

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

October 25, 2004

-----  
Date of Report (Date of earliest event reported)

CNF Inc.

-----  
(Exact name of registrant as specified in its charter)

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

3240 Hillview Avenue, Palo Alto, California 94304

-----  
(Address of principal executive offices)  
(zip code)

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

-----  
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to  
simultaneously satisfy the filing obligations of the registrant  
under any of the following provisions (see General Instruction A.2  
below):

- Written communications pursuant to Rule 425 under the Securities Act (17  
CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17

CFR 240.14a-12)

- [ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- [ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 25, 2004, CNF Inc. issued a press release announcing results of operations for the quarter ended September 30, 2004, which is being furnished to the U.S. Securities and Exchange Commission. A copy of the press release is attached hereto as Exhibit 99 and is incorporated herein by reference.

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)

October 25, 2004            /s/Chutta Ratnathicam  
-----  
Chutta Ratnathicam  
Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description                                  |
|-------------|--|
| -----       | -----  |
| 99          | Earnings release issued on October 25, 2004. |



Contacts:

Investors—Patrick Fossenier  
(650) 813-5353

Media -- Nancy Colvert  
(650) 813-5336  
(415) 215-5545

**CNF INC. REPORTS 17 PERCENT INCREASE IN  
INCOME FROM CONTINUING OPERATIONS --  
REVENUES UP 16 PERCENT**

**PALO ALTO, Calif.** – Oct. 25, 2004 -- CNF Inc. (NYSE:CNF) today reported third-quarter 2004 after-tax income from continuing operations of \$39.8 million, 72 cents per diluted share (after preferred stock dividends), and after-tax income from discontinued operations of \$4.4 million, 8 cents per diluted share.

This compares with third-quarter 2003 after-tax income from continuing operations of \$35.1 million, 64 cents per diluted share, and a net loss from discontinued operations of \$10.3 million, 18 cents per diluted share.

CNF reported a net loss to common shareholders for third-quarter 2004 of \$216.2 million, or \$3.90 per diluted share, compared with net income to common shareholders of \$24.8 million, or 46 cents per diluted share, in the third quarter of 2003. The third-quarter 2004 net loss to common shareholders was primarily due to a \$260.5 million after-tax impairment charge, \$4.70 per diluted share, from the planned sale of Menlo Worldwide Forwarding. This number is subject to adjustment at closing.

On Oct. 5, CNF announced an agreement to sell its Menlo Worldwide Forwarding unit to UPS for \$150 million in cash and the assumption of \$110 million of debt. The company expects the sale to close by the end of the year. Not included in the sale were Menlo Worldwide Logistics, Vector SCM, Con-Way Transportation Services and Road Systems. CNF

is reporting the results of its Forwarding operations as discontinued operations in both 2003 and 2004.

Income from continuing operations now includes CNF corporate expense previously allocated to the Menlo Worldwide Forwarding unit of \$2.8 million, 3 cents per diluted share, in third-quarter 2004 and \$3.1 million, 3 cents per diluted share, in third-quarter 2003.

Total revenue for the third quarter of 2004 was \$973.6 million, up 16 percent from \$837.4 million in third-quarter 2003. Operating income from continuing operations was \$78.4 million in third-quarter 2004, up 15 percent from \$68.3 million in the same period of 2003.

For the first nine months of 2004, the company reported after-tax income from continuing operations of \$101.1 million, \$1.83 per diluted share (after preferred stock dividends), and an after-tax net loss from discontinued operations of \$257.4 million, \$4.55 per diluted share. This compares with after-tax income from continuing operations of \$77.7 million, \$1.44 per diluted share, and an after-tax net loss from discontinued operations of \$20.7 million, 36 cents per diluted share, for the same period of 2003.

For the first nine months of 2004, CNF reported a net loss to common shareholders of \$156.3 million, \$2.72 per diluted share, compared with net income of \$57.0 million, \$1.08 per diluted share, for the first nine months of 2003.

Total revenue for the first nine months of 2004 was \$2.74 billion, up 15 percent from \$2.40 billion in the same period of 2003. Operating income from continuing operations was \$205.2 million in the first nine months of 2004, up 29 percent from \$159.7 million in the same period of 2003.

“The announced sale of Menlo Worldwide Forwarding to UPS obviously was a significant event for shareholders,” said CNF Chairman and Chief Executive Officer W. Keith Kennedy. “Not to be overlooked is the solid performance of our continuing operations – Con-Way, Menlo Worldwide Logistics and Vector SCM. Con-Way in particular had strong results with 19 percent growth in revenue and a 31 percent increase in operating income.”

CNF’s effective tax rate for continuing operations in the third quarters of 2003 and 2004 was 39 percent.

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

For the third quarter of 2004, Con-Way Transportation Services reported:

- operating income of \$70.6 million, up 31 percent from \$53.9 million in the year-ago period. Operating income includes an additional allocation of CNF corporate expenses of

\$2.4 million in third-quarter 2004 and \$2.7 million in third-quarter 2003, that was previously allocated to Menlo Worldwide Forwarding.

