- --

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 1998

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 0-27754

HUB GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-4007085
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

377 E. Butterfield Road, Suite 700
Lombard, Illinois 60148
(Address and zip code of principal executive offices)
(630) 271-3600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

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

Class A Common Stock, $.01 par value
(Title of Class)

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 X 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. [X]

The aggregate market value of the Registrant's voting stock held by non-affiliates on March 15, 1999, based upon the last reported sale price on that date on the NASDAQ National Market of $19 per share, was $132,193,450.

On March 15, 1999, the Registrant had 7,009,950 outstanding shares of Class A common stock, par value $.01 per share, and 662,296 outstanding shares of Class B common stock, par value $.01 per share.

Documents Incorporated by Reference

The Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 12, 1999, (the "Proxy Statement") is incorporated by reference in Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as a part hereof.

- --

PART I

ITEM 1. BUSINESS

GENERAL

Hub Group, Inc. ("Hub Group" or the "Company") is a Delaware corporation which was incorporated on March 8, 1995. Since its founding as an intermodal marketing company ("IMC") in 1971, Hub Group has grown to become the largest IMC in the United States and a full service transportation provider, offering intermodal, truck brokerage and comprehensive logistics services.

The Company operates through an extensive nationwide network of 31 offices or "Hubs." Each Hub is strategically located in a market that has a significant concentration of shipping customers and one or more railheads. Each Hub functions essentially as a stand-alone business managed locally by an executive, known as a "Principal," with significant transportation experience. Local management is responsible for operations, customer service and regional marketing, while corporate management is responsible for group strategic planning and administration, financial services, relationships with the railroads and management information systems support. Hub Group also maintains a National Accounts sales force to provide centralized marketing of the Company's services to large and geographically diversified shippers.

On March 18, 1996, Hub Group purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition. Concurrent with the acquisition of Hub Chicago, Hub Group completed the initial public offering of 4,261,250 shares of its Class A common stock (the "Class A Common Stock"), with net proceeds to Hub Group of $52.9 million. Simultaneously with the initial public offering, Hub Group, through its new wholly owned subsidiary, Hub Chicago, acquired with cash the general partnership interests in 26 operating partnerships, each with one or more offices. In addition, Hub Group directly acquired with cash a controlling interest in the Hub Group Distribution Services partnership ("Hub Distribution") which performs certain specialized logistics functions (each of the 26 operating partnerships and Hub Distribution are a "Hub Partnership" and collectively are the "Hub Partnerships"). With the exception of Hub Distribution, the Company has the continuing option, exercisable any time after the Principal currently associated with a Hub Partnership ceases to be an employee of that Hub Partnership, to purchase the limited partnership interest in that Hub Partnership. The decision as to whether or when to exercise an option to acquire the limited partnership interest in a Hub Partnership will be made by the independent members of the Company's Board of Directors. Unless the context otherwise requires, references to "Hub Group" or the "Company" include Hub Chicago, the Hub Partnerships and their respective subsidiaries.

During 1998, the Company made several significant strategic investments. On April 1, 1998, the Company exercised its option to acquire the remaining 70% minority interests in Hub City Dallas, L.P. ("Hub Dallas"), Hub City Houston, L.P. ("Hub Houston") and Hub City Rio Grande, L.P. ("Hub Rio Grande") for approximately $7 million. After these acquisitions, Hub Houston and Hub Rio Grande merged into Hub Dallas creating Hub City Texas, L.P. ("Hub Texas"). During 1998, the operations of the former Hub Dallas and Hub Rio Grande were consolidated into Hub Texas' headquarters in Houston, allowing the offices in Dallas and San Antonio to focus on sales.

Also on April 1, 1998, the Company acquired all of the stock of Quality Intermodal Corporation ("Quality") for $4.1 million in cash and $6.0 million through the issuance of a three-year note, bearing interest at an annual rate of 5.6%. Quality had revenue of approximately $70 million in 1997. Quality was an intermodal and truckload brokerage service provider headquartered in Houston with offices in Dallas, Los Angeles, Chicago, Philadelphia and Atlanta. During 1998, each of these offices was closed and the business conducted by the Quality offices transitioned to the appropriate Hub office.

On May 1, 1998, the Company formally launched its new Hub Group Premier Service Network in conjunction with the Burlington Northern and Santa Fe Railway Company ("BNSF"). Pursuant to this program, the Company manages a fleet of approximately 2000 48' x 102" containers and approximately 180 53' x 102" containers from BNSF for dedicated use throughout the BNSF intermodal container network. The Company and BNSF entered into an eight month agreement that expired in December 1998. The parties are currently in the process of formalizing a three year contract.

On August 1, 1998, the Company, through Hub Distribution, acquired a customer list and certain fixed assets from Corporate Express Distribution Services ("CEDS") for $750,000 in cash. CEDS is a specialized logistics provider that offers a niche service in the delivery of pharmaceutical samples.

In September 1998, HLX Company, L.L.C. ("HLX"), the Company's wholly-owned subsidiary that specializes in handling international cargo in North America, opened an office in Gothenborg, Sweeden.

On March 22, 1999, the Company announced its intention to acquire the limited partnership interest in each of the 17 Hub Partnerships (other than Hub Distribution) in which it does not own the limited partnership interest. After the acquisition, the Company will own all of the Hub Partnerships and the Company's operations in North America and Europe, other than Hub Distribution. As part of the acquisition, the Company anticipates that the Principals of these operations will become employees of Hub Group and continue to function in their present roles. The aggregate purchase price of these limited partnership interests is approximately $110 million and will be financed through a combination of bank borrowings under a new line of credit and privately placed unsecured senior debt. The Company expects to complete the acquisition in the second quarter of 1999.

SERVICES PROVIDED

The Company's transportation services can be broadly placed into the following categories:

INTERMODAL As an IMC, the Company arranges for the movement of its customers' freight in containers and trailers over long distances. Hub Group contracts with railroads to provide transportation over the long-haul portion of the shipment and with local trucking companies, known as "drayage companies," for pickup and delivery. In markets where adequate drayage service is not available, the Company supplements third party drayage services with Company-owned drayage operations. As part of its intermodal services, the Company negotiates rail and drayage rates, electronically tracks shipments in transit, consolidates billing and handles claims for freight loss or damage on behalf of its customers. The Company uses its Hub network, connected through its proprietary advanced intermodal management ("AIM") system, to access containers and trailers owned by leasing companies, railroads and steamship lines. Because each Hub not only handles its own outbound shipments but also handles inbound shipments from other Hubs, each Hub is able to track trailers and containers entering its service area and use that equipment to fulfill its customers' outbound shipping requirements. This effectively allows the Company to "capture" containers and trailers and keep them within the Hub network without having to make a capital investment in transportation equipment.

HIGHWAY SERVICES The Company arranges for the transportation of freight by truck, providing customers another option for their transportation needs. This is accomplished by matching customers' needs with carriers' capacity to provide the appropriate service and price combination. The Company has contracts with a substantial base of carriers allowing it to meet the varied needs of its customers. The Company negotiates rates, tracks shipments in transit, consolidates billing and handles claims for freight loss and damage on behalf of its customers. The Company's brokerage operation also provides customers with specialized programs. Through the Dedicated Trucking program, certain carriers have informally agreed to move freight for Hub's customers on a continuous basis. This arrangement allows Hub to gain control of the trucking equipment to effectively meet its customer's needs without owning the equipment. Through the Core Carrier-Plus One program, Hub assumes the responsibility for over-the-road truckload shipments that the customer's core carriers cannot handle. This service supplements the customer's core carrier program and helps ensure the timely delivery of the customer's freight.

LOGISTICS The Company has expanded its service capabilities as customers increasingly outsource their transportation needs. The Company currently offers various logistics services, including comprehensive transportation management, arranging for delivery to multiple locations at the shipment's destination, third party warehousing and other customized logistics services, as well as other non-traditional logistics services such as installation of point of sale merchandise displays.

When providing complete transportation services, the Company essentially replaces the customer's transportation department. Once the Company is hired as

a single source logistics provider, it negotiates with intermodal, railcar, truckload and less-than-truckload carriers to move the customer's product through the supply chain and then dispatches the move for the customer. Using its advanced transportation management software, the Company consolidates orders into full truckload shipments, chooses a shipping route, electronically tenders loads to carriers and reports the move to the customer.

HUB NETWORK

Over the past 28 years, Hub Group has grown from a single office with two employees into a network of 29 Hubs in the United States, one Hub in Canada and one Hub in Mexico. Hub Group also has several satellite sales offices. In developing this network, the Company has carefully selected each location to ensure coverage in areas with significant concentrations of shipping customers and one or more railheads. Hub Group currently has Hubs in the following cities:

Atlanta	Houston	Minneapolis	Salt Lake City
Baltimore	Indianapolis	New Orleans	San Francisco
Birmingham	Jacksonville	New York City	Seattle
Boston	Kansas City	Philadelphia	Toledo
Chicago (3)	Los Angeles	Pittsburgh	Toronto
Cleveland	Memphis	Portland	
Detroit	Mexico City	Rochester	
Grand Rapids	Milwaukee	St. Louis	

The entire Hub network is interactively connected through the Company's AIM system. This enables Hub Group to move freight into and out of every major city in the United States and most locations in Canada and Mexico. The Company's Hub in New Haven was closed in February of 1998 and its operations transferred to Boston. In connection with the reorganization of Hub Texas, the Hubs in Dallas and San Antonio recently became sales offices.

Each Hub manages the freight originating in or destined for its service area. In a typical intermodal transaction, the customer contacts the local Hub to obtain shipping schedules and a price quote for a particular freight movement. The local Hub obtains the necessary intermodal equipment, arranges for it to be delivered to the customer by a drayage company and, after the freight is loaded, arranges for the transportation of the container or trailer to the rail ramp. Information is entered into the AIM system by the local Hub, which monitors the shipment to ensure that it will arrive as scheduled. This information is simultaneously transmitted through the AIM system to the Hub closest to the point of delivery, which arranges for and confirms delivery by a drayage company. This arrangement among the Hubs is transparent to the customer and allows the customer to maintain its relationship solely with the originating Hub.

The Company provides brokerage services to its customers in a similar manner. In a typical brokerage transaction, the customer contacts the local Hub to obtain transit information and a price quote for a particular freight movement. The customer then provides appropriate shipping information to the local Hub. The local Hub makes the delivery appointment and arranges with the appropriate carrier to pick up the freight. Once it receives confirmation that the freight has been picked up, the local Hub monitors the movement of the freight until it reaches its destination and the delivery has been confirmed. If the carrier notifies Hub Group that after delivering the load it will need additional freight, the Hub located nearest the destination is notified of the carrier's availability. Although it is under no obligation to do so, the local Hub then may attempt, if requested by the carrier, to secure freight for the carrier.

MARKETING AND CUSTOMERS

The Company believes that fostering long-term customer relationships is critical to the Company's success. Through these long-term relationships, the Company is able to better understand its customer's needs and to tailor transportation services for a specific customer, regardless of the customer's size or volume. The Company has created a database of current and prospective customers, profiling each customer's shipping patterns, which the Company periodically updates. This database allows the Company to target its marketing to meet each customer's specific requirements.

The Company currently has full time marketing representatives at each Hub with primary responsibility for servicing local and regional accounts. These sales representatives work from the 31 Hubs and the Company's satellite sales offices. This network provides a local marketing contact for small and medium shippers in most major metropolitan areas within the United States.

In 1985, the Company organized National Accounts to service the needs of the nation's largest shippers. The Company recognized that although large shippers originate freight from multiple locations throughout the country, their logistics function is usually centralized. The Company essentially mirrored this structure by servicing national accounts from a central location and parceling out the servicing of individual freight shipments to the appropriate Hub. There are currently 15 National Accounts sales representatives who report to the Company's Executive Vice President of National Accounts. The National Accounts sales representatives regularly call on the nation's largest shippers to develop business relationships and to expand the Company's participation in servicing their transportation needs. When a business opportunity is identified by a National Accounts sales representative, the Company's market development and pricing personnel and the local Hubs work together to provide a transportation solution tailored to the customer's needs. Local Hubs provide transportation services to National Accounts customers. After the plan is implemented, National Accounts' personnel maintain regular contact with the shipper to ensure customer satisfaction and to refine the process as necessary.

This unique combination of local and regional marketing has produced a large, diverse customer base. The Company services customers in a wide variety of industries, including automotive, consumer products, printing, paper, retail, chemicals and electronics.

MANAGEMENT INFORMATION SYSTEMS

A primary component of the Company's business strategy is the continued improvement of its AIM system and other technology to ensure that the Company will remain a leader among transportation providers in information processing for transportation services. The AIM system consists of a network of IBM AS/400 computers located at the Hubs and linked to a host computer at the Company's headquarters. Hub Group uses IBM's Global Network as the nucleus for linking its computers and databases. This configuration provides a real time environment for transmitting data among the Hubs and the Company's headquarters using electronic data interchange ("EDI"), electronic mail and other protocols. It also allows Hub to communicate electronically with each railroad, certain drayage companies and those customers with EDI capabilities.

The Company's proprietary AIM system is the primary mechanism used by the Hubs to process customer transportation requests, schedule and track shipments, prepare customer billing, establish account profiles and retain critical information for analysis. The AIM system provides mainframe-to-mainframe connectivity with each of the major rail carriers, enabling the Company to electronically schedule and track shipments in a real time environment. In addition, the AIM system's EDI features offer customers with EDI capability a completely paperless process, including load tendering, shipment dispatch, shipment tracking, customer billing and remittance processing. The Company aggressively pursues opportunities to establish EDI interfaces with its customers and carriers.

