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**CNF TRANSPORTATION INC. NET INCOME CLIMBS 40 PERCENT
IN SECOND QUARTER**

PALO ALTO, California — July 20, 1998 -- CNF Transportation Inc. today reported record earnings for the second quarter ended June 30. Net income for common shareholders increased 40 percent to \$39.3 million, or 83 cents per share (73 cents diluted). That compares with net income of \$28.0 million, or 61 cents per share (55 cents diluted) in the same quarter a year ago.

Operating income in the second quarter was also a record, up 26 percent to \$84.0 million while revenue increased 20 percent to \$1.20 billion.

Net income for common shareholders for the first six months of the year was up 17 percent to \$56.2 million, or \$1.18 per share (\$1.06 diluted), compared with net income for common shareholders of \$48.0 million, or \$1.05 per share (95 cents diluted) in the first six months of 1997. Operating income improved 10 percent in the first six months of the year to \$128.8 million compared with \$117.2 million for the same period a year ago.

"Our record earnings for the quarter are the result of another industry-leading performance by Con-Way Transportation Services, significant improvement in both profits and efficiencies at Emery Worldwide, continued growth in new business by Menlo Logistics and our first profitable quarter for the Priority Mail contract," said Gregory L. Quesnel, president and chief executive officer.

"Our strategy of building market leading companies that customers increasingly recognize for their value as premium service providers continues to work for our shareholders," Quesnel said. "While revenue growth in our businesses was substantial, I am pleased to report that our profit improvement was even better."

Con-Way Transportation Services, the company's regional carrier and truckload operations, had second quarter operating income of \$54.0 million, up 35 percent from the same quarter a year ago.

Revenues were \$424.6 million, up 16 percent. The operating ratio for the regional carrier group was 86.2 percent.

"Con-Way's excellent financial results come from its successful strategy of growing its core regional next-day and second-day less-than-truckload operations while extending the mix of services provided to customers through joint regional operations," said Quesnel. "Con-Way customers are recognizing in growing numbers the value of the consistently high level of premium service provided by more than 16,000 dedicated CTS employees."

CTS regional carrier total tonnage increased 6.5 percent and LTL tonnage increased 6.8 percent.

Emery Worldwide reported second quarter operating income of \$22.2 million, up 1 percent from the year-ago quarter. Revenues were up 1.5 percent to \$526.7 million.

"Emery has faced many challenges since January. Through extensive cost controls and increased yields, our air freight operations have achieved substantial improvement since the first quarter," Quesnel said. "Business in North America and Asia declined in the second quarter while there was improvement in Europe and Latin America."

In the second quarter, Emery's North American revenue was essentially flat and international revenue was up 2.6 percent. North American air freight tonnage declined 6.5 percent while international tonnage grew 3.5 percent.

Menlo Logistics, Road Systems, VantageParts and the Priority Mail contract are reported as Other operations of the company. For the second quarter, those operations had operating income of \$7.8 million, up 66 percent from the same period a year ago. Revenues were up substantially to \$248.3 million, reflecting revenue from the Priority Mail contract and new business added by Menlo Logistics.

Within the Other operations, Menlo Logistics reported second quarter operating income of \$5.0 million, up 6 percent, with revenue of \$148.6 million, up 36 percent.

"Menlo had one of its best quarters ever even though it absorbed project start-up costs from the recently announced \$1.15 billion in new business that will flow to the company over the next five years," Quesnel said.

He said that the Priority Mail contract achieved an operating profit of \$2.1 million in the second quarter, its first quarterly profit, and that the system of 10 Priority Mail Processing Centers was now complete and operational. "Now that both the system and 18-aircraft fleet are up, we can bear down and concentrate on efficiencies, which are improving on a daily basis," said Quesnel.

Priority Mail contract losses year-to-date are \$15.4 million.

In the second quarter, CNF Transportation capitalized \$9.0 million of costs for internally developed software. The effective tax rate in the quarter was 44.5 percent.

