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CNF TRANSPORTATION REPORTS BEST EARNINGS EVER IN SECOND QUARTER

PALO ALTO, California -- July 19, 1999 -- CNF Transportation Inc. today reported its best earnings ever.

In the second quarter ended June 30, the company's net income for common shareholders increased 19 percent to \$46.7 million, or 97 cents per share (86 cents diluted). That compares with net income of \$39.3 million, or 83 cents per share (73 cents diluted) in the same quarter a year ago.

Net income for common shareholders in the second quarter includes a non-recurring gain equal to 10 cents per diluted share from the sale of VantageParts, the company's wholesale truck parts operation. Excluding that sale, earnings per diluted share for common shareholders were 76 cents, the best second quarter in the company's 70-year history.

Second quarter operating income was a record \$95.3 million, up 13 percent, compared with \$84.0 million in the same quarter a year ago. Revenue was a record for a second quarter at \$1.36 billion, up 14 percent, and the effective tax rate was 43.5 percent.

Net income for common shareholders for the first six months of the year was up 55 percent to \$87.0 million, or \$1.81 per share (\$1.60 diluted), compared with net income for common shareholders of \$56.2 million, or \$1.18 per share (\$1.06 diluted) in the first six months of 1998. Operating income improved 38 percent in the first six months of 1999 to \$177.9 million compared with \$128.8 million for the same period a year ago. Revenue for the six months increased 14 percent to \$2.62 billion.

Net income for common shareholders in the first six months of the year includes a non-recurring gain of 27 cents per diluted share for the sale of VantageParts and the

settlement of a lawsuit in the first quarter. Without the non-recurring gains, earnings per diluted share for the period were \$1.33.

“These record earnings are the result of another superb quarter by the Con-Way Transportation Services group, growth at Menlo Logistics, progress at Emery Worldwide and another quarter of modest profit from our Priority Mail operation,” said Gregory L. Quesnel, president and chief executive officer. “I am pleased that shareholders continue to benefit from our strategy of owning quality companies that are market share and profit leaders in their industry.”

Con-Way Transportation Services, which provides regional less-than-truckload (LTL) motor carrier services, expedited and time-definite delivery services and multi-client warehousing and distribution services, had second quarter operating income of \$60.8 million, up 13 percent from the same quarter a year ago. Revenues were \$463.5 million, up 9 percent.

“Con-Way’s earnings have been the best in the industry for several years and represent the first time any LTL carrier has exceeded \$60 million in a quarter,” said Quesnel. “That clearly indicates that Con-Way has been successful at differentiating its services, a fact not overlooked by its customers.

“Con-Way is not being complacent with its success. It is preparing for even better results by recapitalizing its fleet, upgrading facilities and improving technology for e-commerce. This will ensure that Con-Way not only sustains, but continues to increase profits.”

Total CTS regional carrier tonnage increased 5.2 percent and LTL tonnage increased 5.6 percent.

Emery Worldwide, the company’s domestic and international air freight company, reported second quarter operating income of \$17.4 million on revenues of \$585.9 million, which were up 11 percent.

“Emery continues to emphasize its guaranteed products while concentrating on cost controls,” Quesnel said. “We are particularly encouraged by the economic revitalization occurring in Emery’s international markets, specifically in June and the early weeks of July. Our efforts are focused now on Emery’s North American operations.”

In the second quarter, Emery's North American air freight revenue was up 3 percent and international revenue grew by 13 percent. North American air freight tonnage was down 2 percent while international tonnage grew 11 percent.

Menlo Logistics reported second quarter operating income of \$5.3 million, up 6 percent from the year ago quarter. Menlo revenue in the second quarter was \$181.6 million, up 22 percent.

"Menlo Logistics continues to be what we believe to be the most innovative third-party logistics and distribution management company," said Quesnel. "It focuses on solving the most difficult, and largest, logistics problems for its customers, which represent the best of the "Fortune 500" companies. It should continue to be a successful formula."