To more effectively manage its highway services business, the Company utilizes software that is designed to automate the Company's highway services operations. This software processes customer transportation requests, schedules and tracks shipments, prepares customer billing, establishes account profiles and retains critical information for analysis. It also interfaces with the carrier by handling load tendering, shipment dispatch, shipment tracking, customer billing and remittance processing.

RELATIONSHIP WITH RAILROADS

A key element of the Company's business strategy is to strengthen its close working relationship with each of the major intermodal railroads in the United States. The Company views its relationship with the railroads as a partnership. Due to the Company's size and relative importance, many railroads have dedicated support personnel to focus on the Company's day-to-day service requirements. On a regular basis, senior executives of the Company and each of the railroads meet to discuss major strategic issues concerning intermodal transportation. Several of the Company's executive officers, including both the Company's Chairman and

President, are former railroad employees, which makes them well-suited to understand the railroads' service capabilities.

The Company has contracts with each of the following major railroads:

Burlington Northern Santa Fe Railway	Illinois Central
Canadian Pacific	Kansas City Southern
Conrail	Norfolk Southern
CSX	Union Pacific

These contracts govern the transportation services and payment terms pursuant to which the Company's intermodal shipments are handled by the railroads. The contracts have staggered renewal terms with the earliest expiration at the end of June 1999. While there can be no assurances that these contracts will be renewed, the Company has in the past successfully negotiated extensions of the contracts with the railroads. Transportation rates are market driven and are typically negotiated between the Company and the railroads on a customer specific basis. Consistent with industry practice, many of the rates negotiated by the Company are special commodity quotations ("SCQs"), which provide discounts from published price lists based on competitive market factors and are designed by the railroads to attract new business or to retain existing business. SCQ rates are generally issued for the account of a single IMC. SCQ rates apply to specific customers in specified shipping lanes for a specific period of time, usually six to 12 months.

RELATIONSHIP WITH DRAYAGE COMPANIES

In 1990, the Company instituted its "Quality Drayage Program," which consists of agreements and rules that govern the framework pursuant to which the drayage companies perform services for the Company. Participants in the program commit to provide high quality service, clean and safe equipment, maintain a defined on-time performance level and follow specified procedures designed to minimize freight loss and damage. Whenever possible, the Company uses the services of drayage companies that participate in its Quality Drayage Program. However, during periods of high demand for drayage services or at the request of a customer, the Company will use the services of other drayage companies. The local Hubs negotiate drayage rates for transportation between specific origin and destination points. These rates generally are valid, with minor exceptions for fuel surcharge increases, for a period of one year.

RELATIONSHIP WITH TRUCKLOAD CARRIERS

The Company's brokerage operation has a large and growing number of active carriers in its database which it uses to transport freight. The local Hubs deal daily with these carriers on an operational level. Hub Highway Services, a partnership controlled by the Company, handles the administrative and regulatory aspects of the carrier relationship. Hub's relationships with its carriers are important since these relationships determine pricing, load coverage and overall service.

RISK MANAGEMENT AND INSURANCE

The Company requires all drayage companies participating in the Quality Drayage Program to carry at least $1.0 million in general liability insurance and to obtain, either on their own or through the Company, $1.0 million in cargo insurance. Railroads, which are self insured, provide limited common carrier liability protection, generally up to $250,000 per shipment, although higher coverage is available on a load-by-load basis. To cover freight damage when a carrier's liability cannot be established or a carrier's insurance is insufficient to cover freight loss or damage, the Company carries its own cargo insurance with a limit of $1.5 million per container or trailer and a limit of $20 million per occurrence. The Company also carries $2.0 million of general liability insurance with a companion $10.0 million umbrella policy on this general liability insurance.

GOVERNMENT REGULATION

Hub Highway Services is licensed by the Department of Transportation ("DOT") as a broker in arranging for the transportation of general commodities by motor vehicle. To the extent that the Hubs perform truck brokerage services, they do so under the license granted to Hub Highway Services. The DOT prescribes

qualifications for acting in this capacity, including certain surety bonding requirements. While the DOT requires a $10,000 surety bond to maintain this license, the Company has voluntarily posted a $300,000 surety bond. To date, compliance with these regulations has not had a material adverse effect on the Company's results of operations or financial condition. However, the transportation industry is subject to legislative or regulatory changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and cost of providing, transportation services.

COMPETITION

The transportation services industry is highly competitive. The Company competes against other IMCs, as well as logistics companies, third party brokers, over-the-road truckload carriers and railroads that market their own intermodal services. In addition, there is an emerging trend for larger truckload carriers to enter into agreements with railroads to market intermodal services nationwide. Competition is based primarily on freight rates, quality of service, reliability, transit time and scope of operations. Several transportation service companies and truckload carriers, and all of the major railroads, have substantially greater financial and other resources than the Company.

GENERAL

EMPLOYEES   As of February 28, 1999, the Company had approximately 1,337 employees. The Company is not a party to any collective bargaining agreement and considers its relationship with its employees to be satisfactory.

OTHER No material portion of the Company's operations is subject to renegotiation of profits or termination of contracts at the election of the federal government. The Company has not spent a material amount on company sponsored research and development activities or on customer sponsored research activities. None of the Company's patents and trademarks is believed to be material to the Company. The Company's business is seasonal to the extent that certain customer groups, such as retail, are seasonal.

ITEM 2. PROPERTIES

The Company directly, or indirectly through the Hub Partnerships, operates 42 offices throughout the United States and in Canada and Mexico, including the Company's headquarters in Lombard, Illinois and its Company-owned drayage operations. On March 1, 1999, the Company relocated its National Accounts office in Stamford, Connecticut to corporate headquarters in Lombard, Illinois. The office building used by the Hub located in Toledo is owned, and the remainder are leased. Most office leases have initial terms of more than one year, and many include options to renew. While some of the Company's leases are month-to-month and others expire in the near term, the Company does not believe that it will have difficulty in renewing them or in finding alternative office space. The Company believes that its offices are adequate for the purposes for which they are currently used.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to routine litigation incident to its business, primarily claims for freight lost or damaged in transit or improperly shipped. Most of the lawsuits to which the Company is party are covered by insurance and are being defended by the Company's insurance carriers. Management does not believe that the litigation to which it is currently a party, if determined adversely to the Company, would individually or in the aggregate have a materially adverse effect on the Company's financial position or results of operations. See Item 1 Business - Risk Management and Insurance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company's security holders during the fourth quarter of 1998.

EXECUTIVE OFFICERS OF THE REGISTRANT

In reliance on General Instruction G to Form 10-K, information on executive officers of the Registrant is included in this Part I. The table sets forth certain information as of March 20, 1999 with respect to each person who is an executive officer of the Company.

Name	Age	Position
Phillip C. Yeager	71	Chairman of the Board of Directors
David P. Yeager	46	Vice Chairman of the Board of Directors and Chief Executive Officer
Thomas L. Hardin	53	President, Chief Operating Officer and Director
William L. Crowder	56	Vice President-Finance, Chief Financial Officer and Treasurer
Daniel F. Hardman	50	President-Chicago Region
Mark A. Yeager	34	Division President, Secretary and General Counsel
John T. Donnell	59	Executive Vice President-National Accounts
Robert J. Jensen	44	Executive Program Director - Year 2000 Program Office
Richard M. Rogan	59	President-Hub Highway Services, Executive Vice President-Marketing
Daniel L. Sellers	43	Vice President-Information Services and Chief Information Officer

Phillip C. Yeager, the Company's founder, has been Chairman of the Board since October 1985. From April 1971 to October 1985, Mr. Yeager served as President of Hub Chicago. Mr. Yeager became involved in intermodal transportation in 1959, five years after the introduction of intermodal transportation in the United States, as an employee of the Pennsylvania and Pennsylvania Central Railroads. He spent 19 years with the Pennsylvania and Pennsylvania Central Railroads, 12 of which involved intermodal transportation. In 1991, Mr. Yeager was named Man of the Year by the Intermodal Transportation Association. In 1995, he received the Salzburg Practitioners Award from Syracuse University in recognition of his lifetime achievements in the transportation industry. In October 1996, Mr. Yeager was inducted into the Chicago Area Entrepreneurship Hall of Fame sponsored by the University of Illinois at Chicago. In March 1997, he received the Presidential Medal from Dowling College for his achievements in transportation services. In September 1998 he received the Silver Kingpin award from the Intermodal Association of North America and in February 1999 he was named Transportation Person of the Year by the New York Traffic Club. Mr. Yeager graduated from the University of Cincinnati in 1951 with a Bachelor of Arts degree in Economics. Mr. Yeager is the father of David P. Yeager and Mark A. Yeager and the father-in-law of Robert J. Jensen.

David P. Yeager has served as the Company's Vice Chairman of the Board since January 1992 and as Chief Executive Officer of the Company since March 1995. From October 1985 through December 1991, Mr. Yeager was President of Hub Chicago. From 1983 to October 1985, he served as Vice President, Marketing of Hub Chicago. Mr. Yeager founded the St. Louis Hub in 1980 and served as its President from 1980 to 1983. Mr. Yeager founded the Pittsburgh Hub in 1975 and served as its President from 1975 to 1977. Mr. Yeager received a Masters in Business Administration degree from the University of Chicago in 1987 and a Bachelor of Arts degree from the University of Dayton in 1975. Mr. Yeager is the son of Phillip C. Yeager, the brother of Mark A. Yeager and the brother-in-law of Robert J. Jensen. Mr. Yeager also serves as a director of SPR Inc.

Thomas L. Hardin has served as the Company's President since October 1985 and has served as Chief Operating Officer and a director of the Company since March 1995. From January 1980 to September 1985, Mr. Hardin was Vice President-Operations and from June 1972 to December 1979, he was General Manager of the Company. Prior to joining the Company, Mr. Hardin worked for the Missouri Pacific Railroad where he held various marketing and pricing positions. During 1996, Mr. Hardin was Chairman of the Intermodal Association of North America.

William L. Crowder has been the Company's Vice President of Finance and Chief Financial Officer since April 1994 and Treasurer since July 1996. From January 1990 through December 1993, Mr. Crowder was Vice President of Finance and Treasurer of Sears Logistics Services, Inc., a transportation, distribution and home delivery subsidiary of Sears Roebuck & Company. Mr. Crowder worked at Sears Roebuck & Company from 1966 through 1989 in various senior financial management positions. Mr. Crowder received a Bachelor of Business Administration degree from Georgia State University in 1966.

Daniel F. Hardman has been the President-Chicago Region since February 1996. Mr. Hardman has been employed by the Hub Group since 1982, serving as President of Hub Chicago from December 1992 to February 1996, Vice President of Hub Chicago from January 1987 to December 1992, General Manager of Sales of Hub Chicago from August 1985 to January 1987, President of Hub Charlotte from June 1984 to August 1985 and Regional Sales Manager of Hub Chicago from December 1982 to June 1984. Mr. Hardman is a former Director of the Intermodal Transportation Association and is presently a member of the Chicago Traffic Club and the Chicago Intermodal Transportation Association. Mr. Hardman is a 1991 graduate of the Certificate Program in Business Administration from the University of Illinois.

Mark A. Yeager has been the Company's Division President since November 1997 and Secretary and General Counsel since March 1995. From March 1995 to November 1997, Mr. Yeager was Vice President, Secretary and General Counsel. From May 1992 to March 1995, Mr. Yeager served as the Company's Vice

President-Quality. Prior to joining the Company in 1992, Mr. Yeager was an associate at the law firm of Grippo & Elden from January 1991 through May 1992 and an associate at the law firm of Sidley & Austin from May 1989 through January 1991. Mr. Yeager received a Juris Doctor degree from Georgetown University in 1989 and a Bachelor of Arts degree from Indiana University in 1986. Mr. Yeager is the son of Phillip C. Yeager, the brother of David P. Yeager and the brother-in-law of Robert J. Jensen.

John T. Donnell has been Executive Vice President of National Accounts since October 1993. From October 1985 through October 1993, Mr. Donnell served as Vice President of National Accounts. Prior to joining the Company in 1985, Mr. Donnell worked for Transamerica Leasing as Vice President of Marketing where he was responsible for marketing 40,000 intermodal trailers to the railroads and the intermodal marketing industry. Mr. Donnell received a Master of Business Administration degree from Northwestern University in 1981 and a Bachelor of Science degree in Marketing from Northeast Louisiana University in 1961.

Robert J. Jensen has been the Executive Program Director of the Year 2000 Program Office since December 1998. From July 1991 through December 1998, Mr. Jensen was President of Hub Group Operations Management. He served as President of Hub St. Louis from July 1985 through July 1991 and as General Manager of Hub St. Louis from October 1980 through July 1985. Mr. Jensen received a Bachelor of Science degree in Finance from the University of Illinois in 1977. Mr. Jensen is the son-in-law of Phillip C. Yeager and the brother-in-law of both David P. Yeager and Mark A. Yeager.

