

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

-----  
FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

April 21, 2003

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(Date of earliest event report)

CNF Inc.

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(Exact name of registrant as specified in charter)

Delaware	1-5046	94-1444798
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(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification Number)

3240 Hillview Avenue, Palo Alto, California 94304

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(Address of principal executive offices)  
(zip code)

Registrant's telephone number, including area code:  
(650) 494-2900

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 21, 2003 CNF Inc. issued the press release attached hereto, which is being furnished to the U.S. Securities and Exchange Commission (the "Commission").

The attached press release presents CNF's net income for common shareholders before special items, denominated in dollars and in cents per diluted share. Net income for common shareholders before special items is not in accordance with generally accepted accounting principles ("GAAP"). CNF's management believes that the presentation of this non-GAAP financial measure provides useful information to investors regarding CNF's financial condition and results of operations, because it focuses on what CNF believes to be its core business operations, and because it is more directly comparable to earnings estimates issued by analysts covering CNF, who typically consider only earnings from core business operations when issuing such estimates.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CNF Inc.  
(Registrant)

April 21, 2003

/s/Chutta Ratnathicam  
Chutta Ratnathicam  
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
----- 99	----- Earnings release issued on April 21, 2003.



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## **NEWS RELEASE**

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### **CNF INC. REPORTS FIRST-QUARTER RESULTS**

**PALO ALTO, Calif.** – April 21, 2003 -- CNF Inc. (NYSE:CNF) today reported first-quarter net income for common shareholders of \$15.9 million, or 30 cents per diluted share. This compares with net income for common shareholders of \$18.3 million, or 35 cents per diluted share, in the first quarter of 2002. Excluding special items in both periods, net income for common shareholders was \$11.5 million, or 22 cents per diluted share, in first-quarter 2003 compared with \$4.4 million, or 9 cents per diluted share, in first-quarter 2002.

The first quarter of 2003 included a \$4.4 million after-tax net gain (8 cents per diluted share) from a payment under the Air Transportation Safety and System Stabilization Act. The first quarter of 2002 included a \$6.0 million after-tax net gain (11 cents per diluted share) under the Act plus \$6.7 million of after-tax gains (12 cents per diluted share) on the sale of excess properties and a \$1.1 million after-tax net gain (2 cents per diluted share) from the early termination of a contract.

First-quarter 2003 operating income was \$41.0 million compared with \$40.4 million in the same quarter a year ago. Revenue for the first quarter of 2003 was \$1.21 billion compared with \$1.07 billion in first-quarter 2002. The effective tax rate was 39.0 percent in both periods. Cash and cash equivalents were \$238 million at the end of the quarter.

“Excluding special items, all of CNF’s operations improved their results from a year ago despite a weak economy, which was overshadowed by the war in Iraq,” said CNF President and Chief Executive Officer Greg Quesnel. “Con-Way had a very good quarter with strong results relative to the macro economic environment as it increased profits on essentially flat tonnage. This growth is due to an effective sales strategy and quality service that enables Con-Way to

increase yields. Menlo Worldwide recorded its fourth quarter of year-over-year improvement in its results, which were fueled by strong international growth in all of its companies.”

### **Con-Way Transportation Services**

For the first quarter, Con-Way Transportation Services reported:

- operating income of \$37.2 million, up 10 percent from \$33.7 million in the year-ago period. Operating income in first-quarter 2002 included a net gain of \$8.7 million from the sale of an excess property,
- revenue of \$519.1 million, up 14 percent from last year’s \$454.7 million,
- regional carrier tonnage per day was up one percent from the prior-year period.

“In addition to these strong operating results, Con-Way during the first quarter received an Enterprise Value Award (EVA) from CIO magazine for the company’s automation of its linehaul system,” Quesnel said. The automated system optimizes personnel, equipment and individual routes for the nighttime movements of freight shipments throughout the United States and Canada. Each evening the system takes in shipment data having tens of millions of alternate routing options and provides an optimum solution in seven minutes. It began implementation in early 2002.

“This system has been important to Con-Way as it continues to increase productivity, lower costs and improve customer service. It shows that Con-Way quality and leadership also applies to the information technology field,” Quesnel added.

