repair and maintenance facilities in 2007 and in 2009 in Mondovi, Wisconsin which consist of 15,000 square feet of space located on approximately 11 acres and 50,000 square feet of space located on approximately three acres, respectively. We operate facilities in or near the following cities at which we perform the following operating activities:

Company Locations	Owned or Leased	Office	Maintenance
Mondovi, Wisconsin	Owned	X	X
Jurupa Valley, California	Owned		X
Atlanta, Georgia	Owned	X	X
Portland, Oregon	Owned	X	X
Indianapolis, Indiana	Owned	X	X
Desoto, Texas	Owned	X	X
Tampa, Florida	Owned	X	X
Memphis, Tennessee	Owned	X	X
Colonial Heights, Virginia	Owned	X	X
Laredo, Texas	Owned	X	X
Phoenix, Arizona	Owned	X	X
Kansas City, Kansas	Owned	X	X
Carlisle, Pennsylvania	Leased	X	X
Otay Mesa, California	Leased	X	

Our Truckload, Dedicated and Brokerage segments operate out of a majority of our facilities while our Intermodal segment operates out of a small number of our locations. We believe the nature, size and location of our properties are suitable and adequate for our current business needs.

ITEM 3. ***LEGAL PROCEEDINGS***

We are involved in ordinary routine litigation incidental to our operations. These lawsuits primarily involve claims for workers' compensation, personal injury, or property damage incurred in the transportation of freight.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not Applicable.

ITEM 4A. ***EXECUTIVE OFFICERS OF THE REGISTRANT***

Our executive officers, with their ages and the offices held as of February 27, 2015, are as follows:

Name	Age	Position
Randolph L. Marten	62	Chairman of the Board, Chief Executive Officer and Director
Timothy M. Kohl	67	President
Timothy P. Nash	63	Executive Vice President of Sales and Marketing
James J. Hinnendael	51	Chief Financial Officer
John H. Turner	53	Senior Vice President of Sales

Randolph L. Marten has been a full-time employee of ours since 1974. Mr. Marten has been a Director since October 1980, our Chairman of the Board since August 1993 and our Chief Executive Officer since January 2005. Mr. Marten also served as our President from June 1986 until June 2008, our Chief Operating Officer from June 1986 until August 1998 and as a Vice President from October 1980 to June 1986.

Timothy M. Kohl has been our President since June 2008 and joined the company in November 2007. Mr. Kohl served as Knight Transportation Inc.'s President from 2004 to 2007 and as its Secretary from 2000 to 2007. Mr. Kohl served as a director on Knight's Board of Directors from 2001 to 2006, and he served as its Chief Financial Officer from 2000 to 2004. Mr. Kohl also served as Knight's Vice President of Human Resources from 1996 through 1999. From 1999 through 2000, Mr. Kohl served as Vice President of Knight's southeast region. Prior to his employment with Knight, Mr. Kohl was employed by Burlington Motor Carriers as Vice President of Human Resources. Prior to his employment with Burlington Motor Carriers, Mr. Kohl served as Vice President of Human Resources for J.B. Hunt.

Timothy P. Nash has been our Executive Vice President of Sales and Marketing since November 2000. Mr. Nash also served as our Vice President of Sales from November 1990 to November 2000 and as a Regional Sales Manager from July 1987 to November 1990. Mr. Nash served as a regional sales manager for Overland Express, Inc., a long-haul truckload carrier, from 1986 to 1987.

James J. Hinnendael has been our Chief Financial Officer since January 2006 and served as our Controller from January 1992 to December 2005. Mr. Hinnendael served in various professional capacities with Ernst & Young LLP, a public accounting firm, from 1987 to December 1991. Mr. Hinnendael is a certified public accountant.

John H. Turner has been our Senior Vice President of Sales since December 2013, our Vice President of Sales from January 2007 to December 2013 and an executive officer since August 2007. He also served as our Vice President of Sales from October 2000 to February 2005, and as an executive officer from January 2002 to February 2005. Mr. Turner also served as our Director of Sales from July 1999 to October 2000 and in various professional capacities in our sales and marketing area from August 1991 to July 1999 and as our Operations Manager-West from October 1990 to August 1991. Previously, Mr. Turner served as a vice president for Naterra Land, Inc., a recreational land developer, from 2005 to 2006 and as the western fleet general manager and area sales manager for Munson Transportation, Inc., a long-haul truckload carrier, from 1986 to 1990.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock is listed on the NASDAQ Global Select Market under the symbol "MRTN." The table below shows the range of high and low bid prices for the quarters indicated on the NASDAQ Global Select Market. Such quotations reflect inter-dealer prices, without retail markups, markdowns or commissions and, therefore, may not necessarily represent actual transactions.

	Common Stock Price	
Year ended December 31, 2014	**High**	**Low**
Fourth Quarter	**$22.48**	**$13.95**
Third Quarter	**22.98**	**15.94**
Second Quarter	**25.67**	**14.43**
First Quarter	**21.86**	**15.40**
Year ended December 31, 2013		
Fourth Quarter	$21.10	$13.58
Third Quarter	18.60	13.41
Second Quarter	16.47	9.85
First Quarter	14.19	11.46

The prices do not include adjustments for retail mark-ups, mark-downs or commissions. On February 27, 2015, we had 161 record stockholders, and approximately 6,422 beneficial stockholders of our common stock. On June 14, 2013, we effected a three-for-two stock split in the form of a 50% stock dividend. The foregoing stock prices and the following cash dividends and share amounts have been adjusted to give retroactive effect to the stock split for all periods presented.

In August 2010, we announced a regular cash dividend program to our stockholders, subject to approval each quarter. Quarterly cash dividends of $0.025 per share of common stock totaling $3.3 million were declared in each quarter of 2014. Quarterly cash dividends of $0.017 per share were declared in each of the first and second quarters of 2013, and of $0.025 per share were declared in each of the third and fourth quarters of 2013, totaling $2.8 million. Quarterly cash dividends of $0.013 per share were declared in the first quarter of 2012, and of $0.017 per share were declared in each of the second through fourth quarters of 2012, along with a special dividend of $0.50 per share in the fourth quarter of 2012, totaling $18.7 million. We currently expect to continue to pay quarterly cash dividends in the future. The payment of cash dividends in the future, and the amount of any such dividends, will depend upon our financial condition, results of operations, cash requirements, and certain corporate law requirements, as well as other factors deemed relevant by our Board of Directors. Our ability to pay cash dividends is currently limited by restrictions contained in our revolving credit facility, which prohibits us from paying, in any fiscal year, dividends in excess of 25% of our net income from the prior fiscal year. A waiver of the 25% limitation was obtained from the lender prior to payment of the special dividend in December 2012.

In December 2007, our Board of Directors approved and we announced a share repurchase program to repurchase up to one million shares of our common stock either through purchases on the open market or through private transactions and in accordance with Rule 10b-18 of the Exchange Act. The timing and extent to which we will repurchase shares depends on market conditions and other corporate considerations. The repurchase program does not have an expiration date. In the first quarter of 2008 we repurchased and retired 101,250 shares of our common stock. We have made no purchases since 2008.

Comparative Stock Performance

The graph below compares the cumulative total stockholder return on our common stock with the NASDAQ Market index and the SIC code 4213 (trucking, except local) line-of-business index for the last five years. Research Data Group, Inc. prepared the line-of-business index. The graph assumes $100 is invested in our common stock, the NASDAQ Stock Market index and the line-of-business index on December 31, 2009, with reinvestment of dividends. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock. The information in the graph below shall be deemed “furnished” and not “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section.

ITEM 6. ***SELECTED FINANCIAL DATA***

The following selected financial data should be read in conjunction with the consolidated financial statements and notes under Item 8 of this Form 10-K.