Richard M. Rogan has been Executive Vice President of Marketing since November 1997 and President of Hub Highway Services since May 1995. Prior to joining the Company, Mr. Rogan was Executive Vice President of National Freight, Inc. from May 1993 to April 1995. Prior to that, Mr. Rogan was with Burlington Motor Carriers, Inc., where he served as President and Chief Executive Officer from March 1988 to April 1993 and as an Executive Vice President from July 1985 to February 1988. Mr. Rogan's transportation career spans 25 years and includes earlier assignments with the Illinois Central Railroad, North American Van Lines and Schneider National. He received a Bachelor of Business Administration degree from Loyola University of Chicago in 1962 and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania in 1963. He has served on the Board of Directors of the ATA Foundation as well as the Interstate Truckload Carrier Conference ("ITCC"). He is a past Chairman of the ITCC Highway Policy Committee and has also served on the Advisory Board of the Trucking Profitability Strategies Conference at the University of Georgia.

Daniel L. Sellers has been the Company's Vice President of Information Services and Chief Information Officer since December 1998. Prior to joining the Company, Mr. Sellers was Vice President of Information Systems with Humana, Inc. from February 1997 to December 1998. Prior to that, Mr. Sellers was Vice President and General Manager of OmniTracs software with Qualcomm, Inc. from November 1993 to February 1997. Mr. Sellers also worked in the transportation industry for 15 years with Schneider National, Inc. in a variety of positions, including as Vice President and Chief Information Officer of Information Systems. He received a Bachelor of Business Administration from the University of Cincinnati in 1978 and a Masters in Business Administration from the University of Wisconsin Graduate School of Business in 1983. Mr. Sellers is a past member of the American Trucking Association's Management Systems Council.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Class A Common Stock of the Company trades on the NASDAQ National Market tier of The NASDAQ Stock Market ("NASDAQ") under the symbol "HUBG." Set forth below are the high and low prices for shares of the Class A Common Stock of the Company for each full quarterly period in 1997 and 1998.

	1997 High	1997 Low	1998 High	1998 Low
First Quarter	$ 30 1/8	$ 24 1/2	$ 30	$ 25
Second Quarter	$ 31	$ 24 1/4	$ 28 1/8	$ 19 3/4
Third Quarter	$ 38 1/4	$ 30 1/8	$ 24	$ 15 3/4
Fourth Quarter	$ 37 1/8	$ 28 3/8	$ 20 1/4	$ 12 3/4

On March 16, 1999, there were approximately 47 stockholders of record of the Class A Common Stock and, in addition, there were an estimated 1,480 beneficial owners of the Class A Common Stock whose shares were held by brokers and other fiduciary institutions. On March 16, 1999, there were nine holders of record of the Company's Class B common stock (the "Class B Common Stock" together with the Class A Common Stock, the "Common Stock").

The Company was incorporated in 1995 and has never paid cash dividends on either the Class A Common Stock or the Class B Common Stock. The declaration and payment of dividends by the Company are subject to the discretion of the Board of Directors. Any determination as to the payment of dividends will depend upon the results of operations, capital requirements and financial condition of the Company, and such other factors, as the Board of Directors may deem relevant. Accordingly, there can be no assurance that the Board of Directors will declare or pay dividends on the shares of Common Stock in the future. The certificate of incorporation of the Company requires that any cash dividends must be paid equally on each outstanding share of Class A Common Stock and Class B Common Stock. The Company's credit agreement prohibits the Company from paying dividends on the Common Stock if there has been, or immediately following the payment of a dividend would be, a default or an event of default under the credit agreement. The Company is currently in compliance with the covenants contained in the credit agreement.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data
(in thousands except per share data)

	Years Ended December 31,				
	1998	1997(1)	1996(2)	1995	1994
Statement of Operations Data:					
Revenue	$1,145,906	$1,064,479	$ 754,243	$ 81,408	$ 86,876
Net revenue	138,334	129,855	91,564	6,266	6,288
Operating income	26,406	33,495	27,925	2,567	2,348
Income before minority interest and taxes	25,324	32,869	27,704	2,638	2,406
Income before taxes	15,205	15,874	11,338	2,638	2,406
Historical net income	8,908	9,525	7,044	2,599	2,369
Historical basic earnings per common share	$ 1.16	$ 1.48	$ 1.41	$ 1.56	$ 1.43
Historical diluted earnings per common share	$ 1.15	$ 1.46	$ 1.39	$ 1.56	$ 1.43
Pro forma provision for additional income taxes(3)			241	1,016	925
Pro forma net income			$ 6,803	$ 1,583	$ 1,444
Pro forma basic earnings per common share			$ 1.36	$ 0.95	$ 0.87
Pro forma diluted earnings per common share			$ 1.35	$ 0.95	$ 0.87

	As of December 31,				
	1998	1997(1)	1996(2)	1995	1994
Balance Sheet Data:					
Working capital	$ 20,313	$ 15,209	$ 15,877	$ 804	$ 1,457
Total assets	304,791	267,826	201,225	9,083	10,360
Long-term debt, excluding current portion	29,589	22,873	28,714	-	-
Stockholders' equity	119,673	110,462	46,124	1,165	1,769

(1) In September 1997, the Company issued 1,725,000 shares of Class A common stock through a secondary offering which resulted in net proceeds of approximately $54,763,000. These proceeds were used to purchase the remaining

70% minority interest in Hub City Los Angeles, L.P. and Hub City Golden Gate, L.P. See the Notes to the Company's Consolidated Financial Statements.

(2) On March 18, 1996, Hub Group, Inc. purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through the issuance of 1,000,000 shares of the Company's Class A common stock and 662,296 shares of the Company's Class B common stock. Hub Chicago has been accounted for similar to the pooling of interests method of accounting and has been included in all periods presented on a historical cost basis. Concurrent with the acquisition of Hub Chicago, the Company completed the initial public offering of 4,261,250 shares of its Class A common stock, with net proceeds to the Company of approximately $52,945,000. Coincident with the initial public offering, a selling stockholder sold 1,000,000 shares of the Company's Class A common stock through a secondary offering. The Company did not receive any net proceeds from the sale of the shares by the selling stockholder. Concurrent with the initial public offering, the Company acquired with cash a controlling interest in each of 27 operating partnerships. On May 2, 1996, the Company acquired the rights to service the customers of American President Lines Domestic Distribution Services. See the Notes to the Company's Consolidated Financial Statements.

(3) Prior to March 18, 1996, the Company was an S corporation and not subject to federal corporate income taxes. On March 18, 1996, the Company changed its status from an S corporation to a C corporation. The statement of operations data reflects a pro forma provision for income taxes as if the Company were subject to federal and state corporate income taxes for all periods presented. The pro forma provision reflects a combined federal and state tax rate of 40%. See the Notes to the Company's Consolidated Financial Statements.

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

CAPITAL STRUCTURE

Hub Group, Inc. was incorporated on March 8, 1995. On March 18, 1996, Hub Group, Inc. purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through the issuance of 1,000,000 shares of Class A common stock and 662,296 shares of Class B common stock. Hub Chicago has been accounted for similar to the pooling of interests method of accounting and has been included in all periods presented on a historical cost basis. Concurrent with the acquisition of Hub Chicago in March 1996, Hub Group, Inc. completed the initial public offering of 4,261,250 shares of its Class A common stock. Coincident with the initial public offering, a selling stockholder sold 1,000,000 shares of Hub Group, Inc.'s Class A common stock through a secondary offering. In September 1997, the Company completed a secondary offering of 1,725,000 shares of Hub Group, Inc.'s Class A common stock.

BUSINESS COMBINATIONS

Concurrent with the initial public offering, Hub Group, Inc., together with its wholly owned subsidiary, Hub Chicago, acquired a controlling interest in each of 27 operating partnerships (collectively referred to as "Hub Partnerships"). Prior to March 18, 1996, Hub Chicago and Hub Partnerships were under common control and formed a network that collectively worked with customers and vendors. On May 2, 1996, Hub Group, Inc. purchased the rights to service the customers of American President Lines Domestic Distribution Services ("APLDDS"), a division of APL Land Transport Services, Inc., from its parent, American President Companies, Ltd.

The revenue of Hub Partnerships and APLDDS is many multiples of the revenue of Hub Chicago. As a result, consolidated revenue and operating expense for Hub Group, Inc. and its subsidiaries (the "Company") increased dramatically in the periods subsequent to March 17, 1996.

As a result of the APLDDS acquisition, the Company acquired the right to service APLDDS customers, but did not assume any assets or liabilities associated with that business. Furthermore, the Company hired only 36 of the more than 200 employees in the APLDDS organization. The APLDDS business was absorbed directly into the operations of Hub Chicago and Hub Partnerships and management believes the associated incremental operating costs are significantly less than the historical operating costs experienced by APLDDS. Management does not track the incremental purchased transportation and operating costs attributable to the acquired APLDDS business. Consequently, discussion of results of operations excluding acquisitions, when comparing the results of operations for the year ended December 31, 1997, to the year ended December 31, 1996, is limited to comparisons of revenue. Discussion of pro forma financial data for the year ended December 31, 1997, reflects results of operations as if Hub Group, Inc. had acquired Hub Partnerships and APLDDS as of January 1, 1996.

On October 31, 1997, the Company acquired the 50% interest in its international joint venture, HLX Company, LLC, that it did not previously own. HLX offers point-to-point international transportation services with a focus on the North American movement of import and export freight.

On April 1, 1998, the Company acquired all of the outstanding stock of Quality Intermodal Corporation ("Quality"). Quality primarily offered intermodal and truckload brokerage services with offices in Houston, Dallas, Los Angeles, Chicago, Atlanta, and Philadelphia. The Company absorbed the Quality business directly into the operations of Hub Chicago and Hub Partnerships.

On August 1, 1998, the Company acquired the rights to service the customers of Corporate Express Distribution Services ("CEDS") as well as certain fixed assets. The CEDS business is being operated by Hub Group Distribution Services, the Company's niche logistics services provider. CEDS was a provider of niche logistics services including a pharmaceutical sample delivery operation.

RESULTS OF OPERATIONS

Year Ended December 31, 1998, Compared to Year Ended December 31, 1997

REVENUE

Revenue totaled $1,145.9 million for 1998, representing an increase of 7.6% over 1997. Intermodal revenue increased 7.2% over 1997. Management believes that the well-publicized railroad service disruptions experienced by the intermodal industry during 1998 negatively impacted intermodal revenue growth. Truckload brokerage revenue increased 27.3% over 1997. The Company has successfully maintained its expansion into this service offering by employing dedicated and experienced personnel in each Hub. Logistics revenue decreased 17.4% compared to 1997. This decrease was due to the Company's cancellation of its contract to provide third-party logistics services to a significant customer in January 1998. This customer accounted for $32.5 million of the Company's revenue in 1997.

NET REVENUE

Net revenue as a percentage of revenue decreased slightly to 12.1% in 1998 from 12.2% in 1997. Management believes the primary cause of this slight decrease is due to the increased transportation costs resulting from the service disruptions that were prevalent in 1998. At times the Company used higher cost alternative routing and incurred accessorials for detention and storage which were not passed on to the customer in an effort to maintain the long-term relationships the Company enjoys with many of its customers.

SALARIES AND BENEFITS

Salaries and benefits increased to $72.5 million in 1998 from $64.3 million in 1997. As a percentage of revenue, salaries and benefits increased to 6.3% from 6.0%. The increase in the percentage is primarily attributed to the increased number of personnel needed to handle the Company's intermodal business. Due to the service disruptions, personnel were required to spend significantly more time per load to operate and monitor the transit of freight.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased to $32.9 million in 1998 from $27.5 million in 1997. These expenses as a percentage of revenue increased to 2.9% from 2.6%. The increase in the percentage is attributed to the increased expenditures related to information systems, rent and equipment leases. Expenditures for information systems included consulting costs related to the refinement of the Company's information systems strategy and costs for the Year 2000 project (See "Outlooks, Risks and Uncertainties"). Rent increased as the Company expanded its offices to meet space and service needs. Expenditures for equipment leases increased as the Company leased almost all of its computer hardware additions in 1998.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased to $6.6 million in 1998 from $4.6 million in 1997. As a percentage of revenue, depreciation and amortization increased to 0.6% from 0.4%. The increase is attributed to the increase in goodwill amortization related to the September 1997 purchase of the minority interest in Hub City Los Angeles, L.P. ("Hub Los Angeles") and Hub City Golden Gate, L.P. ("Hub Golden Gate"), the April 1998 purchase of the minority interest in Hub City Rio Grande, L.P., Hub City Dallas, L.P. and Hub City Houston, L.P. ("Texas Hubs") and the April 1998 acquisition of Quality.

OTHER INCOME (EXPENSE)

Interest expense increased to $2.5 million in 1998 from $2.2 million in 1997. The primary cause of the increase in interest expense is the use of cash and issuance of a note related to both the acquisition of Quality and the purchase of the minority interest in the Texas Hubs in April 1998.

Interest income decreased to $1.0 million in 1998 from $1.5 million in 1997. The primary cause of this decrease is the Company's increased concentration of its cash balances to reduce debt and minimize interest expense on current borrowings.

MINORITY INTEREST

Minority interest decreased to $10.1 million in 1998 from $17.0 million in 1997. Minority interest as a percentage of income before minority interest and provision for income taxes was 40.0% in 1998 compared to 51.7% in 1997. The decrease in the percentage is primarily attributed to the purchase of minority interest in September 1997 and April 1998.

PROVISION FOR INCOME TAXES

Provision for income taxes was $6.3 million in 1997 and 1998. The Company provided for income taxes using an effective rate of 41.4% in 1998 versus 40.0% in 1997. The increase in the effective rate was primarily the result of the purchase of minority interest in September 1997 and the Quality acquisition in April 1998. The goodwill related to the Quality acquisition is not tax deductible and therefore has the effect of increasing the Company's effective rate.