"Other" operations of the company are the results of the Priority Mail contract and the operations of VantageParts and Road Systems, a trailer manufacturing subsidiary. Second quarter operating income was \$11.8 million and includes a \$10.1 million gain from the sale of VantageParts. Revenue for the "Other" segment was \$130.6 million in the second quarter.

The Priority Mail contract had operating income of \$1.3 million in the second quarter on revenue of \$118.2 million.

Second quarter results for the Priority Mail operations reflect pricing that may be subject to retroactive adjustment at a later date. The company has proposed to the Postal Service increased pricing that the company feels is well founded and justifiable based upon its experience of operating the Priority Mail contract in 1998. The Postal Service is reviewing the company's proposal.

CNF Transportation is a management and holding company with businesses in regional trucking, air freight, ocean freight, customs brokerage, global logistics management and trailer manufacturing.

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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 1998 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 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	
	1999	1998
REVENUES		
Con-Way Transportation Services	\$ 463,547	\$ 424,618
Emery Worldwide	585,854	526,726
Menlo Logistics	181,603	148,568
Other	130,633	99,742
	<u>\$ 1,361,637</u>	<u>\$ 1,199,654</u>
OPERATING INCOME		
Con-Way Transportation Services	\$ 60,830	\$ 53,990
Emery Worldwide	17,425	22,213
Menlo Logistics	5,273	4,986
Other	11,806	2,814
	<u>95,334</u>	<u>84,003</u>
OTHER EXPENSE, NET	<u>8,991</u>	<u>9,470</u>
Income before income taxes	86,343	74,533
Income taxes	37,559	33,167
Net income	<u>48,784</u>	<u>41,366</u>
Preferred stock dividends	<u>2,061</u>	<u>2,040</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 46,723</u>	<u>\$ 39,326</u>
Average Common Shares Outstanding		
Basic	48,158,898	47,612,373
Diluted (1)	55,951,658	55,506,056
Earnings Per Common Share		
Basic	<u>\$ 0.97</u>	<u>\$ 0.83</u>
Diluted (1)	<u>\$ 0.86</u>	<u>\$ 0.73</u>

(1) 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	
	1999	1998
REVENUES		
Con-Way Transportation Services	\$ 896,926	\$ 818,223
Emery Worldwide	1,115,275	1,048,359
Menlo Logistics	342,162	268,643
Other	262,597	154,295
	<u>\$ 2,616,960</u>	<u>\$ 2,289,520</u>
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 114,777	\$ 104,491
Emery Worldwide	20,976	29,726
Menlo Logistics	9,829	8,798
Other	32,347	(14,207)
	<u>177,929</u>	<u>128,808</u>
OTHER EXPENSE, NET	<u>16,725</u>	<u>20,198</u>
Income before income taxes	161,204	108,610
Income taxes	70,124	48,331
Net income	<u>91,080</u>	<u>60,279</u>
Preferred stock dividends	<u>4,088</u>	<u>4,047</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 86,992</u>	<u>\$ 56,232</u>
Average Common Shares Outstanding		
Basic	48,042,740	47,561,179
Diluted (1)	55,897,549	55,536,847
Earnings Per Common Share		
Basic	<u>\$ 1.81</u>	<u>\$ 1.18</u>
Diluted (1)	<u>\$ 1.60</u>	<u>\$ 1.06</u>

(1) 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)

	June 30, 1999	December 31, 1998
ASSETS		
Current assets	\$ 1,128,945	\$ 1,100,361
Property, plant and equipment, net	1,042,753	984,476
Other assets	639,246	604,575
Total Assets	\$ 2,810,944	\$ 2,689,412
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 902,695	\$ 900,630
Long-term debt and guarantees	461,187	467,635
Other long-term liabilities and deferred credits	454,611	419,792
Preferred stock - Subsidiary Trust	125,000	125,000
Shareholders' equity	867,451	776,355
Total Liabilities and Shareholders' Equity	\$ 2,810,944	\$ 2,689,412