(Dollars in thousands, except per share amounts)	**2014**	2013	2012	2011	2010
FOR THE YEAR					
Operating revenue	**$672,929**	$659,214	$638,456	$603,679	$516,920
Operating income	**51,006**	51,995	45,853	43,030	35,289
Net income	**29,834**	30,147	27,267	24,285	19,742
Operating ratio(1)	**92.4 %**	92.1 %	92.8 %	92.9 %	93.2 %
PER-SHARE DATA(2)					
Basic earnings per common share	**$0.89**	$0.91	$0.82	$0.74	$0.60
Diluted earnings per common share	**0.89**	0.90	0.82	0.73	0.60
Dividends declared per common share	**0.10**	0.083	0.563	0.053	0.027
Book value	**11.61**	10.78	10.01	9.71	8.99
AT YEAR END					
Total assets	**$579,660**	$525,802	$490,623	$470,579	$460,308
Long-term debt	**24,373**	—	2,726	—	19,346
Stockholders' equity	**387,926**	359,137	331,923	320,359	295,904

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

(2) Restated to reflect the three-for-two stock split effected in the form of a 50% stock dividend on June 14, 2013.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of our financial condition and results of operations should be read together with the selected consolidated financial data and our consolidated financial statements and the related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those under the heading "Risk Factors" beginning on page 7. We do not assume, and specifically disclaim, any obligation to update any forward-looking statement contained in this report.

Overview

The primary source of our operating revenue is provided by our Truckload segment through a combination of regional short-haul and medium-to-long-haul full-load transportation services. We transport food and other consumer packaged goods that require a temperature-controlled or insulated environment across the United States and into and out of Mexico and Canada.

Our Dedicated segment provides customized transportation solutions tailored to meet individual customers' requirements, utilizing temperature-controlled trailers, dry vans and other specialized equipment within the United States. Our customer contracts range from three to five years and are subject to annual rate reviews.

Generally, we are paid by the mile for our Truckload and Dedicated services. We also derive Truckload and Dedicated revenue from fuel surcharges, loading and unloading activities, equipment detention and other ancillary services. The main factors that affect our Truckload and Dedicated revenue are the rate per mile we receive from our customers, the percentage of miles for which we are compensated, the number of miles we generate with our equipment and changes in fuel prices. We monitor our revenue production primarily through average Truckload and Dedicated revenue, net of fuel surcharges, per tractor per week. We also analyze our average Truckload and Dedicated revenue, net of fuel surcharges, per total mile, non-revenue miles percentage, the miles per tractor we generate, our fuel surcharge revenue, our accessorial revenue and our other sources of operating revenue.

Our Intermodal segment transports our customers' freight within the United States primarily utilizing our temperature-controlled trailers and also our dry containers on railroad flatcars for portions of trips, with the balance of the trips using our tractors or, to a lesser extent, contracted carriers. The main factors that affect our Intermodal revenue are the rate per mile and other charges we receive from our customers.

Our Brokerage segment arranges for smaller third-party carriers to transport freight for our customers in temperature-controlled trailers and dry vans within the United States and into and out of Mexico while we retain the billing, collection and customer management responsibilities. The main factors that affect our Brokerage revenue are the rate per mile and other charges we receive from our customers. Our Brokerage segment also included the revenue of MWL, a third-party provider of logistics services to the transportation industry, until we deconsolidated our 45% interest in MWL effective March 28, 2013.

In addition to the factors discussed above, our operating revenue is also affected by, among other things, the United States economy, inventory levels, the level of truck and rail capacity in the transportation market, a contracting driver market, severe weather conditions and specific customer demand.

Our operating revenue increased $13.7 million, or 2.1%, in 2014. Our operating revenue, net of fuel surcharges and MWL revenue, increased $22.9 million, or 4.4%, compared with 2013. Truckload segment revenue, net of fuel surcharges, decreased 2.3% primarily due to a decrease in our average fleet size of 6.3% from 2013, partially offset by an increase in our average Truckload revenue, net of fuel surcharges, per tractor per week of 4.2%. The increase in our average revenue per tractor was primarily due to an increase in our average rate per mile. Dedicated segment revenue, net of fuel surcharges, increased 68.9% primarily due to an increase in our average fleet size of 73.0%, partially offset by a 2.2% decrease in our average Dedicated revenue, net of fuel surcharges, per tractor per week from 2013. Intermodal segment revenue, net of fuel surcharges, increased 5.1% due to continued volume growth in our Intermodal services. Marten Transport Brokerage revenue increased $4.5 million in 2014 due to an increase in volume. With the March 28, 2013 deconsolidation of MWL, MWL revenue included in our Brokerage segment decreased $6.7 million in 2014. Fuel surcharge revenue decreased to $125.2 million in 2014 from $127.7 million in 2013.

Our profitability is impacted by the variable costs of transporting freight for our customers, fixed costs, and expenses containing both fixed and variable components. The variable costs include fuel expense, driver-related expenses, such as wages, benefits, training, and recruitment, and independent contractor costs, which are recorded under purchased transportation. Expenses that have both fixed and variable components include maintenance and tire expense and our cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency and other factors. Our main fixed costs relate to the acquisition of long-term assets, such as revenue equipment and operating terminals. We expect our annual cost of tractor and trailer ownership will increase in future periods as a result of higher prices of new equipment. Although certain factors affecting our expenses are beyond our control, we monitor them closely and attempt to anticipate changes in these factors in managing our business. For example, fuel prices have significantly fluctuated over the past several years. We manage our exposure to changes in fuel prices primarily through fuel surcharge programs with our customers, as well as through volume fuel purchasing arrangements with national fuel centers and bulk purchases of fuel at our terminals. To help further reduce fuel expense, we have installed and tightly manage the use of auxiliary power units in our tractors to provide climate control and electrical power for our drivers without idling the tractor engine, and also have improved the fuel usage in the temperature-control units on our trailers. For our Intermodal and Brokerage segments, our profitability is impacted by the percentage of revenue we pay to providers for the transportation services we arrange, which is included within purchased transportation in our consolidated statements of operations.

Our operating expenses as a percentage of operating revenue, or “operating ratio,” increased to 92.4% in 2014 from 92.1% in 2013. Operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharge revenue, increased to 90.7% in 2014 from 90.2% in 2013. Our net income decreased to $29.8 million in 2014 from $30.1 million in 2013. The decrease in profitability in 2014 was primarily caused by the impact of the severe weather conditions in the first quarter of 2014 on both freight volumes and operating costs, costs associated with rail service interruption and delay issues that constrained our Intermodal operations and an intensification of the most severe driver shortage in the history of our industry, partially offset by the increase in our average Truckload revenue per tractor.

Our business requires substantial, ongoing capital investments, particularly for new tractors and trailers. At December 31, 2014, we had $24.4 million of long-term debt outstanding and $387.9 million in stockholders’ equity. In 2014, net cash flows provided by operating activities of $82.0 million, borrowings under our credit facility of $24.4 million, and cash and cash equivalents of $13.5 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of $87.7 million, to acquire and partially construct regional operating facilities in the amount of $27.4 million, and to pay cash dividends of $3.3 million. We estimate that capital expenditures, net of proceeds from dispositions, will be approximately $110 million in 2015. We believe our sources of liquidity are adequate to meet our current and anticipated needs for at least the next twelve months. Based upon anticipated cash flows, existing cash and cash equivalents balances, current borrowing availability and other sources of financing we expect to be available to us, we do not anticipate any significant liquidity constraints in the foreseeable future.

We have transformed our business strategy to a multifaceted set of transportation service solutions, primarily regional Truckload temperature-controlled operations along with Dedicated, Intermodal and Brokerage services, while developing a diverse customer base that gains value from and expands each of these operating segments. We believe that we are well-positioned regardless of the economic environment with this transformation of our services combined with our competitive position, cost control emphasis, modern fleet and strong balance sheet.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes discussions of operating revenue, net of fuel surcharge revenue and MWL revenue; Truckload, Dedicated and Intermodal revenue net of fuel surcharge revenue; operating expenses as a percentage of operating revenue, each net of fuel surcharge revenue; and net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads). We provide these additional disclosures because management believes these measures provide a more consistent basis for comparing results of operations from period to period. These financial measures in this report have not been determined in accordance with U.S. generally accepted accounting principles (GAAP). Pursuant to Item 10(e) of Regulation S-K, we have included the amounts necessary to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures of operating revenue, operating expenses divided by operating revenue, and fuel and fuel taxes.

Stock Split

On June 14, 2013, we effected a three-for-two stock split of our common stock, $.01 par value, in the form of a 50% stock dividend. Our consolidated financial statements, related notes, and other financial data contained in this report have been adjusted to give retroactive effect to the stock split for all periods presented.

