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CNF TRANSPORTATION POSTS NET INCOME INCREASE FOR THIRD QUARTER

PALO ALTO, California – October 20, 1999 -- CNF Transportation Inc. today reported 1999 third quarter net income for common shareholders of \$42.1 million, or 87 cents per share (77 cents diluted), compared with net income for common shareholders of \$41.9 million, or 88 cents per share (78 cents diluted), in the same quarter of 1998.

Operating income was \$85.8 million, a 4 percent decline compared with the third quarter of 1998. The company's three largest operating components had improved operating income with Con-Way Transportation Services up 12 percent, Emery Worldwide up 4 percent and Menlo Logistics up 13 percent. Priority Mail contract operations, however, declined to a break-even level.

Revenue increased 10 percent to \$1.41 billion in the third quarter of 1999. The effective tax rate was 43.5 percent.

Net income for common shareholders for the first nine months of the year was the best in the company's history at \$129.1 million, or \$2.68 a share (\$2.38 diluted) compared with net income for common shareholders of \$98.2 million, or \$2.06 a share (\$1.83 diluted) for the same period a year ago.

Net income for common shareholders in the first nine months of the year includes non-recurring gains of 27 cents per diluted share for the sale of the company's wholesale truck parts operation in the second quarter and the settlement of a lawsuit in the first quarter. Without the non-recurring gains, earnings per diluted share for the nine months were \$2.11.

Operating income for the first nine months of 1999 was a record, up 21 percent including the non-recurring gains and up 9 percent excluding the non-recurring gains. Revenues increased 13 percent to a record \$4.03 billion so far this year.

“The CNF group of companies continue to grow at a pace significantly greater than the overall economy, which itself has been very good,” said Gregory L. Quesnel, president and chief executive officer. “Con-Way, Emery, and Menlo Logistics each recorded double-digit revenue increases in the third quarter. Combined operating profits for those companies increased by 10 percent in the third quarter.

“We are disappointed with the break-even performance of our Priority Mail contract operations, which is due to a pricing dispute with the U.S. Postal Service,” Quesnel said. “Although our Priority Mail performance remains very good within the Emery Worldwide Airlines system, the contract pricing dispute led to a decline in CNF group operating income for the first time in nearly two years. Until the dispute is resolved, results from the Priority Mail contract are expected to be recorded at break-even.”

Con-Way Transportation Services had record third quarter operating income of \$56.9 million, up 12 percent from the same quarter a year ago. Revenues were \$490.7 million, also up 12 percent. CTS provides regional less-than-truckload (LTL) motor carrier services, full-volume truckload services, expedited and time-definite delivery services and multi-client warehousing and distribution services.

“Con-Way has once again achieved record third quarter profitability,” said Quesnel. “It is clearly the most efficient and productive LTL carrier in the United States. This excellent return for our shareholders is even more laudable because Con-Way’s bottom line was affected by start-up costs for Con-Way Integrated Services, its new multi-client warehousing and logistics operation, increased wages, higher fuel costs and expenses related to Hurricane Floyd.”

Total Con-Way regional carrier tonnage increased 9.8 percent and LTL tonnage increased 9.6 percent.

Emery Worldwide, the company’s global air freight operation, reported third quarter operating income of \$22.6 million, up 4 percent, on revenues of \$617.3 million, an increase of 11 percent from the same quarter a year ago.

“Emery’s emphasis on selling premium service products while focusing on yield improvement and cost control allowed for its best quarterly earnings since 1997,” Quesnel said. “Emery’s variable-cost international forwarding operations are recording solid growth as Asia and Japan continue their economic recovery. Our volumes in Europe and Latin America remain strong.”

In the third quarter, Emery's North American air freight revenue grew 1 percent and international revenue grew by 15 percent. North American air freight tonnage declined 4 percent while international tonnage grew 13 percent.

Menlo Logistics third quarter operating income was a record \$6.3 million, up 13 percent from the year-ago quarter, and marking the first time that operating income has surpassed \$6 million in any quarter. Menlo revenue in the third quarter was \$178.7 million, up 10 percent.

"Menlo, our supply chain services and technology operation, continued its sales and profit growth in the quarter by expanding business with existing customers. While some new start-up contracts have been delayed at our customers' request, they are now starting to come on line and Menlo is executing those start-up operations efficiently," said Quesnel. "Menlo recently signed a new \$100 million annual revenue contract with a major consumer products company and is expanding its contract scope internationally with a major high technology company."