NET INCOME

Historical net income decreased 6.5% to $8.9 million in 1998 from $9.5 million in 1997. Because of the severe rail service disruptions in 1998, expenses grew faster than revenue in 1998. Although the decrease in minority interest offset a substantial portion of the increase in expenses, historical net income dropped to 0.8% of revenue in 1998 from 0.9% in 1997.

EARNINGS PER COMMON SHARE

Historical diluted earnings per common share decreased 21.2% to $1.15 in 1998 from $1.46 in 1997. The decrease in net income coupled with the increase in shares outstanding due to the secondary equity offering in September 1997 caused the decrease.

Year Ended December 31, 1997, Compared to Year Ended December 31, 1996

REVENUE

Revenue totaled $1,064.5 million for 1997, representing an increase of 41.1% over 1996. The primary reason for the increase is attributed to having the revenue from the Hub Partnerships and APLDDS acquisitions for the full year in 1997 and only a portion of the year in 1996. Revenue for 1997 increased 13.4% over pro forma revenue for 1996. Intermodal revenue increased 7.6%, truckload brokerage revenue increased 37.6% and logistics revenue increased 59.0% over pro forma revenue for 1996. The 1996 pro forma revenue included the revenue generated by APLDDS prior to being acquired by the Company. APLDDS was experiencing significant decline in its revenue prior to being acquired. This decline had a negative influence on the 1997 growth rate over the 1996 pro forma revenue.

Excluding the revenue in 1996 relating to APLDDS prior to it being acquired by the Company, Hub Chicago and Hub Partnerships, on a combined basis assuming Hub Chicago had acquired Hub Partnerships on January 1, 1996, experienced a revenue increase of 19.2% in 1997 compared to 1996. Intermodal revenue, excluding APLDDS from all periods, increased 10.8% in 1997 when compared to 1996. Management believes that the well-publicized railroad service disruptions experienced by the intermodal industry during the fourth quarter of 1997 negatively impacted intermodal revenue growth.

NET REVENUE

Net revenue as a percentage of revenue increased slightly to 12.2% in 1997 from 12.1% in 1996. The increase is attributed to Hub Chicago having a lower net revenue percentage on its business as compared to Hub Partnerships. Consequently, Hub Chicago lowered the net revenue percentage in 1996, as the Hub Partnerships were not included in results of operations until after March 17, 1996.

SALARIES AND BENEFITS

Salaries and benefits increased to $64.3 million in 1997 over $43.9 million in 1996. As a percentage of revenue, salaries and benefits increased to 6.0% from 5.8%. The increase in the percentage is attributed to Hub Chicago having a lower salaries and benefits percentage as compared to Hub Partnerships. Consequently, Hub Chicago lowered the salaries and benefits percentage in 1996, as the Hub Partnerships were not included in results of operations until after March 17, 1996.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased to $27.5 million in 1997 from $17.1 million in 1996. Selling, general and administrative expenses as a percentage of revenue increased to 2.6% in 1997 from 2.3% in 1996. The increase in the percentage is principally attributable to increased spending related to information systems, rent and equipment leases. Expenditures for information systems increased as the Company enhanced its operating systems to provide better customer service as well as to further develop and expand the capabilities of its web site. Rent increased as many of the Company's Hubs were required to obtain larger office space to accommodate present operations and future growth. Expenditures for equipment leases increased as the Company moved towards leasing, as opposed to purchasing, more of its office and computer equipment.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased to $4.6 million in 1997 from $2.6 million in 1996. As a percentage of revenue, depreciation and amortization increased to 0.4% in 1997 from 0.3% in 1996. This increase is attributed primarily to the increase in goodwill amortization. Goodwill amortization related to the acquisitions of Hub Partnerships and APLDDS was incurred for the entire year in 1997 versus only a portion of the year in 1996. In addition, minority interest purchases related to Hub City Tennessee, L.P., Hub City North Central, L.P. ("Hub North Central"), Hub Group Distribution Services, Hub Los Angeles and Hub Golden Gate occurred in August 1996, December 1996, March 1997, September 1997 and September 1997, respectively. The timing of these purchases also caused goodwill amortization to be higher in 1997 as compared to 1996.

OTHER INCOME (EXPENSE)

Interest expense increased to $2.2 million in 1997 from $1.0 million in 1996. The increase is primarily attributed to the note issued in conjunction with the minority interest purchase related to Hub North Central in mid-December of 1996. The $15.0 million note bore interest at an annual rate of 7% and was outstanding for the entire year of 1997.

Interest income increased to $1.5 million in 1997 from $0.8 million in 1996. The increase is primarily attributed to two factors. First, net proceeds from the Company's secondary stock offering of $54.8 million were invested for approximately one month before such proceeds were used to purchase the minority interests in Hub Los Angeles and Hub Golden Gate. Second, results of operations included the interest income generated by Hub Partnerships for the entire year of 1997 as compared to 1996, where Hub Partnerships was only included after March 17, 1996.

MINORITY INTEREST

Minority interest increased to $17.0 million in 1997 from $16.4 million in 1996. Minority interest as a percentage of income before minority interest

and provision for income taxes was 51.7% in 1997 as compared to 59.1% in 1996. The decrease in the percentage is attributed to purchases of minority interest as discussed above (See "Depreciation and Amortization").

PROVISION FOR INCOME TAXES

Provision for income taxes was increased to $6.3 million in 1997 from $4.3 million in 1996. Other than an insignificant provision for Illinois replacement tax, the Company had no provision for income taxes prior to March 18, 1996, as the Company was a federally non-taxable subchapter S corporation. The Company is providing for income taxes at a net effective rate of 40% for all income subsequent to March 17, 1996 through December 31, 1997.

PRO FORMA PROVISION FOR ADDITIONAL INCOME TAXES

There was no pro forma provision for additional income taxes in 1997. The pro forma provision for additional income taxes was $0.2 million in 1996. The pro forma provision for additional income taxes was recorded to provide an assumed net effective federal and state income tax rate of 40% for periods prior to March 18, 1996.

NET INCOME

Historical net income increased 40.0% to $9.5 million in 1997 over pro forma net income (pro forma only to provide for income taxes) of $6.8 million in 1996. The increase is attributed primarily to the additional net income generated from the use of the proceeds from the Company's initial public offering in March 1996 and the secondary offering in September 1997. Historical net income for 1997 increased 42.4% over pro forma net income (pro forma to provide for income taxes and for the Company's acquisitions) for 1996.

EARNINGS PER COMMON SHARE

Historical diluted earnings per common share increased 8.1% to $1.46 in 1997 over pro forma diluted earnings per common share (pro forma only to provide for income taxes) of $1.35 in 1996. Historical diluted earnings per common share for 1997 increased 27.0% over pro forma historical diluted earnings per common share (pro forma to provide for income taxes and the Company's acquisitions) for 1996. This larger increase was significantly influenced by the losses incurred by APLDDS prior to being acquired by the Company.

LIQUIDITY AND CAPITAL RESOURCES

During 1998, the Company had two significant transactions that affected liquidity. These transactions were the acquisition of Quality and the purchase of the minority interest in the Texas Hubs. Quality was acquired for $4,080,000 in cash and $5,950,000 through the issuance of a three-year note, bearing interest at an annual rate of 5.6%. The transaction resulted in the recording of $9,458,000 of goodwill which will not be deductible for income tax purposes. The minority interest in the Texas Hubs was purchased for $6,730,000 in cash. The transaction was recorded all as goodwill which will be deductible over 15 years for income tax purposes.

The Company had capital expenditures of approximately $4.0 million during 1998. Capital expenditures were principally made in connection with the expansion of the Company's offices and to enhance its information systems capabilities.

The Company maintains a bank line of credit for $5.0 million. The interest rate is set at the bank's discretion at a rate less than or equal to the bank's prime rate. Advances on the line at December 31, 1998, were $2,050,000 bearing interest at the rate of 7.5%.

In September 1997, the Company obtained an unsecured $36.0 million five-year revolving line of credit with a bank. The amount available under the line will decrease by $5.4 million at the beginning of year three and by $7.2

million at the beginning of each of years four and five. The Company can borrow at the prime rate on a day-to-day basis or may borrow for 30, 60, 90 or 180 day periods at LIBOR (London Interbank Offered Rate) plus 0.80% to 1.25% based on the Company's funded debt to EBITDA (earnings before interest expense, income taxes, depreciation and amortization) ratio. The line of credit agreement contains certain customary covenants. Advances on the line at December 31, 1998, were $18.5 million bearing interest ranging from 6.34% to 6.36%.

OUTLOOK, RISKS AND UNCERTAINTIES

This "Outlook, Risks and Uncertainties" section contains statements regarding expectations, hopes, beliefs, intentions or strategies regarding the future which are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties described below that could cause actual results to differ materially from those projected. The Company assumes no liability to update any such forward-looking statements. In addition to those mentioned elsewhere in this section, such risks and uncertainties include the impact of competitive pressures in the marketplace, the degree and rate of market growth in the markets served by the Company, changes in industry-wide capacity, further consolidation of rail carriers, changes in governmental regulation, changes in the cost of services from vendors and fluctuations in interest rates.

YEAR 2000

"Year 2000" refers to the issue surrounding the compatibility of computer and other technology based systems with dates beyond December 31, 1999. This section will include an assessment of the Company's state of readiness, the costs to address the issues, the risks the issues represent and the Company's contingency plan.

STATE OF READINESS

Management has broken down its Year 2000 program into four phases. Those phases are awareness, assessment, renovation and validation. The Company contracted with an outside consulting firm to perform a readiness review, which was completed in December 1998. This review was instrumental in identifying and addressing Year 2000 issues.

Management believes that it is aware of the risk areas facing the Company regarding Year 2000 and has broken those areas into seven categories. The seven categories are: (i) the Company's main operating system that has been created and enhanced in-house, (ii) the Company's ancillary operating software applications which were purchased, (iii) desktop hardware and software applications, (iv) the Company's financial reporting system, (v) the Company's telephone systems, (vi) embedded technology in the Company's office equipment, physical environment and drayage tractors and (vii) the state of readiness of the Company's customers, transportation service providers and other vendors.

The Company's main operating system is currently being renovated. The renovation, which consists of reprogramming the source code, has been completed. The validation phase will start by April 1, 1999, and management estimates that the validation phase will be completed by September 30, 1999.

The Company believes all of its ancillary operating software applications have been assessed. All of the supporting vendors have stated that their products are Year 2000 compliant. The validation phase is to begin by April 1, 1999, and should be completed by September 30, 1999.

The Company's financial reporting system vendor has stated that their application is Year 2000 compliant. The Company plans to execute the validation phase for the financial reporting system as the Company's operating system generates Year 2000 activity during its validation phase. The validation phase for the financial reporting system is expected to be completed by September 30, 1999.

The Company's desktop hardware and software application assessment is ongoing. The Company is in the process of creating an inventory of all desktop hardware and software applications. Once completed, the Company anticipates

hiring an outside consulting firm to execute the renovation and validation phases. The renovation phase will consist of updating or replacing the hardware or software application if it is not Year 2000 compliant. The renovation phase is expected to begin during the second quarter of 1999, and the validation phase is expected to be completed by September 30, 1999.

The Company is still assessing its many telephone systems. The amount of time for renovation and validation has not yet been determined.

The Company is aware of the potential issues regarding embedded technology in its office equipment, physical environment and drayage tractors. While the Company has not assessed each piece of office equipment, such as fax machines and copiers, it believes its contingency plan will deal effectively enough with the risks of failure that such assessment is not a high priority. Similarly, the Company recognizes the potential issues regarding its physical environment, such as heat, electricity, elevators, security systems, etc., but has not ranked the assessment of each to be a higher priority than the resolution of items (i) through (v) above. The Company has assessed its embedded technology in its drayage tractors and received a statement from the engine manufacturers that the tractors' embedded technology is Year 2000 compliant.

The Company has identified four categories of key third parties with which the Company has a material relationship that should be assessed. Those categories are: (i) significant customers who rely on their computer systems to determine their transportation needs, (ii) key vendors such as the railroads and significant providers of drayage and over-the-road services, (iii) our information network communications provider and (iv) significant third party freight payment vendors utilized by the Company's customers. The Company has received statements from certain major customers and from certain major customers' third party freight payment vendors regarding their Year 2000 readiness. The Company has no plans to obtain such statements from all its customers or all its customers' third party freight payment vendors. The Company has received statements from the major railroads and many of the Company's drayage and over-the-road service providers that they are Year 2000 compliant. The Company believes at this time that its information network communications provider will be Year 2000 compliant.

COSTS

In 1998, the Company expensed approximately $680,000 related to Year 2000. In 1999, through February 28th, the Company has expensed an additional $369,000. These costs include not only amounts paid to outside parties but also the payroll costs for those employees spending significant amounts of time on Year 2000 issues. The Company estimates it will spend approximately $2.5 to $3.0 million in total related to Year 2000. The Company expects to continue to fund these costs through cash flow from operations or use of its credit facilities.

RISK

Management believes its most likely worst-case scenario is a complete shut down of the Company's, the railroads' or the Company's customers' main operating systems. The Company believes any of these risks, as well as other risks or combination of risks addressed herein or otherwise, could have a material adverse effect on the Company's results of operations, financial condition and liquidity.

CONTINGENCY PLAN

The Company has not yet developed a formal written contingency plan. Certain aspects of the Year 2000 contingency plan, such as dealing with an inoperative system, will be a matter of integrating the Company's current contingency plans for dealing with the temporary shut downs that occur from time to time. Other aspects of the contingency plan will be developed as the Company works through the phases of readiness. The creation of the contingency plan will be an ongoing process that should be completed by September 30, 1999.