Results of Operations

The following table sets forth for the years indicated certain operating statistics regarding our revenue and operations:

	2014	2013	2012
Truckload Segment:			
Revenue (in thousands)	**$448,273**	$464,959	$463,712
Average revenue, net of fuel surcharges, per tractor per week(1)	**$3,618**	$3,471	$3,329
Average tractors(1)	**1,900**	2,027	2,089
Average miles per trip	**682**	645	640
Total miles (in thousands)	**199,168**	211,122	212,359
Dedicated Segment:			
Revenue (in thousands)	**$70,352**	$42,320	$19,611
Average revenue, net of fuel surcharges, per tractor per week(1)	**$3,322**	$3,396	$3,625
Average tractors(1)	**327**	189	78
Average miles per trip	**337**	350	379
Total miles (in thousands)	**31,543**	19,046	7,966
Intermodal Segment:			
Revenue (in thousands)	**$97,092**	$92,513	$71,324
Loads	**44,336**	38,316	27,488
Average tractors	**110**	83	63
Brokerage Segment:			
Total revenue (in thousands)	**$57,212**	$59,422	$83,809
Marten Transport			
Revenue (in thousands)	**$57,212**	$52,746	$53,161
Loads	**36,712**	35,140	32,533
MWL			
Revenue (in thousands)	**$—**	$6,676	$30,648
Loads	—	3,758	16,120

(1) Includes tractors driven by both company-employed drivers and independent contractors. Independent contractors provided 52, 49 and 36 tractors as of December 31, 2014, 2013 and 2012, respectively.

Comparison of Year Ended December 31, 2014 to Year Ended December 31, 2013

The following table sets forth for the years indicated our operating revenue, operating income and operating ratio by segment, along with the change for each component:

(Dollars in thousands)	**2014**	2013	Dollar Change 2014 vs. 2013	Percentage Change 2014 vs. 2013
Operating revenue:				
Truckload revenue, net of fuel surcharge revenue	**$358,458**	$366,798	$(8,340)	(2.3)%
Truckload fuel surcharge revenue	**89,815**	98,161	(8,346)	(8.5)
Total Truckload revenue	**448,273**	464,959	(16,686)	(3.6)
Dedicated revenue, net of fuel surcharge revenue	**56,609**	33,526	23,083	68.9
Dedicated fuel surcharge revenue	**13,743**	8,794	4,949	56.3
Total Dedicated revenue	**70,352**	42,320	28,032	66.2
Intermodal revenue, net of fuel surcharge revenue	**75,447**	71,764	3,683	5.1
Intermodal fuel surcharge revenue	**21,645**	20,749	896	4.3
Total Intermodal revenue	**97,092**	92,513	4,579	4.9
Brokerage revenue:				
Marten Transport	**57,212**	52,746	4,466	8.5
MWL[1]	—	6,676	(6,676)	(100.0)
Total Brokerage revenue	**57,212**	59,422	(2,210)	(3.7)
Total operating revenue	**$672,929**	$659,214	$13,715	2.1%
Operating income:				
Truckload	**$39,483**	$39,290	$193	0.5%
Dedicated	**7,136**	5,575	1,561	28.0
Intermodal	**1,735**	4,014	(2,279)	(56.8)
Brokerage	**2,652**	3,116	(464)	(14.9)
Total operating income	**$51,006**	$51,995	$(989)	(1.9)%
Operating ratio[2]:				
Truckload	**91.2%**	91.5%		
Dedicated	**89.9**	86.8		
Intermodal	**98.2**	95.7		
Brokerage	**95.4**	94.8		
Consolidated operating ratio	**92.4%**	92.1%		

(1) Brokerage revenue is net of $2.1 million of inter-segment revenue in 2013 for loads transported by our tractors and arranged by MWL that have been eliminated in consolidation. The inter-segment revenue in 2013 relates to loads transported prior to the deconsolidation of MWL effective March 28, 2013.

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

Our operating revenue increased $13.7 million, or 2.1%, to $672.9 million in 2014 from $659.2 million in 2013. Our operating revenue, net of fuel surcharges and MWL revenue, increased $22.9 million, or 4.4%, to $547.7 million in 2014 from $524.8 million in 2013. This increase was primarily due to a $23.1 million increase in Dedicated revenue, net of fuel surcharges. Fuel surcharge revenue decreased to $125.2 million in 2014 from $127.7 million in 2013.

Truckload segment revenue decreased $16.7 million, or 3.6%, to $448.3 million in 2014 from $465.0 million in 2013. Truckload segment revenue, net of fuel surcharges, decreased 2.3% primarily due to a decrease in our average fleet size of 6.3% from 2013, partially offset by an increase in our average revenue, net of fuel surcharges, per tractor per week of 4.2%. The increase in our average revenue per tractor was primarily due to an increase in our average rate per mile. The increase in profitability in 2014 was due to an increase in our average revenue per tractor, partially offset by the impact of severe weather conditions in the first quarter of 2014 on both freight volumes and operating costs.

Dedicated segment revenue increased $28.0 million, or 66.2%, to $70.4 million in 2014 from $42.3 million in 2013. Dedicated segment revenue, net of fuel surcharges, increased 68.9% primarily due to an increase in our average fleet size of 73.0% driven by a significant increase in our number of Dedicated contracts with customers, partially offset by a 2.2% decrease in our average revenue, net of fuel surcharges, per tractor per week from 2013. The increase in the operating ratio for our Dedicated segment in 2014 was primarily due to the addition of contracts with higher operating ratios than the average in 2013, along with the impact of severe weather conditions in the first quarter of 2014 on both freight volumes and operating costs.

Intermodal segment revenue increased $4.6 million, or 4.9%, to $97.1 million in 2014 from $92.5 million in 2013. Intermodal segment revenue, net of fuel surcharges, increased 5.1% due to continued volume growth in our Intermodal services. The increase in the operating ratio for our Intermodal segment in 2014 was primarily due to costs associated with rail service interruption and delay issues that constrained our Intermodal operations, volume growth in our dry container service, which produces a higher operating ratio than our temperature-controlled trailer service, and the impact of severe weather conditions in the first quarter of 2014 on both freight volumes and operating costs.

Brokerage segment revenue decreased $2.2 million, or 3.7%, to $57.2 million in 2014 from $59.4 million in 2013. Marten Transport Brokerage revenue increased $4.5 million in 2014 due to an increase in volume. With the March 28, 2013 deconsolidation of MWL, MWL revenue included in our Brokerage segment decreased $6.7 million in 2014. The increase in the operating ratio for our Brokerage segment in 2014 was primarily due to an increase in the payments to carriers for transportation services which we arranged as a percentage of our Brokerage revenue.

The following table sets forth for the years indicated the dollar and percentage increase or decrease of the items in our consolidated statements of operations, and those items as a percentage of operating revenue:

(Dollars in thousands)	Dollar Change 2014 vs. 2013	Percentage Change 2014 vs. 2013	Percentage of Operating Revenue 2014	Percentage of Operating Revenue 2013
Operating revenue	$13,715	2.1 %	100.0 %	100.0 %
Operating expenses (income):				
Salaries, wages and benefits	12,150	7.1	27.3	26.0
Purchased transportation	(419)	(0.3)	18.3	18.7
Fuel and fuel taxes	(9,339)	(5.7)	22.9	24.8
Supplies and maintenance	908	2.2	6.2	6.2
Depreciation	3,767	5.8	10.1	9.8
Operating taxes and licenses	30	0.4	1.1	1.1
Insurance and claims	3,559	15.0	4.0	3.6
Communications and utilities	586	11.2	0.9	0.8
Gain on disposition of revenue equipment	1,585	26.5	(0.7)	(0.9)
Other	1,877	13.3	2.4	2.1
Total operating expenses	14,704	2.4	92.4	92.1
Operating income	(989)	(1.9)	7.6	7.9
Other	(275)	(70.2)	(0.1)	(0.1)
Income before income taxes	(714)	(1.4)	7.7	7.9
Less: Income before income taxes attributable to noncontrolling interest	(84)	(100.0)	-	-
Income before income taxes attributable to Marten Transport, Ltd.	(630)	(1.2)	7.7	7.9
Provision for income taxes	(317)	(1.4)	3.2	3.4
Net income	$(313)	(1.0)%	4.4 %	4.6 %

Salaries, wages and benefits consist of compensation for our employees, including both driver and non-driver employees, employees' health insurance, 401(k) plan contributions and other fringe benefits. These expenses vary depending upon the size of our Truckload, Dedicated and Intermodal tractor fleets, the ratio of company drivers to independent contractors, our efficiency, our experience with employees' health insurance claims, changes in health care premiums and other factors. The increase in salaries, wages and benefits from 2013 resulted primarily from increases to several components of the amount paid to company drivers during 2014 and an increase in employees' health insurance expense of $3.3 million due to an increase in our self-insured medical claims, which was partially offset by an $800,000 decrease in bonus compensation expense for our non-driver employees.