- revenue of \$684.8 million, up 19 percent from third-quarter 2003.
- regional carrier tonnage per day was up 13.8 percent compared to the prior year quarter.
- regional carrier yield increased 3.5 percent from the prior year quarter.
- the regional carrier group achieved an operating ratio of 88.4, excluding the additional corporate expense, compared to 89.1 in third-quarter 2003.

### **Menlo Worldwide**

For the third quarter of 2004, Menlo Worldwide reported:

- operating income of \$8.5 million compared with \$15.3 million in third-quarter 2003.

For the third quarter of 2004, Menlo Worldwide Logistics reported:

- operating income of \$5.8 million compared to \$6.5 million in third-quarter 2003.

Operating income includes an additional allocation of CNF corporate expenses of \$400,000 in the third quarters of 2004 and 2003 that was previously allocated to Menlo Worldwide Forwarding.

- revenue of \$286.8 million, up 9 percent from third-quarter 2003.

Menlo Worldwide Other, which consists of the results of Vector SCM, reported operating income of \$2.7 million compared with \$8.8 million in third-quarter 2003. The 2003 quarter included \$3.5 million of additional revenue and operating income due to contract amendments.

### **Other**

CNF's "other" operations, which include the results of Road Systems and corporate activities, reported an operating loss of \$635,000 in the third quarter of 2004.

### **Fourth-Quarter Outlook**

Fourth-quarter diluted earnings per share from continuing operations are expected to be between 62 cents and 72 cents including approximately 4 cents of corporate expense previously allocated to Menlo Worldwide Forwarding. Discontinued operations are expected to show a per share profit in the low single digits subject to the timing of the closing of the sale.

CNF's tax rate is expected to be 39 percent in the fourth quarter.

### **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 additional unusual charges and other costs and expenses related to Menlo Worldwide's forwarding operations, the possibility that CNF may, from time to time, be required to record impairment charges for goodwill and other long-lived assets, the possibility of defaults under CNF's \$385 million credit agreement and other debt instruments (including defaults resulting from additional unusual charges), and the possibility that CNF may be required to repay certain 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 February 2000 crash of an EWA aircraft and related litigation, matters relating to CNF's 1996 spin-off of Consolidated Freightways Corporation (CFC), including the possibility that CFC's multi-employer pension plans may assert claims against CNF, matters relating to CNF's defined benefit pension plans, and matters related to the pending sale of Menlo Worldwide Forwarding. The factors included herein and in Item 7 of CNF's 2003 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.

## **Conference Call**

CNF will host a conference call for shareholders and the investing community to discuss third-quarter results at 12:00 p.m. Eastern Daylight Time (9:00 a.m. Pacific) today, October 25. The call can be accessed by dialing (800)700-7860 or (612) 332-0530 (for international callers only) and is expected to last approximately one hour. Callers are requested to dial in at least five minutes before the start of the call. The call will also be available through a live web cast at [www.streetevents.com](http://www.streetevents.com) and in the investor relations section of the CNF web site at [www.cnf.com](http://www.cnf.com). An audio replay will be available for 48 hours following the call at (800) 475-6701, or (320) 365-3844 (for international callers only) using access code 744533. The replay will also be available at the same webcasting sites providing access to the live call.

Investors may obtain additional operating data from CNF's Consolidated Financial Summaries, which will be posted on the investor relations section of the CNF web site at [www.cnf.com](http://www.cnf.com) later today.

CNF (NYSE:CNF) is a \$5.1 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.

