

Contact: J.R. Allen
(650) 494-2900

**CNF TRANSPORTATION THIRD QUARTER EARNINGS
BEST IN COMPANY HISTORY**

PALO ALTO, California -- October 19, 1998 -- CNF Transportation Inc. today reported the best quarterly earnings in its 69-year history, with record net income, operating income and revenues for the third quarter.

Net income for common shareholders increased 11 percent to \$41.9 million, or 88 cents a share (78 cents diluted), compared with net income for common shareholders of \$37.7 million, or 81 cents a share (70 cents diluted), in the third quarter of 1997.

Operating income increased 9 percent to \$89.0 million and revenues increased 14 percent to \$1.28 billion.

“Overall, our diversified companies in freight transportation and logistics management performed well in the quarter, which is particularly relevant since last year’s results included benefits from a strike in August of 1997 at UPS,” said Gregory L. Quesnel, president and chief executive officer. “We are also pleased with the substantial profit improvement from our Priority Mail contract operations.”

Net income for the first nine months of the year was a record \$98.2 million, or \$2.06 a share (\$1.83 diluted) compared with net income of \$85.7 million, or \$1.87 a share (\$1.67 diluted) in the first nine months of 1997. Operating income was \$217.9 million, up 9 percent, and revenues increased 16 percent to \$3.57 billion so far this year.

“While concerns abound regarding the outlook for the global economy, I am pleased to inform CNF Transportation shareholders that their company is well positioned to operate effectively in a softer economy by virtue of our focusing on efficiency, premium service and attention to cost controls,” said Quesnel.

“Furthermore, we believe that our strategy of creating a company that will increase shareholder value based upon great service, pricing discipline, flexibility, innovation and efficient use of capital will allow us to continue to outperform our competitors, especially in a weaker economy.”

Con-Way Transportation Services, the company’s regional carrier and truckload operations, had third quarter operating income of \$50.7 million, up 23 percent from the same quarter a year ago. It was the third consecutive quarter in which Con-Way exceeded \$50 million in operating income. No other less-than-truckload carrier, regional or national, has surpassed \$50 million in operating income for any single quarter.

CTS revenues were up 13 percent to \$438.6 million. The operating ratio for the regional carrier group was 87.3 percent. CTS regional carrier tonnage increased 5.2 percent and LTL tonnage increased 5.6 percent in the third quarter.

“The Con-Way numbers are a statement unto themselves. We are very proud of the more than 16,000 people who work at a Con-Way company and who have made premium service a true value in freight transportation,” said Quesnel.

Emery Worldwide reported operating income of \$21.6 million for the third quarter, compared with operating income of \$36.2 million in the same quarter of 1997 when Emery received substantial benefit from the UPS strike. Revenues were \$556.2 million, down 7 percent.

“The entire Emery organization is committed to improving service and yields with a clear view toward creating greater value for shareholders as well as customers,” said Quesnel. “These efforts include upgrading the reliability of our fleet, refining our freight mix and purging of lower margin business.”

In the third quarter, North American revenue was down 9.7 percent and international revenue was down 4.0 percent. North American tonnage declined 13.8 percent, and international tonnage declined 3.6 percent.

Menlo Logistics, Road Systems, VantageParts and the Priority Mail contract are reported as Other operations of the company. Menlo Logistics reported record operating income of \$5.6 million, up 17 percent from the same quarter a year ago. Revenue was a record \$162.5 million, up 24 percent. Priority Mail contract operations achieved operating income of \$10.5 million in the third quarter on revenue of \$110.9 million.

“We are providing excellent service to the U.S. Postal Service with efficiencies improving literally on a daily basis. Each quarter, we grow more confident of the long-term value of this business collaboration due to the quality and acceptance of the Priority Mail product,” said Quesnel.

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.

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 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 September 30	
	1998	1997
REVENUES		
Con-Way Transportation Services	\$ 438,595	\$ 387,975
Emery Worldwide	556,176	599,830
Other	287,739	139,557
	<u>\$ 1,282,510</u>	<u>\$1,127,362</u>
OPERATING INCOME		
Con-Way Transportation Services	\$ 50,666	\$ 41,159
Emery Worldwide	21,599	36,219
Other	16,778	4,469
	<u>89,043</u>	<u>81,847</u>
OTHER EXPENSE, NET	<u>9,816</u>	<u>9,104</u>
Income before income taxes	79,227	72,743
Income taxes	35,257	33,098
Net income	<u>43,970</u>	<u>39,645</u>
Preferred stock dividends	<u>2,031</u>	<u>1,951</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 41,939</u>	<u>\$ 37,694</u>
Average Common Shares Outstanding (1)		
Basic	47,698,568	46,630,121
Diluted (2)	55,636,785	55,303,689
EARNINGS PER COMMON SHARE (1)		
BASIC	<u>\$ 0.88</u>	<u>\$ 0.81</u>
DILUTED (2)	<u>\$ 0.78</u>	<u>\$ 0.70</u>

(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)

	Nine Months Ended September 30	
	1998	1997
REVENUES		
Con-Way Transportation Services	\$ 1,256,818	\$1,087,838
Emery Worldwide	1,604,535	1,627,332
Other	710,677	357,383
	<u>\$ 3,572,030</u>	<u>\$3,072,553</u>
OPERATING INCOME		
Con-Way Transportation Services	\$ 155,157	\$ 109,717
Emery Worldwide	51,325	76,827
Other	11,369	12,537
	<u>217,851</u>	<u>199,081</u>
OTHER EXPENSE, NET	<u>30,014</u>	<u>31,139</u>
Income before income taxes	187,837	167,942
Income taxes	83,588	76,364
Net income	<u>104,249</u>	<u>91,578</u>
Preferred stock dividends	<u>6,078</u>	<u>5,861</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 98,171</u>	<u>\$ 85,717</u>
Average Common Shares Outstanding (1)		
Basic	47,607,124	45,956,459
Diluted (2)	55,652,417	52,522,625
EARNINGS PER COMMON SHARE (1)		
BASIC	<u>\$ 2.06</u>	<u>\$ 1.87</u>
DILUTED (2)	<u>\$ 1.83</u>	<u>\$ 1.67</u>

(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)

	September 30, 1998	December 31, 1997
	<u> </u>	<u> </u>
ASSETS		
Current assets	\$ 1,090,670	\$ 1,009,387
Property, plant and equipment, net	959,018	879,842
Other assets	574,581	532,267
Total Assets	<u>\$ 2,624,269</u>	<u>\$ 2,421,496</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 898,050	\$ 806,138
Long-term debt and guarantees	467,658	473,488
Other long-term liabilities and deferred credits	380,856	358,767
Preferred stock - Subsidiary Trust	125,000	125,000
Shareholders' equity	752,705	658,103
Total Liabilities and Shareholders' Equity	<u>\$ 2,624,269</u>	<u>\$ 2,421,496</u>