Purchased transportation consists of payments to railroads and carriers for transportation services we arrange in connection with Brokerage and Intermodal operations and to independent contractor providers of revenue equipment.

This category will vary depending upon the amount and rates, including fuel surcharges, we pay to third-party railroad and motor carriers, the ratio of company drivers versus independent contractors and the amount of fuel surcharges passed through to independent contractors. Purchased transportation expense decreased $419,000 in total, or 0.3%, in 2014 from 2013. Payments to carriers for transportation services we arranged in our Brokerage segment increased $3.5 million to $49.1 million in 2014 from $45.6 million in 2013. With the March 28, 2013 deconsolidation of MWL, there was no purchased transportation expense related to MWL included in the Brokerage segment in 2014 compared with $5.4 million in 2013. Payments to railroads and drayage carriers for transportation services within our Intermodal segment increased $1.3 million to $66.4 million in 2014 from $65.1 million in 2013. The portion of purchased transportation expense related to our independent contractors within our Truckload and Dedicated segments, including fuel surcharges, increased $266,000 in 2014. We expect that purchased transportation expense will increase as we grow our Intermodal and Brokerage segments.

Fuel and fuel taxes decreased by $9.3 million in 2014 from 2013. Net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads) decreased $6.8 million, or 12.6%, to $46.7 million in 2014 from $53.4 million in 2013. Fuel surcharges passed through to independent contractors, outside drayage carriers and railroads were $18.0 million in 2014 and $17.9 million in 2013. We have worked diligently to control fuel usage and costs by improving our volume purchasing arrangements and optimizing our drivers' fuel purchases with national fuel centers, focusing on shorter lengths of haul, installing and tightly managing the use of auxiliary power units in our tractors to minimize engine idling and improving fuel usage in the temperature-control units on our trailers. Auxiliary power units, which we have installed in our company-owned tractors, provide climate control and electrical power for our drivers without idling the tractor engine. The decrease in net fuel expense was primarily due to continued progress with the cost control measures stated above and a decrease in the DOE national average cost of fuel to $3.83 per gallon in 2014 from $3.92 per gallon in 2013. Net fuel expense represented 9.5% of Truckload, Dedicated and Intermodal segment revenue, net of fuel surcharges, in 2014, compared with 11.3% in 2013.

Depreciation relates to owned tractors, trailers, auxiliary power units, communication units, terminal facilities and other assets. The increase in depreciation was primarily due to a continued increase in the cost of revenue equipment. We expect our annual cost of tractor and trailer ownership will increase in future periods as a result of higher prices of new equipment, which will result in greater depreciation over the useful life.

Insurance and claims consist of the costs of insurance premiums and the accruals we make for claims within our self-insured retention amounts, primarily for personal injury, property damage, physical damage to our equipment, cargo claims and workers' compensation claims. These expenses will vary primarily based upon the frequency and severity of our accident experience, our self-insured retention levels and the market for insurance. The $3.6 million increase in insurance and claims in 2014 was primarily due to an increase in the cost of our self-insured auto liability, workers' compensation and cargo claims. Our significant self-insured retention exposes us to the possibility of significant fluctuations in claims expense between periods which could materially impact our financial results depending on the frequency, severity and timing of claims.

Gain on disposition of revenue equipment decreased to $4.4 million in 2014 from $6.0 million in 2013 due to a decrease in the market value for used revenue equipment and a decrease in the number of tractors sold. Future gains or losses on dispositions of revenue equipment will be impacted by the market for used revenue equipment, which is beyond our control.

As a result of the foregoing factors, our operating expenses as a percentage of operating revenue, or "operating ratio," increased to 92.4% in 2014 from 92.1% in 2013. The operating ratio for our Truckload segment was 91.2% in 2014 and 91.5% in 2013, for our Dedicated segment was 89.9% in 2014 and 86.8% in 2013, for our Intermodal segment was 98.2% in 2014 and 95.7% in 2013, and for our Brokerage segment was 95.4% in 2014 and 94.8 % in 2013. Operating expenses as a percentage of operating revenue, with both amounts net of fuel surcharge revenue, increased to 90.7% in 2014 from 90.2% in 2013.

Our effective income tax rate decreased slightly to 42.3% in 2014 from 42.4% in 2013.

As a result of the factors described above, net income decreased to $29.8 million in 2014 from $30.1 million in 2013. Net earnings per diluted share decreased to $0.89 in 2014 from $0.90 in 2013.

Comparison of Year Ended December 31, 2013 to Year Ended December 31, 2012

The following table sets forth for the years indicated our operating revenue, operating income and operating ratio by segment, along with the change for each component:

(Dollars in thousands)	2013	2012	Dollar Change 2013 vs. 2012	Percentage Change 2013 vs. 2012
Operating revenue:				
Truckload revenue, net of fuel surcharge revenue	$366,798	$363,645	$3,153	0.9 %
Truckload fuel surcharge revenue	98,161	100,067	(1,906)	(1.9)
Total Truckload revenue	464,959	463,712	1,247	0.3
Dedicated revenue, net of fuel surcharge revenue	33,526	14,738	18,788	127.5
Dedicated fuel surcharge revenue	8,794	4,873	3,921	80.5
Total Dedicated revenue	42,320	19,611	22,709	115.8
Intermodal revenue, net of fuel surcharge revenue	71,764	55,151	16,613	30.1
Intermodal fuel surcharge revenue	20,749	16,173	4,576	28.3
Total Intermodal revenue	92,513	71,324	21,189	29.7
Brokerage revenue:				
Marten Transport	52,746	53,161	(415)	(0.8)
MWL[1]	6,676	30,648	(23,972)	(78.2)
Total Brokerage revenue	59,422	83,809	(24,387)	(29.1)
Total operating revenue	$659,214	$638,456	$20,758	3.3 %
Operating income:				
Truckload	$39,290	$33,715	$5,575	16.5 %
Dedicated	5,575	3,090	2,485	80.4
Intermodal	4,014	4,703	(689)	(14.7)
Brokerage	3,116	4,345	(1,229)	(28.3)
Total operating income	$51,995	$45,853	$6,142	13.4 %
Operating ratio[2]:				
Truckload	91.5 %	92.7 %		
Dedicated	86.8	84.2		
Intermodal	95.7	93.4		
Brokerage	94.8	94.8		
Consolidated operating ratio	92.1 %	92.8 %		

(1) Brokerage revenue is net of $2.1 million and $9.7 million of inter-segment revenue in 2013 and 2012, respectively, for loads transported by our tractors and arranged by MWL that have been eliminated in consolidation. The inter-segment revenue in 2013 relates to loads transported prior to the deconsolidation of MWL effective March 28, 2013.

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

Our operating revenue increased $20.8 million, or 3.3%, to $659.2 million in 2013 from $638.5 million in 2012. Our operating revenue, net of fuel surcharges and MWL revenue, increased $38.1 million, or 7.8%, to $524.8 million in 2013 from $486.7 million in 2012. This increase was primarily due to an increase in Dedicated revenue, net of fuel surcharges, along with growth in Intermodal revenue. Fuel surcharge revenue increased to $127.7 million in 2013 from $121.1 million in 2012 primarily due to the increase in volume for our Dedicated and Intermodal services.

Truckload segment revenue increased $1.2 million, or 0.3%, to $465.0 million in 2013 from $463.7 million in 2012. Truckload segment revenue, net of fuel surcharges, increased 0.9% primarily due to an increase in our average revenue, net of fuel surcharges, per tractor per week of 4.3%, partially offset by a decrease in our average fleet size of 3.0% from 2012. The increase in revenue per tractor per week and the improvement in our overall cost structure primarily caused the increase in profitability in 2013.