REVENUE

Management believes that the performance of the railroads is the most significant factor that could negatively influence the Company's revenue growth rate. First, the service disruption in the intermodal industry that started in the fourth quarter of 1997 appears to have been significantly rectified. Should this trend reverse, the Company's intermodal growth rate would likely be negatively impacted. Should the split-up of Conrail, scheduled to begin transition on June 1, 1999, cause a similar service disruption, the Company's intermodal growth rate would likely be negatively impacted. Should there be another significant service disruption, there may be some customers who would switch from using the Company's intermodal service to other carriers' over-the-road service. These customers may choose to continue to utilize these carriers even when intermodal service levels are restored.

NET REVENUE

Management expects fluctuations in the net revenue percentage from quarter-to-quarter caused by changes in business mix, changes in highway brokerage margins, changes in logistics business margins, changes in trailer and container capacity, changes in vendor pricing, changes in intermodal industry growth, changes in intermodal industry service levels and changes in accounting estimates.

SALARIES AND BENEFITS

It is anticipated that salaries and benefits as a percentage of revenue could fluctuate from quarter-to-quarter as there are timing differences between revenue increases and changes in levels of staffing. Factors that could affect the percentage from staying in the recent historical range are revenue growth rates significantly higher or lower than forecasted, a management decision to invest in additional personnel to stimulate new or existing businesses, changes in customer requirements or changes in railroad intermodal service levels which could result in a lower or higher cost of labor per move.

SELLING, GENERAL AND ADMINISTRATIVE

There are several factors that could cause selling, general and administrative expenses to increase as a percentage of revenue. Should management decide that customer expectations and the competitive environment require restructuring of its information systems and related platforms, there could be significant expenses incurred, some of which would not be capitalized. Costs incurred to formulate the Company's strategy as well as any costs that would be identified as reengineering or training would be expensed. The Company also expects to spend approximately $1.8 million to $2.3 million related to Year 2000 issues in 1999. (See "Year 2000")

DEPRECIATION AND AMORTIZATION

Management estimates that as a percentage of revenue, depreciation and amortization will increase in the future. Factors that will cause an increase in the percentage are increased leasehold improvement amortization as operating companies transition to larger facilities, increased software amortization related to improving the Company's information systems capabilities and a full year of goodwill amortization related to the purchase of the minority interest in the Texas Hubs as well as the acquisition of Quality. Factors that could cause an increase in the percentage are additional acquisitions or minority interest purchases as well as increased depreciation expense on any capitalized costs that could be incurred in conjunction with a change in the Company's information systems strategy.

OTHER INCOME (EXPENSE)

The purchase of additional minority interest or new business acquisitions would likely cause an increase in the Company's debt levels and therefore an increase in interest expense.

Management estimates that interest income will likely decrease from current levels. Factors that could cause such a decrease are the possible use of

cash to (i) make payments on the balloon notes, (ii) make payments on the APLDDS note, (iii) make payments on the Company's line of credit, (iv) fund the purchase of the remaining minority interest in any of its operating partnerships, (v) fund working capital needs and (vi) fund capital expenditures.

MINORITY INTEREST

Factors that could have a material impact and result in minority interest percentages of income before minority interest to be outside the historical range are (i) the exercise of any of the Company's options to purchase the remaining minority interest in any of its operating companies and

(ii) disproportionate changes in the profitability of businesses between those which are owned 100% by the Company and those which are owned less than 100% by the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company has the continuing option, exercisable any time after the local in-charge executive currently associated with an operating partnership ceases to be an employee, to purchase the remaining interest in that partnership. The future exercise of such options could result in the need for significant funds. Those funds may come from existing cash, third-party debt, other financing or any combination thereof.

The Company believes that cash, cash to be provided by operations, cash available under its lines of credit and the Company's ability to obtain additional credit capacity will be sufficient to meet the Company's short-term working capital and capital expenditure needs. The Company believes that the aforementioned items are sufficient to meet its anticipated long-term working capital, capital expenditure and debt repayment needs through at least the year 2003.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Hub Group, Inc.:

We have audited the accompanying consolidated balance sheets of Hub Group, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements and schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hub Group, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page S-1 is presented for purposes of complying with the Securities and Exchange Commissions rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 15, 1999
(except with respect to the matter discussed in Note 17, as to which the date is March 22, 1999)

HUB GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,178	$ 12,056
Accounts receivable, net	148,104	127,673
Deferred taxes	-	1,222
Prepaid expenses and other current assets	6,036	1,961
TOTAL CURRENT ASSETS	169,318	142,912
PROPERTY AND EQUIPMENT, net	19,111	19,616
GOODWILL, net	115,858	102,151
DEFERRED TAXES	-	2,479
OTHER ASSETS	504	668
TOTAL ASSETS	$ 304,791	$ 267,826
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable		
Trade	$ 123,513	$ 102,364
Other	7,909	12,639
Accrued expenses		
Payroll	6,339	6,013
Other	6,332	3,259
Deferred taxes	1,751	-
Current portion of long-term debt	3,161	3,428
TOTAL CURRENT LIABILITIES	149,005	127,703
LONG-TERM DEBT, EXCLUDING CURRENT PORTION	29,589	22,873
DEFERRED TAXES	556	-
CONTINGENCIES AND COMMITMENTS		
MINORITY INTEREST	5,968	6,788
STOCKHOLDERS' EQUITY:		
Preferred stock	-	-
Common stock	77	77
Additional paid-in capital	110,181	109,878
Purchase price in excess of predecessor basis	(25,764)	(25,764)

Tax benefit of purchase price in excess of predecessor basis	10,306	10,306
Retained earnings	24,873	15,965
TOTAL STOCKHOLDERS' EQUITY	119,673	110,462
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 304,791	$ 267,826

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

HUB GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
REVENUE:			
Trade	$ 1,145,906	$ 1,064,479	$ 750,784
Affiliates	-	-	3,459
Total Revenue	1,145,906	1,064,479	754,243
TRANSPORTATION COSTS	1,007,572	934,624	662,679
Net revenue	138,334	129,855	91,564
COSTS AND EXPENSES:			
Salaries and benefits	72,465	64,280	43,913
Selling, general and administrative	32,885	27,478	17,147
Depreciation and amortization	6,578	4,602	2,579
Total costs and expenses	111,928	96,360	63,639
Operating income	26,406	33,495	27,925
OTHER INCOME (EXPENSE):			
Interest expense	(2,480)	(2,225)	(996)
Interest income	1,014	1,466	786
Other, net	384	133	(11)
Total other expense	(1,082)	(626)	(221)
Income before minority interest and provision for income taxes	25,324	32,869	27,704
Minority interest	10,119	16,995	16,366
Income before provision for income taxes	15,205	15,874	11,338
Provision for income taxes	6,297	6,349	4,294
Historical net income	$ 8,908	$ 9,525	$ 7,044
Historical basic earnings per common share	$ 1.16	$ 1.48	$ 1.41
Historical diluted earnings per common share	$ 1.15	$ 1.46	$ 1.39
Pro forma provision for additional income taxes			241
Pro forma net income			$ 6,803
Pro forma basic earnings per common share			$ 1.36
Pro forma diluted earnings per common share			$ 1.35

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

HUB GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT SHARES)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	PURCHASE PRICE IN EXCESS OF PREDECESSOR BASIS	TAX BENEFIT OF PURCHASE PRICE IN EXCESS OF PREDECESSOR BASIS	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT					
Balance at January 1, 1996	300	$ 26	$ 18	$ -	$ -	$ 1,121	$ 1,165
Net income	-	-	-	-	-	7,044	7,044
Distributions to stockholders	-	(25)	(17)	-	-	(1,725)	(1,767)
Issuance of common stock in acquisition	1,662,296	-	-	-	-	-	-
Retirement of shares acquired	(200)	-	-	-	-	-	-
Sale of common stock in initial public offering, net	4,261,250	59	55,083	-	-	-	55,142
Acquisition of general partnership interests	-	-	-	(25,764)	10,306	-	(15,458)
Purchase of common stock	(100)	(1)	(1)	-	-	-	(2)
Balance at December 31, 1996	5,923,546	59	55,083	(25,764)	10,306	6,440	46,124
Net income	-	-	-	-	-	9,525	9,525
Sale of common stock in initial public offering, net	-	-	(45)	-	-	-	(45)
Sale of common stock in secondary offering, net	1,725,000	18	54,745	-	-	-	54,763
Exercise of non-qualified stock options	4,700	-	95	-	-	-	95
Balance at December 31, 1997	7,653,246	77	109,878	(25,764)	10,306	15,965	110,462
Net income	-	-	-	-	-	8,908	8,908
Exercise of non-qualified stock options	19,000	-	303	-	-	-	303
Balance at December 31, 1998	7,672,246	$ 77	$ 110,181	$ (25,764)	$ 10,306	$ 24,873	$ 119,673

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

HUB GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 8,908	$ 9,525	$ 7,044
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,656	5,688	2,786
Deferred taxes	6,008	6,349	2,722
Minority interest	10,119	16,995	16,366
Loss (Gain) on sale of assets	135	(107)	(59)
Changes in working capital, net of effects of purchase transactions:			
Accounts receivable, net	(11,978)	(13,663)	(29,976)
Prepaid expenses and other current assets	(4,018)	1,583	(1,801)
Accounts payable	8,933	11,759	20,851
Accrued expenses	2,758	1,023	2,549
Other assets	167	303	(106)
Net cash provided by operating activities	28,688	39,455	20,376
Cash flows from investing activities:			
Cash used in acquisitions, net	(3,989)	(164)	(37,459)
Purchases of minority interest	(6,730)	(60,955)	(2,513)
Purchases of property and equipment, net	(3,975)	(8,488)	(7,862)
Net cash used in investing activities	(14,694)	(69,607)	(47,834)
Cash flows from financing activities:			
Proceeds from sale of common stock in initial public offering, net	-	(45)	52,945
Proceeds from sale of common stock in secondary offering, net	-	54,763	-
Proceeds from sale of common stock	303	95	-
Purchase of common stock	-	-	(2)
Distributions to stockholders	-	-	(1,104)
Distributions to minority interest	(10,939)	(20,921)	(5,814)
Payments on long-term debt	(28,843)	(6,409)	(7,271)
Proceeds from issuance of long-term debt	28,607	832	2,595
Net cash provided by (used in) financing activities	(10,872)	28,315	41,349
Net increase (decrease) in cash	3,122	(1,837)	13,891
Cash and cash equivalents, beginning of period	12,056	13,893	2
Cash and cash equivalents, end of period	$ 15,178	$ 12,056	$ 13,893
Supplemental disclosures of cash flow information Cash paid for:			
Interest	$ 2,343	$ 2,138	$ 491
Income taxes	2,680	386	2,344
Non-cash investing and financing activities:			
Notes payable issued as distributions to stockholders	$ -	$ -	$ 663
Note payable issued to purchase minority interest	-	-	14,970

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS: Hub Group, Inc. and its subsidiaries (the "Company") provide intermodal transportation services utilizing primarily third party arrangements with railroads and drayage companies. The Company also arranges for transportation of freight by truck and performs logistics services.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Hub Group, Inc. and all entities in which the Company has more than a 50% equity ownership or otherwise exercises unilateral control. All significant intercompany balances and transactions have been eliminated.

CASH AND CASH EQUIVALENTS: The Company considers as cash equivalents all highly liquid instruments with an original maturity of three months or less. Checks outstanding, net, of approximately $1,482,000 and $6,425,000 at December 31, 1998 and 1997, respectively, are included in accounts payable.

RECEIVABLES: The Company's reserve for uncollectible accounts receivable was approximately $691,000 and $303,000 at December 31, 1998, and 1997, respectively.

PROPERTY AND EQUIPMENT: Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives: buildings and improvements, 15 to 40 years; leasehold improvements, the shorter of useful life or lease term; computer equipment and software, 3 to 5 years; furniture and equipment, 3 to 10 years; and transportation equipment and automobiles, 3 to 12 years. Direct costs related to internally developed software projects are capitalized and amortized over the expected useful life on a straight-line basis not to exceed five years, commencing when the asset is placed into service. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

GOODWILL: Goodwill is amortized on the straight-line method over 40 years. On an ongoing basis, the Company estimates the future undiscounted cash flows before interest of the operating units to which goodwill relates in order to evaluate impairment. If impairment exists, the carrying amount of the goodwill is reduced by the estimated shortfall of cash flows. The Company has not experienced any impairment of goodwill. Accumulated goodwill amortization was $4,963,000 and $2,050,000 as of December 31, 1998 and 1997, respectively.

CONCENTRATION OF CREDIT RISK: The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and temporary investments with high quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. Temporary investments are valued at the lower of cost or market and at the balance sheet dates approximate fair market value. The Company primarily serves customers located throughout the United States with no significant concentration in any one region. No one customer accounted for more than 10% of revenue in 1996, 1997 or 1998. The Company reviews a customer's credit history before extending credit. In addition, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable risk is limited.

REVENUE RECOGNITION: Revenue represents sales of services to customers. Revenue is recognized based on relative transit time.

INCOME TAXES: Prior to March 18, 1996, the Company had elected to be taxed as an S corporation under the Internal Revenue Code. The income of an S corporation is

taxable to its stockholders rather than the Company itself. Income tax expense incurred prior to March 18, 1996, represents Illinois replacement tax. On March 18, 1996, the Company became a taxable C corporation. The pro forma provision for additional income taxes was calculated assuming the Company was operating as a taxable C corporation since January 1, 1996. The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse.