### **Menlo Worldwide**

For the first quarter of 2003, Menlo Worldwide reported:

- operating income of \$3.6 million, up 7 percent from operating income of \$3.3 million in the year-ago period,
- revenue of \$687.1 million, up 12 percent from \$611.3 million in the first quarter of 2002.

For the first quarter of 2003, Menlo Worldwide Forwarding reported:

- an operating loss of \$5.4 million compared with an operating loss of \$5.7 million in the year-ago period. Both periods included first-quarter net gains from payments under the Air Transportation Safety and System Stabilization Act of \$7.2 million in 2003 and \$9.9 million in 2002,
- revenue of \$445.6 million, up 13 percent from \$394.8 million a year ago,

- North American air freight revenue per day fell 6 percent on an 8 percent decline in yield, which was due primarily to the planned product mix change, and a 2 percent increase in tonnage per day,
- international air freight revenue per day grew 26 percent on a tonnage per day increase of 15 percent.

For the first quarter of 2003, Menlo Worldwide Logistics reported:

- operating income of \$6.0 million compared to operating income of \$7.8 million a year ago. The 2002 quarter included a \$1.9 million net gain from the termination of a contract,
- revenue of \$241.5 million, up 12 percent from \$216.5 million in the prior-year period.

For the first quarter of 2003, Menlo Worldwide Other, which primarily includes the results of Vector SCM, reported operating income of \$3.0 million compared with operating income of \$1.3 million in the first quarter of 2002.

“Menlo Worldwide Forwarding continued its progress in making its international and economy products a larger percentage of its total. However, its premium service products declined more than anticipated due to the weak economy. Menlo Worldwide Logistics showed a slight increase in profits, excluding the prior-year contract termination gain, and Vector SCM continues to grow year-over-year,” said Quesnel.

### **Other**

CNF’s “Other” operations, which include the results of Road Systems and corporate activities, reported operating income of \$275,000 in the first quarter, compared with \$3.3 million in the first quarter of 2002, primarily due to a \$2.4 million net gain on the sale of an excess property in the 2002 quarter.

### **Outlook**

Second-quarter diluted earnings per share from continuing operations are expected to be between 42 cents and 49 cents. Full-year 2003 diluted earnings per share from continuing operations are expected to be between \$1.90 and \$2.05.

### **Conference Call**

CNF will host a conference call for shareholders and the investing community to discuss first-quarter results at 11:00 a.m. Eastern time (8:00 a.m. Pacific) on Tuesday, April 22. The call can be accessed by dialing (888) 428-4474 and is expected to last approximately one hour. Callers are requested to dial in at least five minutes before the start of the call. Related financial charts and certain other information to be discussed on the conference call is available on the company's web site at [www.cnf.com](http://www.cnf.com). The call will also be available through a live web cast at the investor relations section of the CNF web site at [www.cnf.com](http://www.cnf.com) and at [www.streetevents.com](http://www.streetevents.com). An audio replay will be available for one week following the call at (800) 475-6701, access code 678893. The replay will also be available for one week on demand at the web sites providing access to the live call.

CNF (NYSE:CNF) is a \$4.8 billion management company of global supply chain services with businesses in regional trucking, air freight, ocean freight, customs brokerage, global logistics management and trailer manufacturing.

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#### **Forward-Looking Statements**

Certain statements in this press release constitute "forward-looking statements" and are subject to a number of risks and uncertainties and should not be relied upon as predictions of future events. All statements other than statements of historical fact are forward-looking statements, including any projections and objectives of management for future operations, any statements regarding contributions to pension plans, any statements as to the adequacy of reserves, any statements regarding the possible outcome of claims brought against CNF, any statements regarding future economic conditions or performance, any statements of estimates or belief and any statements or assumptions underlying the foregoing. Specific factors that could cause actual results and other matters to differ materially from those discussed in such forward-looking statements include: changes in general business and economic conditions, the creditworthiness of CNF's customers and their ability to pay for services rendered, increasing competition and pricing pressure, changes in fuel prices, the effects of the cessation of the air carrier operations of Emery Worldwide Airlines, the possibility of defaults under CNF's \$385 million credit agreement and other debt instruments (including defaults resulting from additional unusual charges or from CNF's failure to perform in accordance with management's expectations), and the possibility that CNF may be required to pledge collateral to secure some of its indebtedness or to repay other indebtedness in the event that the ratings assigned to its long-term senior debt by credit rating agencies are reduced, labor matters, enforcement of and changes in governmental regulations, environmental and tax matters, the ongoing investigation relating to Emery Worldwide's handling of hazardous materials, the February 2000 crash of an EWA aircraft and related investigation and litigation, and matters relating to CNF's 1996 spin-off of CFC, including the possibility that CFC's multi-employer pension plans may assert claims against CNF. The factors included herein and in Item 7 of our 2002 Annual Report on Form 10-K as well as other filings with the Securities and Exchange Commission could cause actual