Dedicated segment revenue increased $22.7 million, or 115.8%, to $42.3 million in 2013 from $19.6 million in 2012. Dedicated segment revenue, net of fuel surcharges, increased 127.5% primarily due to an increase in our average fleet size of 142.3%, partially offset by a 6.3% decrease in our average revenue, net of fuel surcharges, per tractor per week from 2012. The increase in the operating ratio for our Dedicated segment in 2013 was primarily due to an increase in insurance and claims expense.

Intermodal segment revenue increased $21.2 million, or 29.7%, to $92.5 million in 2013 from $71.3 million in 2012. Intermodal segment revenue, net of fuel surcharges, increased 30.1% due to continued volume growth in our Intermodal services. The increase in the operating ratio for our Intermodal segment in 2013 was primarily due to an increase in the payments to railroads and drayage carriers as a percentage of our revenue.

Brokerage segment revenue decreased $24.4 million, or 29.1%, to $59.4 million in 2013 from $83.8 million in 2012. With the March 28, 2013 deconsolidation of MWL, MWL revenue included in our Brokerage segment decreased $24.0 million in 2013. Marten Transport Brokerage revenue decreased $415,000 in 2013 due to a decrease in margins partially offset by continued volume growth. The operating ratio for our Brokerage segment in 2013 was consistent with 2012.

The following table sets forth for the years indicated the dollar and percentage increase or decrease of the items in our consolidated statements of operations, and those items as a percentage of operating revenue:

(Dollars in thousands)	Dollar Change 2013 vs. 2012	Percentage Change 2013 vs. 2012	Percentage of Operating Revenue 2013	2012
Operating revenue	$20,758	3.3 %	100.0 %	100.0 %
Operating expenses (income):				
Salaries, wages and benefits	8,072	4.9	26.0	25.6
Purchased transportation	(833)	(0.7)	18.7	19.5
Fuel and fuel taxes	(326)	(0.2)	24.8	25.6
Supplies and maintenance	663	1.7	6.2	6.3
Depreciation	3,572	5.9	9.8	9.5
Operating taxes and licenses	369	5.5	1.1	1.1
Insurance and claims	2,963	14.3	3.6	3.2
Communications and utilities	273	5.5	0.8	0.8
Gain on disposition of revenue equipment	(670)	(12.6)	(0.9)	(0.8)
Other	533	3.9	2.1	2.1
Total operating expenses	14,616	2.5	92.1	92.8
Operating income	6,142	13.4	7.9	7.2
Other	(344)	(716.7)	(0.1)	-
Income before income taxes	6,486	14.1	7.9	7.2
Less: Income before income taxes attributable to noncontrolling interest	(413)	(83.1)	-	0.1
Income before income taxes attributable to Marten Transport, Ltd.	6,899	15.2	7.9	7.1
Provision for income taxes	4,019	22.2	3.4	2.8
Net income	$2,880	10.6 %	4.6 %	4.3 %

The increase in salaries, wages and benefits resulted primarily from a 4.4% increase in the total miles driven by company drivers and increases to several components of the amount paid to company drivers during 2012, which was partially offset by a decrease in employees' health insurance expense of $1.3 million due to a decrease in our self-insured medical claims and a $1.2 million decrease in bonus compensation expense for our non-driver employees.

Purchased transportation expense decreased $833,000 in total, or 0.7%, in 2013 from 2012. Payments to carriers for transportation services we arranged in our Brokerage segment decreased $145,000 to $45.6 million in 2013 from $45.7 million in 2012. With the March 28, 2013 deconsolidation of MWL, purchased transportation expense related to MWL included in our Brokerage segment in 2013 was $5.4 million compared with $24.5 million in 2012. Payments to railroads and drayage carriers for transportation services within our Intermodal segment increased $17.8 million to $65.1 million in 2013 from $47.3 million in 2012. The portion of purchased transportation expense related to our independent contractors within our Truckload and Dedicated segments, including fuel surcharges, increased $572,000 in 2013.

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Fuel and fuel taxes decreased by $326,000 in 2013 from 2012. Net fuel expense (fuel and fuel taxes net of fuel surcharge revenue and surcharges passed through to independent contractors, outside drayage carriers and railroads) decreased $2.8 million, or 5.0%, to $53.4 million in 2013 from $56.3 million in 2012. Fuel surcharges passed through to independent contractors, outside drayage carriers and railroads were $17.9 million in 2013 and $13.8 million in 2012. We have worked diligently to control fuel usage and costs by improving our volume purchasing arrangements and optimizing our drivers' fuel purchases with national fuel centers, focusing on shorter lengths of haul, installing and tightly managing the use of auxiliary power units in our tractors to minimize engine idling and improving fuel usage in the temperature-control units on our trailers. The decrease in net fuel expense was primarily due to continued progress with the cost control measures stated above and extreme heat in 2012 which increased fuel consumption, partially offset by an increase in total miles driven. The DOE national average cost of fuel decreased slightly to $3.92 per gallon in 2013 from $3.97 per gallon in 2012. Net fuel expense represented 11.3% of Truckload, Dedicated and Intermodal segment revenue, net of fuel surcharges, in 2013, compared with 13.0% in 2012.

The increase in depreciation was primarily due to a continued increase in the cost of revenue equipment and a 2.3% increase in our average fleet size.

The $3.0 million increase in insurance and claims in 2013 was primarily due to increases in the cost of physical damage claims related to our tractors and trailers and in the cost of our self-insured auto liability claims.

Gain on disposition of revenue equipment increased to $6.0 million in 2013 from $5.3 million in 2012 due to an increase in the market value for used revenue equipment.

As a result of the foregoing factors, our operating expenses as a percentage of operating revenue, or "operating ratio," improved to 92.1% in 2013 from 92.8% in 2012. The operating ratio for our Truckload segment was 91.5% in 2013 and 92.7% in 2012, for Dedicated segment was 86.8% in 2013 and 84.2% in 2012, for our Intermodal segment was 95.7% in 2013 and 93.4% in 2012 and for our Brokerage segment was 94.8% in each of 2013 and 2012.

Our effective income tax rate increased to 42.4% in 2013 from 39.9% in 2012. A decrease to our deferred income tax liability as a result of a change in income apportionment for several states decreased our effective income tax rate in 2012.

As a result of the factors described above, net income increased 10.6% to $30.1 million in 2013 from $27.3 million in 2012. Net earnings per diluted share increased to $0.90 in 2013 from $0.82 in 2012.

Liquidity and Capital Resources

Our business requires substantial, ongoing capital investments, particularly for new tractors and trailers. Our primary sources of liquidity are funds provided by operations and our revolving credit facility. A portion of our tractor fleet is provided by independent contractors who own and operate their own equipment. We have no capital expenditure requirements relating to those drivers who own their tractors or obtain financing through third parties.

The table below reflects our net cash flows provided by operating activities, net cash flows used for investing activities and net cash flows provided by (used for) financing activities for the years indicated.

(In thousands)	**2014**	2013	2012
Net cash flows provided by operating activities	**$81,971**	$89,187	$85,539
Net cash flows used for investing activities	**(118,606)**	(74,722)	(88,115)
Net cash flows provided by (used for) financing activities	**23,108**	(4,288)	(14,772)

In 2014, net cash flows provided by operating activities of $82.0 million, borrowings under our credit facility of $24.4 million, and cash and cash equivalents of $13.5 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of $87.7 million, to acquire and partially construct regional operating facilities in the amount of $27.4 million, and to pay cash dividends of $3.3 million. In 2013, net cash flows provided by operating activities of $89.2 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of $54.8 million, to partially construct and acquire regional operating facilities in the amount of $16.9 million, to pay cash dividends of $2.8 million, to repay $2.7 million of long-term debt, and to increase cash and cash equivalents by $10.2 million. In 2012, net cash flows provided by operating activities of $85.5 million and cash and cash equivalents of $17.3 million were primarily used to purchase new revenue equipment, net of proceeds from dispositions, in the amount of $75.1 million, to partially construct and acquire regional operating facilities in the amount of $10.9 million, and to pay cash dividends of $18.7 million.