EARNINGS PER COMMON SHARE: In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("Statement 128") addressing earnings per share. Statement 128 changed the methodology of calculating earnings per share and requires disclosure of basic earnings per share and diluted earnings per share. The Company adopted Statement 128 in December 1997 and has retroactively restated all periods presented. Basic earnings per common share are based on the average quarterly weighted average number of Class A and Class B shares of common stock outstanding. Diluted earnings per common share are adjusted for the assumed exercise of dilutive stock options. In computing the per share effect of assumed exercise, funds which would have been received from the exercise of options, including tax benefits assumed to be realized, are considered to have been used to purchase shares at current market prices, and the resulting net additional shares are included in the calculation of weighted average shares outstanding.

DISTRIBUTIONS: During the period prior to March 18, 1996, the Company operated as an S corporation and made periodic distributions of income to its stockholders which are reflected in the accompanying statements of stockholders' equity.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS: Certain items previously reported have been reclassified to conform with the 1998 presentation.

NOTE 2. CAPITAL STRUCTURE

On March 8, 1995, Hub Group, Inc. was incorporated and issued 100 shares of Class A common stock to the sole incorporator. On March 18, 1996, Hub Group, Inc. purchased Hub City Terminals, Inc. ("Hub Chicago") in a stock-for-stock acquisition through the issuance of 1,000,000 shares of the Company's Class A common stock and 662,296 shares of the Company's Class B common stock. The rights of holders of Class A common stock and Class B common stock are identical, except each share of Class B common stock entitles its holder to 20 votes, while each share of Class A common stock entitles its holder to one vote. Hub Chicago has been accounted for similar to the pooling of interests method of accounting and has been included in all periods presented on a historical cost basis.

Concurrent with the acquisition of Hub Chicago in March 1996, the Company completed the initial public offering of 4,261,250 shares of its Class A common stock, with net proceeds to the Company of approximately $52.9 million.

Coincident with the initial public offering, a selling stockholder sold 1,000,000 shares of the Company's Class A common stock through a secondary offering. The Company did not receive any net proceeds from the sale of the shares by the selling stockholder.

Concurrent with the initial public offering, Hub Group, Inc., together with its new wholly owned subsidiary, Hub Chicago, acquired with cash a controlling interest in each of 27 operating partnerships (collectively referred to as "Hub Partnerships"). The combined financial statements of Hub Partnerships, the predecessor to the majority of the business of the Company, are included under Item 14 of the Company's Form 10-K, filed with the Securities and Exchange Commission.

In September 1997, the Company completed a secondary offering of 1,725,000 shares of its Class A common stock. The net proceeds of the offering were $54.8 million.

NOTE 3. BUSINESS COMBINATIONS

On March 18, 1996, the Company acquired a controlling interest in Hub Partnerships for a total purchase price of approximately $43,309,000 in cash. The purchase price of these acquisitions was allocated to the assets acquired and liabilities assumed based on the fair value at the date of acquisition using the purchase method of accounting.

The portion of the difference between fair value and historical cost of individual assets acquired and liabilities assumed attributable to interests acquired by the Company from non-control group stockholders was recorded at fair market value. This resulted in goodwill of approximately $17,207,000. The remaining portion of the difference between fair value and historical cost attributable to interests acquired from control group stockholders, approximately $25,764,000, has been charged to equity as purchase price in excess of predecessor basis.

In connection with the purchase of the controlling interest in Hub Partnerships, approximately $10,306,000 has been recorded as a deferred tax benefit representing the tax effect of the purchase price in excess of predecessor basis, with the corresponding credit recorded as an increase to equity.

On May 2, 1996, the Company purchased the rights to service the customers of American President Lines Domestic Distribution Services, a division of APL Land Transport Services, Inc., for approximately $8,000,000. The $8,000,000 was financed with $2,000,000 in cash and $6,000,000 in notes. The notes bear interest at an annual rate of 6% with three equal annual principal payments due beginning May 2, 1997. The acquisition was recorded using the purchase method of accounting resulting in goodwill of approximately $8,090,000.

On October 31, 1997, the Company acquired the remaining 50% interest in its international logistics joint venture, HLX Company, LLC for $300,000. The acquisition was recorded using the purchase method of accounting resulting in goodwill of $466,000.

On April 1, 1998, the Company acquired all the outstanding stock of Quality Intermodal Corporation for $4,080,000 in cash and $5,950,000 through the issuance of a three-year note, bearing interest at an annual rate of 5.6%. The acquisition was recorded using the purchase method of accounting resulting in goodwill of $9,458,000.

On August 1, 1998, the Company acquired the rights to service the customers of Corporate Express Distribution Services as well as certain fixed assets for $750,000 in cash. The acquisition was recorded using the purchase method of accounting resulting in goodwill of $432,000.

Results of operations from acquisitions recorded under the purchase method of accounting are included in the Company's financial statements from their respective dates of acquisition. The 1998 purchase price allocations presented are preliminary.

The following summarizes the effects of businesses acquired and accounted for as purchases in 1996 as if they had been acquired as of January 1, 1996:

	(UNAUDITED) YEAR ENDED DECEMBER 31, 1996
	(000'S)
Revenue as reported	$ 754,243
Revenue of purchased businesses for period prior to acquisitions, net of eliminations	184,660
Pro forma revenue	$ 938,903
Historical net income as reported	$ 7,044
Net income (loss) of purchased businesses for period prior to acquisitions	(260)
Adjustment for goodwill amortization	(96)
Pro forma net income	$ 6,688
Historical diluted earnings per share as reported	$ 1.39
Effect of purchased businesses prior to acquisitions	(0.24)
Pro forma historical diluted earnings per share	$ 1.15

Business acquisitions which involved the use of cash were accounted for as follows:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
		(000'S)	
Accounts receivable	$ 8,453	$ (115)	$ 75,576
Prepaid expenses and other current assets	57	12	1,584
Property and equipment	398	79	9,308
Goodwill	9,890	466	25,297
Deferred tax benefit, net	-	-	10,575
Other assets	3	13	628
Accounts payable	(7,486)	(216)	(74,694)
Accrued expenses	(641)	(75)	(5,190)
Long-term debt	(6,685)	-	(20,921)
Minority interest	-	-	(162)
Purchase price in excess of predecessor basis	-	-	25,764
Tax benefit of purchase price in excess of predecessor basis	-	-	(10,306)
Cash used in acquisitions, net	$ 3,989	$ 164	$ 37,459

NOTE 4. EARNINGS PER SHARE

The following is a reconciliation of the Company's Earnings per Share:

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
	(000'S)	(000'S)	(000's)

	Income	Shares	Per-Share Amount	Income	Shares	Per-Share Amount	Income	Shares	Per-Share Amount
HISTORICAL BASIC EPS									
Income available to common stockholders	$8,908	7,657	$1.16	$9,525	6,420	$1.48	$7,044	5,000	$1.41
EFFECT OF DILUTIVE SECURITIES									
Stock options	-	72	-	-	114	-	-	58	-
HISTORICAL DILUTED EPS									
Income available to common stockholders plus assumed exercises	$8,908	7,729	$1.15	$9,525	6,534	$1.46	$7,044	5,058	$1.39

NOTE 5. PURCHASES OF MINORITY INTEREST

On August 1, 1996, the Company purchased the remaining 70% minority interest in Hub City Tennessee, L.P. for approximately $2,513,000 in cash.

On December 12, 1996, the Company purchased the remaining 70% minority interest in Hub City North Central, L.P. in exchange for a note for approximately $14,970,000.

On March 1, 1997, the Company purchased an approximate 44% minority interest in Hub Group Distribution Services for approximately $1,576,000 in cash.

On September 17, 1997, the Company purchased the remaining 70% minority interests in Hub City Los Angeles, L.P. and Hub City Golden Gate, L.P. for approximately $59,379,000 in cash.

On October 31, 1997, the Company purchased the remaining 70% minority interest in Hub City New Orleans, L.P. for one dollar.

On April 1, 1998, the Company purchased the remaining 70% minority interest in Hub City Dallas, L.P., Hub City Houston, L.P. and Hub City Rio Grande, L.P. for approximately $6,730,000 in cash.

As the amount paid for each of the purchases of minority interest equaled the basis in excess of the fair market value of assets acquired and liabilities assumed, the amount paid was recorded as goodwill.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	YEARS ENDED DECEMBER 31,	
	1998	1997
	(000'S)	
Land	$ -	$ 56
Building and improvements	53	233
Leasehold improvements	1,206	886
Computer equipment and software	15,816	14,512
Furniture and equipment	5,722	4,172
Transportation equipment and automobiles	5,318	5,828
	28,115	25,687
Less: Accumulated depreciation and amortization	(9,004)	(6,071)
PROPERTY AND EQUIPMENT, net	$ 19,111	$ 19,616

NOTE 7. INCOME TAXES

The following is a reconciliation of the Company's effective tax rate to the federal statutory tax rate:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
U.S. federal statutory rate	34.4%	34.5%	34.1%
State taxes, net of federal benefit	5.3	4.9	4.8
Income earned as non-taxable Subchapter S corporation prior to March 18, 1996	-	-	(2.1)
Goodwill amortization	0.5	-	-
Other	1.2	0.6	1.1
Net effective rate	41.4%	40.0%	37.9%

The following is a summary of the Company's provision for income taxes:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
		(000'S)	
Current			
Federal	$ 250	$ -	$ 1,378
State and local	39	-	194
	289	-	1,572
Deferred			
Federal	5,206	5,559	2,386
State and local	802	790	336
	6,008	6,349	2,722
Total provision	$ 6,297	$ 6,349	$ 4,294

The following is a summary of the Company's deferred tax assets and liabilities:

	YEARS ENDED DECEMBER 31,	
	1998	1997
	(000'S)	
Reserve for uncollectible accounts receivable	$ 277	$ 361
Accrued compensation	533	172
Net operating loss carryforward	-	2,635
Current deferred tax asset	810	3,168
Property and equipment	861	1,851
Income tax basis in excess of financial basis of goodwill	10,178	11,012
Long-term deferred tax asset	11,039	12,863
Total deferred tax asset	$ 11,849	$ 16,031
Prepaids	$ (84)	$ (53)
Receivables	(2,477)	(1,893)
Current deferred tax liability	(2,561)	(1,946)
Goodwill	(11,595)	(10,384)
Total deferred tax liability	$ (14,156)	$ (12,330)

NOTE 8. LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Fair value approximates book value at the balance sheet dates.

	YEARS ENDED DECEMBER 31, 1998	1997
	(000'S)	
Installment notes payable due through 2001, monthly installments ranging from $365 - $16,103, including interest, ranging from 2.9% to 12.0%, collateralized by certain equipment	$ 1,793	$ 2,948
Bank lines of credit (see below)	20,550	-
Unsecured balloon notes, interest compounded annually at 5.45%, interest and principal due March 2001 (see Note 13)	2,260	4,032
Mortgage note payable due in 1998 with monthly installments of $2,381, including interest at 8.5%, collateralized by certain property	-	195
Note payable due in three equal annual principal payments of $2,000,000 beginning on May 2, 1997; interest is due at the time the principal is paid at 6% compounded annually	2,000	4,000
Notes payable due in one balloon payment of $5,950,000 on April 1, 2001; interest is due annually and is paid at 5.6%	5,950	-
Note payable due in nine equal monthly payments of $71,160 beginning on July 1, 1998; interest is 5.9% compounded monthly	141	-
Note payable due January 1, 1998, with interest at an annual rate of 7% (see Note 13 and below)	-	14,970
Capital lease obligations, collateralized by certain equipment	56	156
Total long-term debt	32,750	26,301
Less current portion	(3,161)	(3,428)
	$ 29,589	$ 22,873

The note payable for $14,970,000 due on January 1, 1998, was refinanced through the $36.0 million credit facility which is described below and is classified as long-term.

Aggregate principal payments, in thousands, due subsequent to December 31, 1998, are as follows:

1999	$ 3,161
2000	750
2001	8,284
2002	18,503
2003 and thereafter	2,052
	$ 32,750

On March 18, 1996, the Company assumed a line of credit for $5,000,000. Advances on this line of credit at December 31, 1998, were $2,050,000. This line of credit was not used at December 31, 1997. At December 31, 1998, the interest rate was 7.5%. The interest rate is set at the bank's discretion at a rate less than or equal to the bank's prime rate. Borrowings are secured by certain assets. The line of credit has no expiration date.

On September 17, 1997, the Company closed on an unsecured $36.0 million five-year revolving line of credit with a bank. The amount available under the line will decrease by $5.4 million at the beginning of year three and by $7.2 million at the beginning of each of years four and five. The Company can borrow at the prime rate on a day-to-day basis or may borrow for 30, 60, 90 or 180 day periods at LIBOR (London Interbank Offered Rate) plus 0.80% to 1.25% based on the Company's funded debt to EBITDA (earnings before interest expense, income taxes, depreciation and amortization) ratio. The credit facility also contains certain financial covenants which, among others, requires that the Company maintain required levels of EBITDA, funded debt to EBITDA, fixed charge coverage and current assets to current liabilities. In addition, there are limitations on additional indebtedness as well as acquisitions and minority interest purchases. The Company was in compliance with these covenants at December 31, 1998. Advances on this line of credit at December 31, 1998 were $18,500,000 with interest rates ranging between 6.34% and 6.36%. There were no borrowings on this line of credit at December 31, 1997. In October 1996, the Company authorized the issuance of a standby letter of credit for $1,000,000, which has no expiration date.