CNF Transportation is a diversified holding company with businesses in regional and trans-continental trucking, domestic and international air freight, global logistics management, trailer manufacturing and wholesale truck part sales.

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Certain statements in this news release, including statements regarding anticipated earnings, 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. The factors discussed above and in Item 7 of the company's 1997 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 assurances can be given as to future results of operations or financial condition.

CNF TRANSPORTATION INC.

CONDENSED STATEMENTS OF CONSOLIDATED INCOME

(Dollars in thousands except per share amounts)

	Three Months Ended June 30	
	1998	1997
REVENUES		
Con-Way Transportation Services	\$ 424,618	\$ 365,405
Emery Worldwide		
	526,726	518,950
Other		
	248,310	118,208
	\$ 1,199,654	\$ 1,002,563
OPERATING INCOME		
Con-Way Transportation Services	\$ 53,990	\$ 40,081
Emery Worldwide		
	22,213	22,101
Other	7,800	4,685
	84,003	66,867
OTHER EXPENSE, NET	9,470	11,840
Income before income taxes		
	74,533	55,027
Income taxes		
	33,167	25,038
Net income		
	41,366	29,989
Preferred stock dividends	2,040	1,971
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 39,326	\$ 28,018
Average Common Shares Outstanding (1)		
Basic	47,612,373	46,001,492
Diluted (2)	55,506,056	52,148,304
EARNINGS PER COMMON SHARE (1)		
BASIC	\$ 0.83	\$ 0.61
DILUTED	\$ 0.73	\$ 0.55

(1) The prior year earnings per share have been restated for adoption of SFAS No. 128, Earnings Per Share.

(2) Includes the dilutive effect of stock options, Series B (TASP) preferred stock and Series A

"TECONS" convertible preferred stock of subsidiary trust.

CNF TRANSPORTATION INC.

CONDENSED STATEMENTS OF CONSOLIDATED INCOME

(Dollars in thousands except per share amounts)

	Six Months Ended June 30	
	1998	1997
REVENUES		
Con-Way Transportation Services	\$ 818,223	\$ 699,863
Emery Worldwide	1,048,359	1,027,502
Other	422,938	217,826
	\$ 2,289,520	\$ 1,945,191
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 104,491	\$ 68,558
Emery Worldwide	29,726	40,608
Other	(5,409)	8,068
	128,808	117,234
OTHER EXPENSE, NET	20,198	22,035
Income before income taxes	108,610	95,199
Income taxes	48,331	43,266
Net income	60,279	51,933
Preferred stock dividends	4,047	3,910
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 56,232	\$ 48,023
Average Common Shares Outstanding (1)		
Basic	47,561,179	45,614,045
Diluted (2)	55,536,847	51,235,788
EARNINGS PER COMMON SHARE (1)		
BASIC	\$ 1.18	\$ 1.05
DILUTED	\$ 1.06	\$ 0.95

(1) The prior year earnings per share have been restated for adoption of SFAS No. 128, Earnings Per Share.

(2) Includes the dilutive effect of stock options, Series B (TASP) preferred stock and Series A "TECONS" Convertible preferred stock of subsidiary trust.

CNF TRANSPORTATION INC.
CONDENSED BALANCE SHEETS
(Dollars in thousands)

	<u>June 30, 1998</u>	<u>December 31, 1997</u>
ASSETS		
Current assets	\$ 1,036,875	\$ 1,009,387
Property, plant and equipment, at cost	927,604	879,842
Other assets	<u>569,582</u>	<u>532,267</u>
Total Assets	<u><u>\$ 2,534,061</u></u>	<u><u>\$ 2,421,496</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 857,176	\$ 806,138
Long-term debt and guarantees	467,680	473,488
Other long-term liabilities and deferred credits	373,747	358,767
Preferred stock - subsidiary trust	125,000	125,000
Shareholders' equity	<u>710,458</u>	<u>658,103</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 2,534,061</u></u>	<u><u>\$ 2,421,496</u></u>