We estimate that capital expenditures, net of proceeds from dispositions, will be approximately $110 million in 2015. Quarterly cash dividends of $0.025 per share of common stock totaling $3.3 million were declared in each quarter of 2014. Quarterly cash dividends of $0.017 per share were declared in each of the first and second quarters of 2013, and of $0.025 per share were declared in each of the third and fourth quarters of 2013, totaling $2.8 million. Quarterly cash dividends of $0.013 per share were declared in the first quarter of 2012, and of $0.017 per share were declared in each of the second through fourth quarters of 2012, along with a special dividend of $0.50 per share in the fourth quarter of 2012, totaling $18.7 million. We currently expect to continue to pay quarterly cash dividends in the future. The payment of cash dividends in the future, and the amount of any such dividends, will depend upon our financial condition, results of operations, cash requirements, and certain corporate law requirements, as well as other factors deemed relevant by our Board of Directors. As current federal and state bonus depreciation provisions have expired, we expect an increase in our current income tax payments as a portion of our deferred tax liability for property and equipment reverses. We believe our sources of liquidity are adequate to meet our current and anticipated needs for at least the next twelve months. Based upon anticipated cash flows, existing cash and cash equivalents balances, current borrowing availability and other sources of financing we expect to be available to us, we do not anticipate any significant liquidity constraints in the foreseeable future.

In December 2014, we entered into an amendment to our unsecured committed credit facility which extends the maturity date of loans made under the facility until December 2019. The aggregate principal amount of the credit facility of $50.0 million may be increased at our option, subject to completion of signed amendments with the lender, up to a maximum aggregate principal amount of $75.0 million. At December 31, 2014, there was an outstanding principal balance of $24.4 million on the credit facility. As of that date, we had outstanding standby letters of credit of $9.2 million and remaining borrowing availability of $16.4 million. This facility bears interest at a variable rate based on the London Interbank Offered Rate or the lender’s Prime Rate, in each case plus/minus applicable margins.

Our credit facility prohibits us from paying, in any fiscal year, dividends in excess of 25% of our net income from the prior fiscal year. This facility also contains restrictive covenants which, among other matters, require us to maintain compliance with cash flow leverage and fixed charge coverage ratios. We were in compliance with all of these covenants at December 31, 2014.

The following is a summary of our contractual obligations as of December 31, 2014.

	Payments Due by Period				
(In thousands)	2015	2016 And 2017	2018 And 2019	Thereafter	Total
Purchase obligations for revenue equipment	$80,354	$—	$—	$ —	$80,354
Long-term debt obligations	—	—	24,373	—	24,373
Building construction and acquisition obligations	6,478	—	—	—	6,478
Operating lease obligations	411	447	8	—	866
Total	$87,243	$447	$24,381	$ —	$112,071

Due to uncertainty with respect to the timing of future cash flows, the obligation under our nonqualified deferred compensation plan at December 31, 2014 of 70,514 shares of Company common stock with a value of $1.5 million has been excluded from the above table.

Related Parties

We purchase fuel and obtain tires and related services from Bauer Built, Inc., or BBI. Jerry M. Bauer, one of our directors, is the chairman of the board and chief executive officer and the principal stockholder of BBI. We paid BBI $562,000 in 2014, $585,000 in 2013 and $988,000 in 2012 for fuel and tire services. In addition, we paid $1.4 million in 2014, $1.6 million in 2013 and $1.7 million in 2012 to tire manufacturers for tires that we purchased from the tire manufacturers but were provided by BBI. BBI received commissions from the tire manufacturers related to these purchases. Other than any benefit received from his ownership interest, Mr. Bauer receives no compensation or other benefits from our business with BBI.

We paid Durand Builders Service, Inc. $495,000 in 2012 for various construction projects. We did not pay Durand Builders Service, Inc. for any services in 2014 or 2013. Larry B. Hagness, one of our directors, is the president and owner of Durand Builders Service, Inc. Other than any benefit received from his ownership interest, Mr. Hagness receives no compensation or other benefits from these transactions.

We own a 45% equity interest in MWL, a third-party provider of logistics services to the transportation industry. We received $8.5 million, $8.2 million and $9.7 million of our revenue for loads transported by our tractors and arranged by MWL in 2014, 2013 and 2012, respectively. Prior to deconsolidation effective March 28, 2013, these inter-segment revenues were eliminated in consolidation. Inter-segment revenue eliminated in consolidation was $2.1 million and $9.7 million in 2013 and 2012, respectively. As of December 31, 2014, we also had a trade receivable in the amount of $920,000 from MWL and an accrued liability of $466,000 to MWL for the excess of payments by MWL's customers into our lockbox account over the amounts drawn on the account by MWL.

We believe that the transactions with related parties noted above are on reasonable terms which, based upon market rates, are comparable to terms available from unaffiliated third parties.

Off-balance Sheet Arrangements

Other than standby letters of credit maintained in connection with our self-insurance programs in the amount of $9.2 million and operating leases summarized above in our summary of contractual obligations, we did not have any other material off-balance sheet arrangements at December 31, 2014.

Inflation and Fuel Costs

Most of our operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, the most significant effects of inflation have been on revenue equipment prices, accident claims, health insurance and employee compensation. We attempt to limit the effects of inflation through increases in freight rates and cost control efforts.

In addition to inflation, fluctuations in fuel prices can affect our profitability. We require substantial amounts of fuel to operate our tractors and power the temperature-control units on our trailers. Substantially all of our contracts with customers contain fuel surcharge provisions. Although we historically have been able to pass through a significant portion of long-term increases in fuel prices and related taxes to customers in the form of surcharges and higher rates, such increases usually are not fully recovered. These surcharge provisions are not effective in mitigating the fuel price increases related to non-revenue miles or fuel used while the tractor is idling.

Seasonality

Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase, with harsh weather creating higher accident frequency, increased claims and more equipment repairs.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our consolidated financial statements and related notes. We base our estimates, assumptions and judgments on historical experience, current trends and other factors believed to be relevant at the time our consolidated financial statements are prepared. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and assumptions, and such differences could be material. We believe that the following critical accounting policies affect our more significant estimates, assumptions and judgments used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue, including fuel surcharges, at the time shipment of freight is completed. We account for revenue of our Intermodal and Brokerage segments and revenue on freight transported by independent contractors within our Truckload and Dedicated segments on a gross basis because we are the primary obligor in the arrangements, we have the ability to establish prices, we have the risk of loss in the event of cargo claims and we bear credit risk with customer payments. Accordingly, all such revenue billed to customers is classified as operating revenue and all corresponding payments to carriers for transportation services we arrange in connection with brokerage and intermodal activities and to independent contractor providers of revenue equipment are classified as purchased transportation expense.

Accounts Receivable. We are dependent upon a limited number of customers, and, as a result, our trade accounts receivable are highly concentrated. Trade accounts receivable are recorded at the invoiced amounts, net of an allowance for doubtful accounts. Our allowance for doubtful accounts was $475,000 as of December 31, 2014 and $450,000 as of December 31, 2013. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. In order to assess the collectibility of these receivables, we perform ongoing credit evaluations of our customers' financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The allowance for doubtful accounts is based on the best information available to us and is reevaluated and adjusted as additional information is received. We evaluate the allowance based on historical write-off experience, the size of the individual customer balances, past-due amounts and the overall national economy. We review the adequacy of our allowance for doubtful accounts monthly.

Property and Equipment. The transportation industry requires significant capital investments. Our net property and equipment was $465.7 million as of December 31, 2014 and $415.0 million as of December 31, 2013. Our depreciation expense was $68.2 million in 2014, $64.5 million in 2013 and $60.9 million in 2012. We compute depreciation of our property and equipment for financial reporting purposes based on the cost of each asset, reduced by its estimated salvage value, using the straight-line method over its estimated useful life. We determine and periodically evaluate our estimate of the projected salvage values and useful lives primarily by considering the market for used equipment, prior useful lives and changes in technology. We have not changed our policy regarding salvage values as a percentage of initial cost or useful lives of tractors and trailers within the last ten years. We believe that our policies and past estimates have been reasonable. Actual results could differ from these estimates. A 5% decrease in estimated salvage values would have decreased our net property and equipment as of December 31, 2014 by approximately $9.8 million, or 2.1%.

Impairment of Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell.

