

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 20, 2005

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 of other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

2855 Campus Drive, Suite 300, San Mateo, California 94403

(Address of principal executive offices)
(zip code)

Registrant's telephone number, including area code:
(650) 378-5200

(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 19, 2005, CNF Inc. issued a press release announcing results of operations for the quarter ended September 30, 2005, 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. The foregoing description of the press release is qualified in its entirety by reference to such exhibit.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

| Exhibit No. ----- | Description ----- |
|----------------------|--|
| 99 | Earnings release issued on October 19, 2005. |

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 20, 2005 /s/ Kevin Schick

Kevin Schick
Chief Financial Officer



Contact:

Patrick Fossenier
(650-378-5353)

**CNF INC. NET INCOME FROM CONTINUING OPERATIONS CLIMBS 57
PERCENT IN THIRD-QUARTER 2005**

SAN MATEO, California – October 19, 2005 – CNF Inc. (NYSE:CNF) today reported record third-quarter 2005 after-tax income from continuing operations of \$62.7 million (after preferred stock dividends), or \$1.12 per diluted share, up 57 percent from the third quarter of 2004. This compared with third-quarter 2004 after-tax income from continuing operations of \$39.8 million, or 72 cents per diluted share.

Operating income in the third quarter was \$103.0 million, up 31 percent from \$78.4 million in the same quarter a year ago. Revenue for the third quarter of 2005 was \$1.10 billion, up 13 percent from \$973.6 million in third-quarter 2004. The effective tax rate in the third quarter was 35 percent compared with 39 percent in the third quarter of 2004. Higher tax-exempt income, increased foreign tax credits, and the classification of higher foreign income tax from Vector SCM in operating income contributed to a lower effective tax rate in the third quarter of 2005 compared to 2004. .

Net income for common shareholders in the third quarter of 2005 was \$66.0 million, or \$1.18 per diluted share. Net income for common shareholders in the third quarter included a 6-cents-per-diluted-share net gain related to discontinued operations. This compares with a net loss for common shareholders of \$216.2 million, or \$3.90 per diluted share, in the third quarter of 2004, due to impairment charges from the company's forwarding unit sold in December 2004.

For the first nine months of 2005, the company reported after-tax net income from continuing operations of \$167.6 million, or \$2.99 per diluted share (after preferred stock dividends). Net income for common shareholders through September 30, 2005 was \$164.1 million, or \$2.93 per diluted share, and includes a net loss from discontinued operations of 6 cents per share. Discontinued operations in the third quarter and first nine months of 2005 reflect the net effect of tax benefits and estimates for litigation and other losses related to discontinued businesses.

Total revenue for the first nine months of 2005 was \$3.08 billion and operating income in the same period was \$279.8 million.

Commenting on the quarterly results and operations, Douglas Stotlar, CNF president and chief executive officer, said, "We achieved solid growth in both our trucking and supply chain management operations at a faster rate of growth than the overall economy. We have good cost controls in place with leverage for continued improvement. We are an efficient yet flexible company and that served us well during the recent Katrina and Rita hurricanes, where the financial impact was negligible because of our ability to quickly reroute our services and limit disruption of operations. The company and its employees responded to the crisis by donating more than \$550,000 to the American Red Cross for hurricane relief."

The company repurchased \$37.0 million in company stock in the third quarter as part of a previously announced \$300 million stock repurchase program to occur over two years. To date, CNF has repurchased \$111.6 million in company stock under the program. The company expects to repurchase approximately \$38 million in shares in the fourth quarter of 2005.

CON-WAY TRANSPORTATION SERVICES

For the third quarter of 2005, Con-Way Transportation Services reported:

- Operating income of \$94.4 million, up 34 percent from \$70.7 million in the year-ago period.
- Revenue of \$741.4 million, an increase of 11 percent from last year's third-quarter revenue of \$666.1 million.
- Regional-carrier yield increased 4 percent from the prior-year quarter. Without fuel surcharges, yield declined 1 percent.
- The regional-carrier group achieved an improved operating ratio of 87.3 percent compared to 89.0 in the third quarter of 2004.