###

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

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2004                                | 2003             | 2004                               | 2003             |
| REVENUES   | \$ 973,619                          | \$ 837,361       | \$ 2,744,921                       | \$ 2,396,520     |
| Costs and Expenses                                     |                                     |                  |                                    |                  |
| Operating expenses                                     | 779,984                             | 657,379          | 2,196,724                          | 1,909,648        |
| Selling, general and administrative expenses           | 88,751                              | 86,113           | 266,084                            | 250,979          |
| Depreciation   | 26,449                              | 25,558           | 76,951                             | 76,240           |
|  | <u>895,184</u>                      | <u>769,050</u>   | <u>2,539,759</u>                   | <u>2,236,867</u> |
| OPERATING INCOME                                       | 78,435                              | 68,311           | 205,162                            | 159,653          |
| Other expense, net                                     | (9,723)                             | (7,432)          | (29,460)                           | (22,184)         |
| Income before Taxes                                    | 68,712                              | 60,879           | 175,702                            | 137,469          |
| Income Tax Provision                                   | 26,798                              | 23,743           | 68,524                             | 53,613           |
| Income from Continuing Operations                      | 41,914                              | 37,136           | 107,178                            | 83,856           |
| Loss from Discontinuance, net of tax                   | (260,490)                           | -                | (260,490)                          | -                |
| Income (Loss) from Discontinued Operations, net of tax | 4,444                               | (10,315)         | 3,114                              | (20,711)         |
|  | <u>(256,046)</u>                    | <u>(10,315)</u>  | <u>(257,376)</u>                   | <u>(20,711)</u>  |
| Net Income (Loss)                                      | (214,132)                           | 26,821           | (150,198)                          | 63,145           |
| Preferred Stock Dividends                              | 2,075                               | 2,030            | 6,119                              | 6,125            |
| NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS    | <u>\$ (216,207)</u>                 | <u>\$ 24,791</u> | <u>\$ (156,317)</u>                | <u>\$ 57,020</u> |
| Weighted-Average Common Shares Outstanding             |                                     |                  |                                    |                  |
| Basic  | 50,670,398                          | 49,549,338       | 50,150,987                         | 49,480,305       |
| Diluted [a]  | 55,408,636                          | 56,641,421       | 56,527,092                         | 56,634,040       |
| Earnings Per Common Share                              |                                     |                  |                                    |                  |
| Basic  |                                     |                  |                                    |                  |
| Net income from continuing operations                  | \$ 0.79                             | \$ 0.71          | \$ 2.02                            | \$ 1.57          |
| Loss from discontinuance, net of tax                   | (5.15)                              | -                | (5.20)                             | -                |
| Income (Loss) from Discontinued Operations             | 0.09                                | (0.21)           | 0.06                               | (0.42)           |
|  | <u>\$ (4.27)</u>                    | <u>\$ 0.50</u>   | <u>\$ (3.12)</u>                   | <u>\$ 1.15</u>   |
| Diluted [a]  |                                     |                  |                                    |                  |
| Net income from continuing operations                  | \$ 0.72                             | \$ 0.64          | \$ 1.83                            | \$ 1.44          |
| Loss from discontinuance, net of tax                   | (4.70)                              | -                | (4.61)                             | -                |
| Income (Loss) from Discontinued Operations             | 0.08                                | (0.18)           | 0.06                               | (0.36)           |
|  | <u>\$ (3.90)</u>                    | <u>\$ 0.46</u>   | <u>\$ (2.72)</u>                   | <u>\$ 1.08</u>   |

**OPERATING SEGMENTS**

|                                 |                   |                   |                     |                     |
|---------------------------------|-------------------|-------------------|---------------------|---------------------|
| REVENUES                        |                   |                   |                     |                     |
| Con-Way Transportation Services | \$ 684,775        | \$ 574,608        | \$ 1,936,224        | \$ 1,635,183        |
| Menlo Worldwide Logistics       | 286,847           | 262,663           | 805,494             | 761,212             |
| CNF Other                       | 1,997             | 90                | 3,203               | 125                 |
|                                 | <u>\$ 973,619</u> | <u>\$ 837,361</u> | <u>\$ 2,744,921</u> | <u>\$ 2,396,520</u> |
| OPERATING INCOME (LOSS)         |                   |                   |                     |                     |
| Con-Way Transportation Services | \$ 70,607         | \$ 53,909         | \$ 181,702          | \$ 129,213          |
| Menlo Worldwide                 |                   |                   |                     |                     |
| Logistics                       | 5,764             | 6,477             | 17,794              | 18,004              |
| Other                           | 2,699             | 8,810             | 8,079               | 15,358              |
|                                 | <u>8,463</u>      | <u>15,287</u>     | <u>25,873</u>       | <u>33,362</u>       |
| CNF Other                       | (635)             | (885)             | (2,413)             | (2,922)             |
|                                 | <u>\$ 78,435</u>  | <u>\$ 68,311</u>  | <u>\$ 205,162</u>   | <u>\$ 159,653</u>   |

[a] The three months ended September 30, 2004 include the dilutive effect of stock options and Series B preferred stock. All other periods presented include the dilutive effect of stock options, Series B preferred stock, and convertible subordinated debentures, which were redeemed on June 1, 2004.



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

(Dollars in thousands)

|  | September 30,<br>2004 | December 31,<br>2003 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>                                    |                       |                      |
| Current assets                                   | \$ 1,218,040          | \$ 850,846           |
| Current assets of discontinued operations        | 528,935               | 478,388              |
| Property, plant and equipment, net               | 854,516               | 817,951              |
| Other assets                                     | 100,058               | 176,854              |
| Non-current assets of discontinued operations    | 169,198               | 442,234              |
| Total Assets                                     | \$ 2,870,747          | \$ 2,766,273         |
| <br><b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                       |                      |
| Current liabilities                              | \$ 708,466            | \$ 513,266           |
| Current liabilities of discontinued operations   | 322,108               | 308,884              |
| Long-term debt and guarantees                    | 602,520               | 554,981              |
| Other long-term liabilities and deferred credits | 341,089               | 365,112              |
| Long-term liabilities of discontinued operations | 198,077               | 205,222              |
| Shareholders' equity                             | 698,487               | 818,808              |
| Total Liabilities and Shareholders' Equity       | \$ 2,870,747          | \$ 2,766,273         |