NOTE 9. RENTAL EXPENSE AND LEASE COMMITMENTS

Minimum annual rental commitments, in thousands, at December 31, 1998, under noncancellable operating leases, principally for real estate and equipment, are payable as follows:

1999	$ 5,976
2000	5,519
2001	4,300
2002	2,313
2003	630
2004	310
	$ 19,048

Total rental expense was approximately $7,487,000, $4,535,000 and $2,773,000 for 1998, 1997 and 1996, respectively. Many of the leases contain renewal options and escalation clauses which require payments of additional rent to the extent of increases in the related operating costs.

NOTE 10. STOCK-BASED COMPENSATION PLAN

Concurrent with the initial public offering the Company adopted a Long-Term Incentive Plan (the "1996 Incentive Plan"). The number of shares of Class A Common Stock reserved for issuance under the 1996 Incentive Plan was 450,000. Concurrent with the secondary offering the Company adopted a second Long-Term Incentive Plan (the "1997 Incentive Plan"). The number of shares of Class A Common Stock reserved for issuance under the 1997 Incentive Plan was 150,000. Under the 1996 and 1997 Incentive Plans, stock options, stock

appreciation rights, restricted stock and performance units may be granted for the purpose of attracting and motivating key employees and non-employee directors of the Company. The options granted to non-employee directors vest ratably over a three-year period and expire 10 years after the date of grant. The options granted to employees vest over a range of three to five years and expire 10 years after the date of grant.

The Company currently utilizes Accounting Principles Board Opinion No. 25 in its accounting for stock options. In October, 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("Statement 123"), "Accounting for Stock-based Compensation." The accounting method as provided in the pronouncement is not required to be adopted; however, it is encouraged. The Company is not adopting the accounting provisions of Statement 123. Had the Company accounted for its stock options in accordance with Statement 123, pro forma net income and pro forma earnings per share would have been:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Pro forma net income as reported (000's)	8,908	9,525	6,803
Pro forma net income pro forma for Statement 123 (000's)	8,501	9,261	6,599
Historical basic earnings per common share pro forma for Statement 123	$ 1.11	$ 1.44	$ 1.32
Historical diluted earnings per common share pro forma for Statement 123	$ 1.10	$ 1.42	$ 1.30

The pro forma disclosure is not likely to be indicative of pro forma results which may be expected in future years because of the fact that options vest over several years, pro forma compensation expense is recognized as the options vest and additional awards may also be granted.

For purposes of determining the pro forma effect of these options, the fair value of each option is estimated on the date of grant based on the Black-Scholes single-option pricing model assuming:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	5.1%	5.8%	6.5%
Volatility factor	40.0%	40.0%	25.0%
Expected life in years	6.0	6.0	6.0

Information regarding these option plans for 1998, 1997 and 1996 is as follows:

	1998		1997		1996	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Options outstanding, beginning of year	401,800	$ 15.86	357,500	$ 14.00	-	$ -
Options exercised	(19,000)	14.00	(4,700)	14.00	-	-
Options granted	161,500	21.91	49,000	29.23	362,500	14.00
Options forfeited	(75,000)	24.85	-	-	(5,000)	14.00
Options outstanding, end of year	469,300	$ 16.58	401,800	$ 15.86	357,500	$ 14.00
Weighted average fair value of options granted during the year	$ 10.30		$ 11.02		$ 5.54	
Options exercisable at year end	137,200		71,600		-	
Option price range at end of year	$14.00 to $28.16		$14.00 to $31.25		$ 14.00	
Option price for exercised shares	$ 14.00		$ 14.00		$ -	
Options available for grant at end of year	107,000		193,500		92,500	

The following table summarizes information about options outstanding at December 31, 1998:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number of Shares	Weighted Avg. Exercise Price
$ 14.00	312,800	7.19	$ 14.00	127,400	$ 14.00
$ 18.56	25,000	9.82	$ 18.56	-	$ -
$ 19.94	35,000	9.93	$ 19.94	-	$ -
$ 20.13	5,000	9.57	$ 20.13	-	$ -
$ 20.75	12,500	9.65	$ 20.75	-	$ -
$ 21.75	54,000	8.87	$ 21.75	9,800	$ 21.75
$ 28.16	25,000	9.17	$ 28.16	-	$ -
$14.00 to $28.16	469,300	7.93	$ 16.58	137,200	$ 14.55

NOTE 11. BUSINESS SEGMENT

The Company has no separately reportable segments in accordance with Statement of Financial Accounting Standards No. 131 "Disclosure About Segments of an Enterprise and Related Information". Under the enterprise wide disclosure requirements of Statement No. 131, the Company reports revenue, in thousands, for Intermodal Services, Brokerage Services, and Logistic Services as follows:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Intermodal Services	$ 910,396	$ 849,398	$ 629,294
Brokerage Services	164,706	129,356	79,408
Logistics Services	70,804	85,725	45,541
Total Revenue	$1,145,906	$1,064,479	$ 754,243

NOTE 12. PROFIT-SHARING PLAN

The Company has numerous profit-sharing plans and trusts under section 401(k) of the Internal Revenue Code. Generally, for every dollar the employee contributes, the Company will contribute an additional $.20 up to $100. In addition, the Company may make a profit sharing contribution at its discretion. Historically, the Company has contributed an amount equal to 3% of each participant's compensation up to a maximum of $4,800. The Company's contributions to the Plan were approximately $1,458,000, $1,163,000 and $704,000 for 1998, 1997 and 1996, respectively.

NOTE 13. RELATED PARTY TRANSACTIONS

In connection with the acquisition of a controlling interest in each of the Hub Partnerships, the Company paid cash to the Class B Common Stock ("Class B") stockholders, some of whom are officers of the Company, as well as officers of the Company who are not Class B stockholders, totaling approximately $16,571,000. The Company, related to this acquisition, also assumed balloon notes that were payable, in part, to the above related parties totaling approximately $4,758,000. Approximately 33% of the balloon notes payable at December 31, 1998 and 1997, are due to the related parties. The Class B stockholders have voting control over the Company. The same related parties described above also continue to receive approximately 33% of minority interest distributions of income from the Company. Furthermore, these parties received cash and notes from the Company totaling approximately $26,788,000 when it acquired minority interest in Hub City Tennessee, L.P., Hub City North Central, L.P., Hub City Los Angeles, L.P., Hub City Golden Gate, L.P., Hub Group Distribution Services, Hub City Dallas, L.P., Hub City Houston, L.P., and Hub City Rio Grande, L.P.

The Company provided transportation services to Hub Partnerships prior to acquiring Hub Partnerships on March 18, 1996. Revenue from Hub Partnerships was $3,459,000 for the period January 1 through March 17, 1996. Net fees were approximately $104,000 for the period January 1 through March 17, 1996.

Hub Partnerships provided transportation services to the Company prior to being acquired, which resulted in costs of $3,880,000 for the period January 1 through March 17, 1996.

The Company paid assessment fees based primarily on volume and sales commission expenses to Hub Partnerships prior to acquiring Hub Partnerships. These charges totaled approximately $112,000 for the period January 1 through March 17, 1996.

The Company leased a building from a shareholder. Monthly payments in 1996 were $9,178 and extended through November 1996.

NOTE 14. LEGAL MATTERS

In the ordinary course of conducting its business, the Company becomes involved in various lawsuits related to its business. The Company does not believe that the ultimate resolution of these matters will be material to its business, financial position or results of operations.

NOTE 15. EQUITY

	December 31, 1998	
	Authorized	Issued and Outstanding
Preferred stock, $.01 par value	2,000,000	-
Class A common stock, $.01 par value	12,337,700	7,009,950
Class B common stock, $.01 par value	662,300	662,296

	December 31, 1997	
	Authorized	Issued and Outstanding
Preferred stock, $.01 par value	2,000,000	-
Class A common stock, $.01 par value	12,337,700	6,990,950
Class B common stock, $.01 par value	662,300	662,296

NOTE 16. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth selected quarterly financial data for each of the quarters in 1998 and 1997 (in thousands, except per share amounts):

	Quarters			
	First	Second	Third	Fourth
Year Ended December 31, 1998:				
Revenue	$ 255,133	$ 283,051	$ 295,859	$ 311,863
Net revenue	30,447	33,620	36,523	37,744
Operating income	4,434	6,773	8,642	6,557
Historical net income	1,627	2,076	2,606	2,599
Historical basic earnings per share	$ 0.21	$ 0.27	$ 0.34	$ 0.34
Historical diluted earnings per share	$ 0.21	$ 0.27	$ 0.34	$ 0.34

	Quarters			
	First	Second	Third	Fourth
Year Ended December 31, 1997:				
Revenue	$ 251,120	$ 268,200	$ 273,521	$ 271,638
Net revenue	30,214	32,460	33,767	33,414
Operating income	7,916	8,392	9,706	7,481
Historical net income	1,978	2,217	2,557	2,773
Historical basic earnings per share	$ 0.33	$ 0.37	$ 0.41	$ 0.36
Historical diluted earnings per share	$ 0.33	$ 0.37	$ 0.41	$ 0.36

NOTE 17. SUBSEQUENT EVENT

On March 22, 1999, the Company's remaining call options, to purchase the remaining 70% minority interest in its Hub operating companies, were triggered and the Company intends to exercise these options in April 1999. The purchase price, estimated at approximately $110,000,000, is intended to be financed through unsecured senior debt.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The sections entitled "Election of Directors" and "Ownership of the Capital Stock of the Company" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 12, 1999, sets forth certain information with respect to the directors of the Registrant and Section 16 compliance and is incorporated herein by reference. Certain information with respect to persons who are or may be deemed to be executive officers of the Registrant is set forth under the caption "Executive Officers of the Registrant" in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

The section entitled "Compensation of Directors and Executive Officers" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 12, 1999, sets forth certain information with respect to the compensation of management of the Registrant and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The section entitled "Ownership of the Capital Stock of the Company" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 12, 1999, sets forth certain information with respect to the ownership of the Registrant's Common Stock and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The section entitled "Certain Transactions" appearing in the Registrant's proxy statement for the annual meeting of stockholders to be held on May 12, 1999, sets forth certain information with respect to certain business relationships and transactions between the Registrant and its directors and officers and it is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES & REPORTS ON FORM 8-K

(A) (1) FINANCIAL STATEMENTS

The following consolidated financial statements of the Registrant are included under Item 8 of this Form 10-K:

Report of Independent Accountants

Consolidated Balance Sheets - December 31, 1998 and December 31, 1997

Consolidated Statements of Operations - Years ended December 31, 1998, December 31, 1997 and December 31, 1996

Consolidated Statements of Stockholders' Equity - Years ended December 31, 1998, December 31, 1997 and December 31, 1996

Consolidated Statements of Cash Flows - Years ended December 31, 1998, December 31, 1997 and December 31, 1996

Notes to Consolidated Financial Statements

(A) (2) FINANCIAL STATEMENT SCHEDULES

The remaining financial statements and statement schedule for which provision is made in Regulation S-X are set forth in the Index immediately preceding such financial statements and statement schedule and are incorporated herein by reference.

(A) (3) EXHIBITS

The exhibits included as part of this Form 10-K are set forth in the Exhibit Index immediately preceding such Exhibits and are incorporated herein by reference.

(B) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 24, 1999 HUB GROUP, INC.

By /s/ DAVID P. YEAGER

David P. Yeager
Chief Executive Officer and Vice Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated:

	Title	Date
/s/ Phillip C. Yeager Phillip C. Yeager	Chairman and Director	March 24, 1999
/s/ David P. Yeager David P. Yeager	Vice Chairman, Chief Executive Officer and Director	March 24, 1999
/s/ William L. Crowder William L. Crowder	Vice President-Finance and Chief Accounting Officer (Principal Financial and Accounting Officer)	March 24, 1999
/s/ Thomas L. Hardin Thomas L. Hardin	President, Chief Operating Officer and Director	March 24, 1999
/s/ Charles R. Reaves	Director	March 24, 1999

Charles R. Reaves

/s/ Martin P. Slark - -------------------------------- Martin P. Slark	Director	March 24, 1999
/s/ Gary D. Eppen - -------------------------------- Gary D. Eppen	Director	March 24, 1999

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

HUB PARTNERSHIPS
- ----------------

HUB GROUP, INC.
- ---------------

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Hub Partnerships:

We have audited the accompanying combined statements of operations, stockholders' equity and cash flows for the period January 1, 1996 through March 17, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statements of operations, stockholders' equity and cash flows are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statements of operations, stockholders' equity and cash flows. 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, the combined statements of operations, stockholders' equity and cash flows referred to above present fairly, in all material respects, the results of operations and cash flows of Hub Partnerships for the period January 1, 1996 through March 17, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 6, 1997

HUB PARTNERSHIPS
COMBINED STATEMENT OF OPERATIONS
(IN THOUSANDS)

	JANUARY 1, THROUGH MARCH 17, 1996
REVENUE:	
Trade	$ 142,413
Affiliate	3,992
Total revenue	146,405
PURCHASED TRANSPORTATION	128,405
Net revenue	18,000
COSTS AND EXPENSES:	
Salaries and benefits	9,807
Selling, general and administrative	3,393
Depreciation and amortization	553
Total costs and expenses	13,753
Operating income	4,247
OTHER INCOME (EXPENSE):	
Interest expense	(56)
Interest income	120
Other, net	95
Total other income	159
INCOME BEFORE INCOME TAXES	4,406
INCOME TAXES	126
NET INCOME	$ 4,280

The accompanying notes to combined financial statements are an integral part of this statement.