MENLO WORLDWIDE

CNF's Menlo Worldwide operations include the combined results for Menlo Logistics and the former Con-Way Logistics, which were integrated in the second quarter, and Vector SCM. For the third quarter of 2005, Menlo Worldwide reported:

- Total segment operating income of \$12.1 million, up 44 percent, compared with \$8.4 million in the third quarter of 2004.
- Menlo Logistics' revenue of \$354.8 million, up 16 percent from the prior-year quarter of \$305.5 million.
- Operating income for Menlo Logistics was \$7.9 million in the third quarter, up 38 percent from \$5.7 million in the third quarter of 2004 due primarily from increased revenue from technology customers.
- Operating income at Vector SCM was \$4.2 million in the third quarter, up 56 percent from \$2.7 million in the prior-year quarter from higher European operating income.

OTHER

CNF's "other" operations, which includes the results of Road Systems trailer manufacturing and corporate activities, reported an operating loss of \$2.6 million, mostly due to an insurance settlement, compared to an operating loss of \$635,000 in the third quarter of 2004.

FOURTH-QUARTER OUTLOOK

Fourth-quarter 2005 diluted earnings per share from continuing operations are expected to be between \$0.93 and \$1.01. This compares with 74 cents per diluted share earned from continuing operations in the fourth quarter of 2004. Excluding tax related to Vector SCM's foreign income, CNF's tax rate is expected to be 37 percent in the fourth quarter.

CONFERENCE CALL

CNF will host a conference call for shareholders and the investment community to discuss third-quarter results at 11:00 Eastern Daylight Time (8:00 PDT) on Thursday, October 20. The call can be accessed by dialing (866) 264-3634 or (706)643-3632 (for international callers) 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 and operating statistics to be discussed on the conference call are available on the company's website at www.cnf.com/investor_relations/fin_highlight.asp. The call will also be available through a live web cast at the investor relations section of the CNF web site www.cnf.com and at www.Streetevents.com. An audio replay will be available for two weeks following the call at (800) 642-1687 or (706)645-9291 (for international callers), using access code 9547228. The replay will also be available at the same web casting sites providing access to the live call.

CNF is a \$4 billion freight transportation and logistics company with businesses in less-than-truckload motor carriage, truckload carriage, air freight, logistics, warehousing, supply chain management and trailer manufacturing.