results and other matters to differ materially from those in such forward-looking statements. As a result, no assurance can be given as to future financial condition, cash flows, or results of operations.

**CNF INC.**  
**STATEMENTS OF CONSOLIDATED INCOME**  
(Dollars in thousands except per share amounts)

	Three Months Ended March 31,	
	2003	2002
REVENUES	\$ 1,206,241	\$ 1,067,074
Costs and Expenses		
Operating expenses	1,013,671	881,090
General and administrative expenses	118,290	109,776
Depreciation	33,232	35,844
	<u>1,165,193</u>	<u>1,026,710</u>
OPERATING INCOME	41,048	40,364
Other expense, net	11,613	7,142
Income Before Taxes	29,435	33,222
Income tax provision	11,480	12,956
Net Income	17,955	20,266
Preferred stock dividends	2,026	2,005
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 15,929</u>	<u>\$ 18,261</u>
Weighted-Average Common Shares Outstanding		
Basic	49,396,071	48,928,532
Diluted [a]	53,652,665	56,482,649
Earnings per Common Share		
Basic	\$ 0.32	\$ 0.37
Diluted [a]	<u>\$ 0.30</u>	<u>\$ 0.35</u>

[a] 2002 includes the dilutive effect of stock options, Series B (TASP) preferred stock, and Series A "TECONS," convertible preferred stock of subsidiary trust. 2003 includes the dilutive effect of stock options and Series B (TASP) preferred stock.

**OPERATING SEGMENTS**

REVENUES		
Con-Way Transportation Services	\$ 519,108	\$ 454,731
Menlo Worldwide		
Forwarding	445,622	394,761
Logistics	241,502	216,509
	<u>687,124</u>	<u>611,270</u>
CNF Other	9	1,073
	<u>\$ 1,206,241</u>	<u>\$ 1,067,074</u>
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 37,192	\$ 33,721
Menlo Worldwide		
Forwarding	(5,431)	(5,713)
Logistics	6,036	7,753
Other	2,976	1,309
	<u>3,581</u>	<u>3,349</u>
CNF Other	275	3,294
	<u>\$ 41,048</u>	<u>\$ 40,364</u>

SPECIAL ITEMS INCLUDED IN OPERATING INCOME (LOSS) FOR THE PERIODS PRESENTED:

Con-Way Transportation Services -		
Net gain from the sale of property	\$ -	\$ 8,675
Menlo Worldwide -		
Forwarding		
Net gains from payments under the Air Transportation Safety and System Stabilization Act	7,230	9,895
Logistics		
Net gain from a contract termination	-	1,850
CNF Other -		
Net gain from the sale of property	-	2,367



**CNF INC.**  
**CONDENSED BALANCE SHEETS**

(Dollars in thousands)

	March 31, 2003	December 31, 2002
<b>ASSETS</b>		
Current assets	\$ 1,232,045	\$ 1,268,488
Property, plant and equipment, net	1,025,873	1,015,354
Other assets	443,775	455,919
Total Assets	\$ 2,701,693	\$ 2,739,761
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$ 831,340	\$ 873,054
Long-term debt, guarantees and capital leases	544,584	557,610
Other long-term liabilities and deferred credits	467,883	466,099
Preferred stock - subsidiary trust	125,000	125,000
Shareholders' equity	732,886	717,998
Total Liabilities and Shareholders' Equity	\$ 2,701,693	\$ 2,739,761