HUB PARTNERSHIPS
COMBINED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 1996 TO MARCH 17, 1996
(IN THOUSANDS, EXCEPT SHARES)

COMMON STOCK		ADDITIONAL PAID-IN			TOTAL STOCKHOLDERS'
SHARES	AMOUNT	CAPITAL	TREASURY STOCK	RETAINED EARNINGS	EQUITY

Balance at January 1, 1996	105,800	$ 1,943	$ 629	$ (32)	$ 9,197	$ 11,737
Net income	-	-	-	-	4,280	4,280
Distributions to stockholders	-	(1,730)	(629)	32	(13,477)	(15,804)
Balance at March 17, 1996	105,800	$ 213	$ -	$ -	$ -	$ 213

The accompanying notes to combined financial statements are an integral part of this statement.

HUB PARTNERSHIPS
COMBINED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	JANUARY 1, THROUGH MARCH 17, 1996
Cash flows from operating activities:	
Net income	$ 4,280
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	553
Loss (gain) on sale of assets	3
Changes in working capital:	
Accounts receivable, net	604
Prepaid expenses and other current assets	889
Accounts payable	4,783
Accrued expenses	(140)
Other assets	(407)
Net cash provided by operations	10,565
Cash flows from investing activities:	
Purchases of property and equipment, net	(775)
Cash flows from financing activities:	
Proceeds from sale of common stock	-
Distributions to stockholders	(13,014)
Purchase and retirement of common stock	-
Payments on long-term debt	(361)
Proceeds from issuance of long-term debt	418
Net cash used in financing activities	(12,957)
Net decrease in cash	(3,167)
Cash, beginning of period	10,949
Cash, end of period	$ 7,782
Supplemental disclosures of cash flow information:	
Cash paid for:	
Interest	$ 56
Income taxes	130
Non-cash financing activity:	
Notes payable issued as distributions to stockholders	$ 13,176

The accompanying notes to combined financial statements are an integral part of this statement.

HUB PARTNERSHIPS

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS: The Company (defined below) provides intermodal transportation services utilizing third party arrangements with railroads and drayage companies. The Company also arranges for transportation of freight by truck and performs logistics services.

PRINCIPLES OF COMBINATIONS: These combined financial statements include the financial statements of 26 S corporations and one partnership which are substantially all under common ownership control (collectively referred to as the "Company" or "Hub Partnerships"). The financial statements of Hub Partnerships are presented herein to reflect the financial condition and results of operations of Hub Partnerships as of and for the periods in which Hub Partnerships was the predecessor to the business acquired by Hub Group, Inc., as required pursuant to the rules and regulations of the Securities and Exchange Commission. All significant intercompany transactions and balances have been eliminated.

CASH AND CASH EQUIVALENTS: The Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less.

PROPERTY AND EQUIPMENT: Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives: buildings and improvements 15 to 40 years; leasehold improvements the shorter of useful life or lease term; furniture and equipment 3 to 10 years; and transportation equipment 3 to 12 years. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

CONCENTRATION OF CREDIT RISK: The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company places its cash and temporary investments with high quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. Temporary investments are valued at the lower of cost or market and at the balance sheet date, approximates fair market value. The Company primarily serves customers located throughout the United States with no significant concentration in any one region. The Company reviews a customer's credit history before extending credit. In addition, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable risk is limited.

REVENUE RECOGNITION: Revenue represents sales of services to customers. Revenue is recognized based on relative transit time.

INCOME TAXES: The majority of the entities included in Hub Partnerships have elected to be taxed as S Corporations. By this election, income of an S Corporation is taxable to the stockholders rather than the Company itself. Income tax expense primarily represents applicable state income taxes of those states that do not recognize Subchapter S Corporations or states which impose taxes on S Corporation income.

DISTRIBUTIONS: The Company makes periodic distributions of income which are reflected in the accompanying statements of stockholders' equity.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

NOTE 2. RENTAL EXPENSE AND LEASE COMMITMENTS

Minimum annual rental commitments, in thousands, at March 17, 1996, under noncancellable operating leases, principally for real estate and equipment, are payable as follows:

1996	$ 2,198
1997	1,557
1998	966
1999	716
2000	624
2001 & thereafter	853
Total minimum lease payments	$ 6,914

Total rental expense was approximately $423,000 for the period January 1, through March 17, 1996. Many of the leases contain renewal options and escalation clauses which require payments of additional rent to the extent of increases in the related operating costs.

NOTE 3. LEGAL MATTERS

In the ordinary course of conducting its business, the Company becomes involved in various lawsuits related to its business. The Company does not believe that the ultimate resolution of these matters will be material to its business, financial position or results of operations.

NOTE 4. PROFIT-SHARING PLAN

The Company has numerous profit-sharing plans and trusts under section 401(k) of the Internal Revenue Code. Generally, for every dollar the employee contributes the Company will contribute an additional $.20 up to $100. In addition, the Company may make a profit sharing contribution at its discretion. Historically, the Company has contributed an amount equal to 3% of each participant's compensation up to a maximum of $4,500. The Company's contribution to the Plan was approximately $287,000 for the period January 1, through March 17, 1996.

NOTE 5. RELATED PARTY TRANSACTIONS

The Company provides transportation services to Hub Group, Inc. Revenue from Hub Group, Inc. was $3,880,000 for the period January 1, through March 17, 1996. Net fees earned $116,000 for the same period.

Hub Group, Inc. provides transportation services to the Company, which resulted in costs of $3,459,000 for the period January 1, through March 17, 1996.

The Company charges assessment fees based primarily on volume and sales commission expense to Hub Group, Inc. Revenue for such fees was approximately $112,000 for the period January 1, through March 17, 1996.

During the period January 1, through March 17, 1996, the Company leased two facilities from stockholders. Rental expense relating to these agreements was approximately $39,000 for the period January 1, through March 17, 1996. The terms of the leases extend through 2000.

NOTE 6. STOCKHOLDER AGREEMENTS

The majority of the entities included in Hub Partnerships have agreements with certain of their stockholders which set forth rights of the stockholders and the corporation. Generally, the agreements require that any stockholder wishing to sell his shares must first offer the shares for sale to the corporation and then to the other stockholders, before offering them to a third party. Generally the agreements state that upon death, disability, or retirement of a stockholder, the stockholder is required to offer to sell all of the shares owned by the stockholder to the corporation. Certain agreements stipulate the corporation is required to purchase these shares. Under the majority of the agreements, selling price approximates book value, and under two agreements the selling price approximates fair market value. Generally the agreements also state that, in the event that a stockholder is terminated, the stockholder is required to offer to sell his shares to the corporation. Certain agreements stipulate the corporation is required to purchase the stockholder's shares. Redemption amounts relating to agreements with mandatory redemption features are included in Mandatorily Redeemable Common Stock in the accompanying balance sheet. Payments for shares generally is made over a five-year period. Additionally, these agreements generally contain non-compete clauses which preclude a stockholder, while employed by the corporation, from managing, operating, or controlling a business either similar or dissimilar to the business carried on by the corporation. The clause also states that following employment by the corporation, a stockholder may not be employed by or perform services for any competitor for a period of up to two years. These agreements continue with respect to the S Corporations' limited partnership interests in the operating partnerships of Hub Group, Inc.

NOTE 7. SPECIAL DISTRIBUTION

Immediately prior to March 18, 1996, the Company distributed substantially all of its equity, including retained earnings through March 17, 1996, to its shareholders in the form of cash and notes. The notes are five-year balloon notes bearing interest at an annual rate of 5.45%. Interest is compounded annually with all principal and interest due in March 2001.

SCHEDULE II

HUB GROUP, INC.
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Charged to Costs & Expenses	Deduction	Balance at End of Year
Year Ended December 31:				
Allowance for uncollectible accounts receivable				
1998	$ 303,000	$ 1,523,000	$ (1,135,000)	$ 691,000
1997	405,000	1,005,000	(1,107,000)	303,000
1996	125,000	768,000	(488,000)	405,000

INDEX TO EXHIBITS

NUMBER	EXHIBIT
2.1	Purchase Agreement among the Registrant, American President Companies, Ltd. and APL Land Transport Services, Inc. (incorporated by reference to the Registrants report on Form 8-K dated May 2, 1996 and filed May 17, 1996, File No. 0-27754)
2.2	Purchase and Sale Agreement among Hub Holdings, Inc. and Hub City North Central, Inc. (incorporated by reference to Exhibit 2.2 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)

3.1	Amended Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 and 3.3 to the Registrant's registration statement on Form S-1, File No. 33-90210)
3.2	By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's registration statement on Form S-1, File No. 33-90210)
10.1	Form of Amended and Restated Limited Partnership Agreement (incorporated by reference to Exhibit 10.1 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No 000-27754)
10.2	Amended and Restated Limited Partnership Agreement of Hub City Canada, L.P. (incorporated by reference to Exhibit 10.2 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No 000-27754)
10.3	Form of Non-Competition Agreement (incorporated by reference to Exhibit 10.3 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27,1997, File No 000-27754)
10.4	Purchase and Sale Agreement between the Registrant and the Stockholders of Hub City Terminals, Inc. (incorporated by reference to Exhibit 10.3 to the Registrant's registration statement on Form S-1, File No. 33-90210)
10.5	Hub Group Distribution Services Purchase and Sale Agreement (incorporated by reference to Exhibit 10.5 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
10.6	Management Agreement (incorporated by reference to Exhibit 10.6 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
10.7	Stockholders' Agreement (incorporated by reference to Exhibit 10.7 to the Registrants report on Form 10-K dated March 26, 1997 and filed March 27, 1997, File No. 000-27754)
10.8	Credit Agreement dated as of September 27, 1997 among the Registrant, Hub City Terminals, Inc., Hub Holdings, Inc. and Harris Trust and Savings Bank (incorporated by reference to Exhibit 10.8 to the Registrants report on Form 10-Q dated and filed November 13, 1997, File No. 000-27754)
21	Subsidiaries of the Registrant
23.1	Consent of Arthur Andersen LLP
27	Financial Data Schedule

EXHIBIT 21

Subsidiaries of Hub Group, Inc.

SUBSIDIARIES	JURISDICTION OF INCORPORATION/ORGANIZATION
Hub City Terminals, Inc.	Delaware
Hub City Alabama, L.P.	Delaware
Hub City Atlanta, L.P.	Delaware
Hub City Boston, L.P.	Delaware
Hub City Canada, L.P.	Delaware
Hub City Cleveland, L.P.	Delaware

Hub City Detroit, L.P.	Delaware
Hub City Florida, L.P.	Delaware
Hub City Golden Gate, L.P.	Delaware
Hub City Indianapolis, L.P.	Delaware
Hub City Kansas City, L.P.	Delaware
Hub City Los Angeles, L.P.	Delaware
Hub City Mid-Atlantic, L.P.	Delaware
Hub City New Orleans, L.P.	Delaware
Hub City New York State, L.P.	Delaware
Hub City New York-New Jersey, L.P.	Delaware
Hub City North Central, L.P.	Delaware
Hub City Ohio, L.P.	Delaware
Hub City Philadelphia, L.P.	Delaware
Hub City Pittsburgh, L.P.	Delaware
Hub City Portland, L.P.	Delaware
Hub City St. Louis, L.P.	Delaware
Hub City Tennessee, L.P.	Delaware
Hub City Texas, L.P.	Delaware
Hub Group Associates, Inc.	Illinois
Hub Highway Services	Illinois
Hub Group Distribution Services	Illinois
Hub Holdings, Inc.	Delaware
Q.S. of Illinois, Inc.	Illinois
Quality Services L.L.C.	Missouri
Quality Services of Kansas, L.L.C.	Kansas
Quality Services of New Jersey, L.L.C.	New Jersey
Quality Services of Michigan L.L.C.	Michigan
Q.S. of Georgia, L.L.C.	Georgia
HLX Company, L.L.C.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 15, 1999, except with respect to the matter discussed in Note 17, as to which the date is March 22, 1999, for Hub Group, Inc. and February 6, 1997 for Hub Partnerships included in this Form 10-K, into Hub Group, Inc.'s previously filed Registration Statement File No. 333-6327 on Form S-8, and Registrations File No. 333-48185 on Form S-8.

ARTHUR ANDERSEN LLP

Chicago, Illinois
March 24, 1999

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from Consolidated Statements of Operations and Consolidated Balance Sheets and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	Year	
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-END>		DEC-31-1998
<CASH>		15178
<SECURITIES>		0
<RECEIVABLES>		149895
<ALLOWANCES>		1791
<INVENTORY>		0
<CURRENT-ASSETS>		169318
<PP&E>		28115
<DEPRECIATION>		9004
<TOTAL-ASSETS>		304791
<CURRENT-LIABILITIES>		149005
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		77
<OTHER-SE>		119595
<TOTAL-LIABILITY-AND-EQUITY>		304791
<SALES>		0
<TOTAL-REVENUES>		1145906
<CGS>		0
<TOTAL-COSTS>		1007572
<OTHER-EXPENSES>		111928
<LOSS-PROVISION>		1523
<INTEREST-EXPENSE>		2480
<INCOME-PRETAX>		15205
<INCOME-TAX>		6297
<INCOME-CONTINUING>		26406
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		8908
<EPS-PRIMARY>		1.16
<EPS-DILUTED>		1.15