Insurance and Claims. We self-insure, in part, for losses relating to workers' compensation, auto liability, general liability, cargo and property damage claims, along with employees' health insurance with varying risk retention levels. We maintain insurance coverage for per-incident and total losses in excess of these risk retention levels in amounts we consider adequate based upon historical experience and our ongoing review. However, we could suffer a series of losses within our self-insured retention limits or losses over our policy limits, which could negatively affect our financial condition and operating results. We are responsible for the first $1.0 million on each auto liability claim and for the first $750,000 on each workers' compensation claim. We have $9.2 million in standby letters of credit to guarantee settlement of claims under agreements with our insurance carriers and regulatory authorities. The insurance and claims accruals in our consolidated balance sheets were $14.0 million as of December 31, 2014 and $14.4 million as December 31, 2013. We reserve currently for the estimated cost of the uninsured portion of pending claims. We periodically evaluate and adjust these reserves based on our evaluation of the nature and severity of outstanding individual claims and our estimate of future claims development based on historical claims development factors. We believe that our claims development factors have historically been reasonable, as indicated by the adequacy of our insurance and claims accruals compared to settled claims. Actual results could differ from these current estimates. In addition, to the extent that claims are litigated and not settled, jury awards are difficult to predict. If our claims settlement experience worsened causing our historical claims development factors to increase by 5%, our estimated insurance and claims accruals as of December 31, 2014 would have needed to increase by approximately $3.7 million.

Share-based Payment Arrangement Compensation. We have granted stock options to certain employees and non-employee directors. We recognize compensation expense for all stock options net of an estimated forfeiture rate and only record compensation expense for those shares expected to vest on a straight-line basis over the requisite service period (normally the vesting period). Determining the appropriate fair value model and calculating the fair value of stock options require the input of highly subjective assumptions, including the expected life of the stock options and stock price volatility. We use the Black-Scholes model to value our stock option awards. We believe that future volatility will not materially differ from our historical volatility. Thus, we use the historical volatility of our common stock over the expected life of the award. The assumptions used in calculating the fair value of stock options represent our best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and we use different assumptions, stock option compensation expense could be materially different in the future.

We have also granted performance unit awards to certain employees which are subject to vesting requirements over a five-year period, primarily based on our earnings growth. The fair value of each performance unit is based on the closing market price on the date of grant. We recognize compensation expense for these awards based on the estimated number of units probable of achieving the vesting requirements of the awards, net of an estimated forfeiture rate.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard, which is effective for the first quarter of 2017, will replace most existing revenue recognition guidance required by U.S. generally accepted accounting principles. Early application is not permitted. The adoption of this standard is not expected to have a significant impact on our consolidated balance sheets, statements of operations or statements of cash flows.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We are exposed to a variety of market risks, most importantly the effects of the price and availability of diesel fuel. We require substantial amounts of diesel fuel to operate our tractors and power the temperature-control units on our trailers. The price and availability of diesel fuel can vary, and are subject to political, economic and market factors that are beyond our control. Significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. Based upon our fuel consumption in 2014, a 5% increase in the average cost of diesel fuel would have increased our fuel expense by $7.6 million.

We have historically been able to pass through a significant portion of long-term increases in diesel fuel prices and related taxes to customers in the form of fuel surcharges. Fuel surcharge programs are widely accepted among our customers, though they can vary somewhat from customer-to-customer. These fuel surcharges, which adjust weekly with the cost of fuel, enable us to recover a substantial portion of the higher cost of fuel as prices increase. These fuel surcharge provisions are not effective in mitigating the fuel price increases related to non-revenue miles or fuel used while the tractor is idling. In addition, we have worked diligently to control fuel usage and costs by improving our volume purchasing arrangements and optimizing our drivers’ fuel purchases with national fuel centers, focusing on shorter lengths of haul, installing and tightly managing the use of auxiliary power units in our tractors to minimize engine idling and improving fuel usage in our trailers’ refrigeration units.

While we do not currently have any outstanding hedging instruments to mitigate this market risk, we may enter into derivatives or other financial instruments to hedge a portion of our fuel costs in the future.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, for Marten Transport, Ltd. and subsidiaries (the "Company"). This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projection of any evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management, with the participation of the Company's Chairman of the Board and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this evaluation, management used the criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014. Further, the Company's independent registered public accounting firm, Grant Thornton LLP, has issued a report on the Company's internal controls over financial reporting on page 36 of this Report.

March 12, 2015

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Marten Transport, Ltd.

We have audited the internal control over financial reporting of Marten Transport, Ltd. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated March 12, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota

March 12, 2015

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Marten Transport, Ltd.

We have audited the accompanying consolidated balance sheet of Marten Transport, Ltd. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2014 and the related consolidated statements of operations, stockholders’ equity, and cash flows for the year then ended. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marten Transport, Ltd. and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited the adjustments to the 2013 and 2012 consolidated financial statements to retrospectively apply the change in reportable segment disclosures, as described in Note 15 to the consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 or 2012 consolidated financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 or 2012 financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2015 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota

March 12, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Marten Transport, Ltd:

We have audited, before the effects of the retrospective adjustments to the disclosures for a change in the composition of reportable segments discussed in Note 15 to the consolidated financial statements, the accompanying consolidated balance sheet of Marten Transport, Ltd. and subsidiaries (the Company) as of December 31, 2013, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2013 and 2012 (the 2013 and 2012 consolidated financial statements before the effects of the adjustments discussed in Note 15 to the consolidated financial statements are not presented herein). In connection with our audits of the consolidated financial statements, we also have audited the financial statement Schedule II listed in Item 15(a)(2). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 2012 and 2013 financial statements, before the effects of the retrospective adjustments to the disclosures for a change in the composition of reportable segments discussed in Note 15 to the consolidated financial statements, present fairly, in all material respects, the financial position of Marten Transport, Ltd. and subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the years ended December 31, 2013 and 2012 in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments to the disclosures for a change in the composition of reportable segments discussed in Note 15 to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

/s/ KPMG LLP

Minneapolis, Minnesota

March 12, 2014

MARTEN TRANSPORT, LTD.

Consolidated Balance Sheets

(In thousands, except share information)	December 31, **2014**	2013
ASSETS		
Current assets:		
Cash and cash equivalents	**$123**	$13,650
Receivables:		
Trade, less allowances of $475 and $450, respectively	**72,263**	70,869
Other	**17,740**	4,142
Prepaid expenses and other	**16,860**	15,274
Deferred income taxes	**3,199**	3,415
Total current assets	**110,185**	107,350
Property and equipment:		
Revenue equipment	**535,091**	496,133
Buildings and land	**71,105**	52,213
Office equipment and other	**39,776**	31,579
Less accumulated depreciation	**(180,223)**	(164,916)
Net property and equipment	**465,749**	415,009
Other assets	**3,726**	3,443
	$579,660	$525,802
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks issued in excess of cash balances	**$745**	$—
Accounts payable	**17,065**	19,373
Insurance and claims accruals	**13,998**	14,404
Accrued liabilities	**12,710**	19,251
Total current liabilities	**44,518**	53,028
Long-term debt	**24,373**	—
Deferred income taxes	**122,843**	113,637
Total liabilities	**191,734**	166,665
Commitments and contingencies (**Note 14)**		
Stockholders' equity:		
Preferred stock, $.01 par value per share; 2,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, $.01 par value per share; 48,000,000 shares authorized; 33,418,829 shares at December 31, 2014, and 33,301,048 shares at December 31, 2013, issued and outstanding	**334**	333
Additional paid-in capital	**87,370**	85,077
Retained earnings	**300,222**	273,727
Total stockholders' equity	**387,926**	359,137
	$579,660	$525,802

The accompanying notes are an integral part of these consolidated financial statements.

MARTEN TRANSPORT, LTD.