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 concerning proposed new products or services, any statements regarding CNF’s estimated future contributions to pension plans, any statements as to the adequacy of reserves, any statements regarding the outcome of any claims that may be 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 \$400 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, 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 the sale of Menlo Worldwide Forwarding, Inc., including CNF’s obligation to indemnify the buyer for certain losses in connection the sale, and matters relating to CNF’s defined benefit pension plans. The factors included herein and in Item 7 of CNF’s 2004 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 OPERATIONS
(Dollars in thousands except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| REVENUES | \$ 1,099,151 | \$ 973,619 | \$ 3,080,709 | \$ 2,744,921 |
| Costs and Expenses | | | | |
| Operating expenses | 884,255 | 792,075 | 2,471,555 | 2,231,920 |
| Selling, general and administrative expenses | 82,471 | 76,660 | 246,195 | 230,888 |
| Depreciation | 29,392 | 26,449 | 83,110 | 76,951 |
| | <u>996,118</u> | <u>895,184</u> | <u>2,800,860</u> | <u>2,539,759</u> |
| OPERATING INCOME | 103,033 | 78,435 | 279,849 | 205,162 |
| Other Expense, net | (3,490) | (9,723) | (17,098) | (29,460) |
| Income Before Taxes | 99,543 | 68,712 | 262,751 | 175,702 |
| Income Tax Provision | 35,070 | 26,798 | 89,271 [b] | 68,524 |
| Income from Continuing Operations | <u>64,473</u> | <u>41,914</u> | <u>173,480</u> | <u>107,178</u> |
| Discontinued Operations, net of tax | | | | |
| Gain (Loss) from Disposal | 3,335 | (260,490) | (3,490) | (260,490) |
| Income from Discontinued Operations | - | 4,444 | - | 3,114 |
| | <u>3,335</u> | <u>(256,046)</u> | <u>(3,490)</u> | <u>(257,376)</u> |
| Net Income (Loss) | 67,808 | (214,132) | 169,990 | (150,198) |
| Preferred Stock Dividends | 1,816 | 2,075 | 5,841 | 6,119 |
| NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS | <u>\$ 65,992</u> | <u>\$ (216,207)</u> | <u>\$ 164,149</u> | <u>\$ (156,317)</u> |
| Weighted-Average Common Shares Outstanding | | | | |
| Basic | 52,081,891 | 50,670,398 | 52,198,251 | 50,150,987 |
| Diluted [a] | 55,966,289 | 55,408,636 | 56,259,541 | 56,527,092 |
| Earnings (Loss) Per Common Share | | | | |
| Basic | | | | |
| Net income from Continuing Operations | \$ 1.20 | \$ 0.79 | \$ 3.21 | \$ 2.02 |
| Gain (Loss) from Disposal, net of tax | 0.07 | (5.15) | (0.07) | (5.20) |
| Income from Discontinued Operations, net of tax | - | 0.09 | - | 0.06 |
| | <u>\$ 1.27</u> | <u>\$ (4.27)</u> | <u>\$ 3.14</u> | <u>\$ (3.12)</u> |
| Diluted [a] | | | | |
| Net income from Continuing Operations | \$ 1.12 | \$ 0.72 | \$ 2.99 | \$ 1.83 |
| Gain (Loss) from Disposal, net of tax | 0.06 | (4.70) | (0.06) | (4.61) |
| Income from Discontinued Operations, net of tax | - | 0.08 | - | 0.06 |
| | <u>\$ 1.18</u> | <u>\$ (3.90)</u> | <u>\$ 2.93</u> | <u>\$ (2.72)</u> |
| OPERATING SEGMENTS | | | | |
| REVENUES | | | | |
| Con-Way Transportation Services | \$ 741,366 | \$ 666,143 | \$ 2,095,630 | \$ 1,885,484 |
| Menlo Worldwide Logistics | 354,797 | 305,479 | 973,782 | 856,234 |
| CNF Other | 2,988 | 1,997 | 11,297 | 3,203 |
| | <u>\$ 1,099,151</u> | <u>\$ 973,619</u> | <u>\$ 3,080,709</u> | <u>\$ 2,744,921</u> |
| OPERATING INCOME (LOSS) | | | | |
| Con-Way Transportation Services | \$ 94,403 | \$ 70,661 | \$ 253,288 | \$ 183,451 |
| Menlo Worldwide | | | | |
| Logistics | 7,889 | 5,710 | 18,553 | 16,045 |
| Vector | 4,220 | 2,699 | 13,196 | 8,079 |
| | <u>12,109</u> | <u>8,409</u> | <u>31,749</u> | <u>24,124</u> |
| CNF Other | (2,638) | (635) | (2,825) | (2,413) |
| | <u>103,874</u> | <u>78,435</u> | <u>282,212</u> | <u>205,162</u> |
| Reconciliation of segments to consolidated amount: | | | | |
| Income tax related to Vector, an equity-method investment | (841) | - | (2,363) | - |
| | <u>\$ 103,033</u> | <u>\$ 78,435</u> | <u>\$ 279,849</u> | <u>\$ 205,162</u> |

[a] All periods include the dilutive effect of restricted stock, stock options and Series B preferred stock. The nine-month period ended September 30, 2004 also includes the dilutive effect of convertible subordinated debentures, which were redeemed on June 1, 2004.

[b] Includes a \$7.0 million second-quarter tax benefit (\$0.12 per diluted share) from the reversal of accrued taxes related to the settlement with the IRS of previous tax filings.

CNF INC.
CONDENSED BALANCE SHEETS

(Dollars in thousands)

| | <u>September 30,</u> <u>2005</u> | <u>December 31,</u> <u>2004</u> |
|--|-------------------------------------|------------------------------------|
| ASSETS | | |
| Current assets | \$ 1,463,410 | \$ 1,509,767 |
| Current assets of discontinued operations | 11,118 | 5,128 |
| Property, plant and equipment, net | 942,073 | 859,321 |
| Other assets | 85,923 | 106,965 |
| Non-current assets of discontinued operations | <u>23,747</u> | <u>15,220</u> |
| Total Assets | <u>\$ 2,526,271</u> | <u>\$ 2,496,401</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | \$ 657,612 | \$ 678,126 |
| Current liabilities of discontinued operations | 35,729 | 34,705 |
| Long-term debt and guarantees | 582,714 | 601,344 |
| Other long-term liabilities and deferred credits | 374,581 | 397,997 |
| Long-term liabilities of discontinued operations | 759 | 6,862 |
| Shareholders' equity | <u>874,876</u> | <u>777,367</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 2,526,271</u> | <u>\$ 2,496,401</u> |