Consolidated Statements of Operations

	For the years ended December 31,		
(In thousands, except per share information)	**2014**	2013	2012
Operating revenue	**$672,929**	$659,214	$638,456
Operating expenses (income):			
Salaries, wages and benefits	**183,464**	171,314	163,242
Purchased transportation	**123,017**	123,436	124,269
Fuel and fuel taxes	**153,931**	163,270	163,596
Supplies and maintenance	**41,490**	40,582	39,919
Depreciation	**68,243**	64,476	60,904
Operating taxes and licenses	**7,140**	7,110	6,741
Insurance and claims	**27,240**	23,681	20,718
Communications and utilities	**5,798**	5,212	4,939
Gain on disposition of revenue equipment	**(4,387)**	(5,972)	(5,302)
Other	**15,987**	14,110	13,577
	621,923	607,219	592,603
Operating income	**51,006**	51,995	45,853
Other	**(667)**	(392)	(48)
Income before income taxes	**51,673**	52,387	45,901
Less: Income before income taxes attributable to noncontrolling interest	**—**	84	497
Income before income taxes attributable to Marten Transport, Ltd.	**51,673**	52,303	45,404
Provision for income taxes	**21,839**	22,156	18,137
Net income	**$29,834**	$30,147	$27,267
Basic earnings per common share	**$0.89**	$0.91	$0.82
Diluted earnings per common share	**$0.89**	$0.90	$0.82
Dividends declared per common share	**$0.10**	$0.083	$0.563

The accompanying notes are an integral part of these consolidated financial statements.

MARTEN TRANSPORT, LTD.

Consolidated Statements of Stockholders' Equity

	Marten Transport, Ltd. Stockholders				Non-	Total
	Common Stock		Additional	Retained	controlling	Stockholders'
(In thousands)	Shares	Amount	Paid-In Capital	Earnings	Interest	Equity
Balance at December 31, 2011	32,977	$ 330	$ 80,078	$ 237,762	$ 2,189	$ 320,359
Net income	—	—	—	27,267	—	27,267
Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards	187	2	967	(1)	—	968
Tax benefits from share-based payment arrangement exercises	—	—	409	—	—	409
Share-based payment arrangement compensation expense	—	—	1,225	—	—	1,225
Dividends on common stock	—	—	—	(18,679)	—	(18,679)
Income before income taxes attributable to noncontrolling interest	—	—	—	—	497	497
Noncontrolling interest distributions	—	—	—	—	(123)	(123)
Balance at December 31, 2012	33,164	332	82,679	246,349	2,563	331,923
Net income	—	—	—	30,147	—	30,147
Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards	137	1	1,125	—	—	1,126
Tax benefits from share-based payment arrangement exercises	—	—	189	—	—	189
Share-based payment arrangement compensation expense	—	—	1,084	—	—	1,084
Dividends on common stock	—	—	—	(2,769)	—	(2,769)
Income before income taxes attributable to noncontrolling interest	—	—	—	—	84	84
Noncontrolling interest distributions	—	—	—	—	(84)	(84)
Change to equity method of accounting	—	—	—	—	(2,563)	(2,563)
Balance at December 31, 2013	33,301	333	85,077	273,727	—	359,137
Net income	—	—	—	29,834	—	29,834
Issuance of common stock from share-based payment arrangement exercises and vesting of performance unit awards	118	1	1,213	—	—	1,214
Tax benefits from share-based payment arrangement exercises	—	—	159	—	—	159
Share-based payment arrangement compensation expense	—	—	921	—	—	921

Dividends on common stock	—	—	—	(3,339)	—	(3,339)
Balance at December 31, 2014	33,419	$ 334	$ 87,370	$ 300,222	$ —	$ 387,926

The accompanying notes are an integral part of these consolidated financial statements.

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MARTEN TRANSPORT, LTD.

Consolidated Statements of Cash Flows

	For the years ended December 31,		
(In thousands)	**2014**	2013	2012
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:			
Operations:			
Net income	**$29,834**	$30,147	$27,267
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**68,243**	64,476	60,904
Gain on disposition of revenue equipment	**(4,387)**	(5,972)	(5,302)
Deferred income taxes	**9,422**	4,303	4,822
Tax benefits from share-based payment arrangement exercises	**159**	189	409
Excess tax benefits from share-based payment arrangement exercises	**(115)**	(165)	(336)
Share-based payment arrangement compensation expense	**921**	1,084	1,225
Equity in earnings from affiliate	**(246)**	(111)	-
Income before income taxes attributable to noncontrolling interest	**-**	84	497
Changes in other current operating items:			
Receivables	**(14,913)**	(6,478)	(7,795)
Prepaid expenses and other	**(1,586)**	(25)	(64)
Accounts payable	**(723)**	2,387	1,021
Insurance and claims accruals	**(406)**	566	796
Accrued liabilities	**(4,232)**	(1,298)	2,095
Net cash provided by operating activities	**81,971**	89,187	85,539
CASH FLOWS USED FOR INVESTING ACTIVITIES:			
Revenue equipment additions	**(131,645)**	(102,808)	(121,777)
Proceeds from revenue equipment dispositions	**43,933**	48,048	46,634
Buildings and land, office equipment and other additions	**(30,885)**	(18,031)	(13,576)
Proceeds from buildings and land, office equipment and other dispositions	**28**	28	638
Decrease in cash and cash equivalents resulting from change to equity method of accounting	**-**	(1,924)	-
Other	**(37)**	(35)	(34)
Net cash used for investing activities	**(118,606)**	(74,722)	(88,115)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:			
Borrowings under credit facility and long-term debt	**168,444**	82,697	21,517
Repayment of borrowings under credit facility and long-term debt	**(144,071)**	(85,423)	(18,791)
Dividends on common stock	**(3,339)**	(2,769)	(18,679)
Issuance of common stock from share-based payment arrangement exercises	**1,214**	1,126	968
Change in net checks issued in excess of cash balances	**745**	-	-
Excess tax benefits from share-based payment arrangement exercises	**115**	165	336
Noncontrolling interest distributions	**-**	(84)	(123)
Net cash provided by (used for) financing activities	**23,108**	(4,288)	(14,772)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13,527)**	10,177	(17,348)
CASH AND CASH EQUIVALENTS:			
Beginning of year	**13,650**	3,473	20,821

End of year	**$123**	$13,650	$3,473
SUPPLEMENTAL NON-CASH DISCLOSURE:			
Change in property and equipment not yet paid for	**$(3,973)**	$6,644	$(6,203)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for:			
Interest	**$179**	$97	$9
Income taxes	**$26,766**	$16,190	$8,836

The accompanying notes are an integral part of these consolidated financial statements.

MARTEN TRANSPORT, LTD.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of business: Marten Transport, Ltd. is one of the leading temperature-sensitive truckload carriers in the United States. We specialize in transporting and distributing food and other consumer packaged goods that require a temperature-controlled or insulated environment for customers in the United States, Canada and Mexico.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Marten Transport, Ltd., its subsidiaries and, through March 27, 2013, its 45% owned affiliate, MW Logistics, LLC (“MWL”). As of March 28, 2013, Marten Transport deconsolidated MWL (See Note 9).

Cash and cash equivalents: Cash in excess of current operating requirements is invested in short-term, highly liquid investments. We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Changes in accounts at banks with an aggregate excess of the amount of checks issued over cash balances are included as a financing activity in the accompanying consolidated statements of cash flows.

Trade accounts receivable: Trade accounts receivable are recorded at the invoiced amounts, net of an allowance for doubtful accounts. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. In order to assess the collectibility of these receivables, we perform ongoing credit evaluations of our customers’ financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The allowance for doubtful accounts is based on the best information available to us and is reevaluated and adjusted as additional information is received. We evaluate the allowance based on historical write-off experience, the size of the individual customer balances, past-due amounts and the overall national economy. We review the adequacy of our allowance for doubtful accounts monthly. Invoice balances over 30 days after the contractual due date are considered past due per our policy and are reviewed individually for collectibility. Initial payments by new customers are monitored for compliance with contractual terms. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential recovery is considered remote.

Property and equipment: Additions and improvements to property and equipment are capitalized at cost. Maintenance and repair expenditures are charged to operations. Gains and losses on disposals of revenue equipment are included in operations as they are a normal, recurring component of our operations.

Depreciation is computed based on the cost of the asset, reduced by its estimated salvage value, using the straight-line method for financial reporting purposes. We begin depreciating assets in the month that each asset is placed in service and, therefore, is ready for its intended use, and depreciate each asset until it is taken out of service and available for sale. Accelerated methods are used for income tax reporting purposes. Following is a summary of estimated useful lives for financial reporting purposes:

	Years
Tractors	5
Trailers	7
Service and other equipment	3-15
Buildings and improvements	20-40

MARTEN TRANSPORT, LTD.