"Other" operations primarily reflect the results of the Priority Mail contract and Road Systems, a trailer manufacturing operation. Those operations had a nineteen thousand dollar operating loss. Revenue for the "Other" segment was \$121.7 million, down 3 percent from the third quarter a year ago.

The Priority Mail contract had break-even results in the third quarter on revenue of \$118.2 million.

In accordance with the Priority Mail contract, in February, Emery Worldwide Airlines (EWA), the CNF subsidiary that operates the contract, submitted a proposal to the U.S. Postal Service for 1999 pricing. EWA believes that its proposal was reasonably determined and justifiable based upon its experience of operating the Priority Mail contract.

EWA has not received a counter-proposal from the U.S.P.S. Consequently, the airline in the third quarter filed a claim with the Postal Service reflecting its proposed prices.

Through the second quarter of 1999, Priority Mail contract revenue was billed at a provisional rate, set by the U.S.P.S., pending a final price determination. The Postal Service responded to the EWA claim filing with unilateral provisional price reductions for both prior and future periods. The current provisional rate is below the airlines' cost to

service this contract. Unless the rate is increased or until the price is determined by negotiation or litigation, the airline will be compensated below its cost of operation.

Under the accounting policies described in CNF's 1998 Annual Report to Shareholders and subsequent quarterly filings with the SEC, the company recognizes unbilled revenue from claims on the Priority Mail contract in its financial statements when it is probable that the claim will result in additional contract revenue and if the amount can be reliably estimated. In accordance with generally accepted accounting principles (GAAP), the company recognizes unbilled revenue related to claims sufficient only to recover costs. No profit is recognized. Given the recent unilateral price reductions, the company recognized \$23 million in unbilled revenue in the third quarter.

If, as a result of new facts or circumstances, the company determines that the actual receipt of those revenues is not probable, unbilled revenues will be charged as expense to operations in the period when and if that determination is made.

CNF Transportation is a management company of global supply chain solutions 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 September 30	
	1999	1998
REVENUES		
Con-Way Transportation Services	\$ 490,658	\$ 438,595
Emery Worldwide	617,316	556,176
Menlo Logistics	178,682	162,460
Other	121,735	125,279
	<u>\$ 1,408,391</u>	<u>\$1,282,510</u>
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 56,938	\$ 50,666
Emery Worldwide	22,551	21,599
Menlo Logistics	6,298	5,571
Other	(19)	11,207
	<u>85,768</u>	<u>89,043</u>
OTHER EXPENSE, NET	<u>7,566</u>	<u>9,816</u>
Income before income taxes	78,202	79,227
Income taxes	34,018	35,257
Net income	<u>44,184</u>	<u>43,970</u>
Preferred stock dividends	<u>2,037</u>	<u>2,031</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 42,147</u>	<u>\$ 41,939</u>
Average Common Shares Outstanding		
Basic	48,306,902	47,698,568
Diluted (1)	56,032,549	55,636,785
EARNINGS PER COMMON SHARE		
Basic	<u>\$ 0.87</u>	<u>\$ 0.88</u>
Diluted (1)	<u>\$ 0.77</u>	<u>\$ 0.78</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)

	Nine Months Ended September 30	
	1999	1998
REVENUES		
Con-Way Transportation Services	\$ 1,387,584	\$1,256,818
Emery Worldwide	1,732,591	1,604,535
Menlo Logistics	520,844	431,103
Other	384,332	279,574
	<u>\$ 4,025,351</u>	<u>\$3,572,030</u>
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 171,715	\$ 155,157
Emery Worldwide	43,527	51,325
Menlo Logistics	16,127	14,369
Other	32,328	(3,000)
	<u>263,697</u>	<u>217,851</u>
OTHER EXPENSE, NET	<u>24,291</u>	<u>30,014</u>
Income before income taxes	239,406	187,837
Income taxes	104,142	83,588
Net income	<u>135,264</u>	<u>104,249</u>
Preferred stock dividends	<u>6,125</u>	<u>6,078</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 129,139</u>	<u>\$ 98,171</u>
Average Common Shares Outstanding		
Basic	48,131,556	47,607,124
Diluted (1)	55,908,199	55,652,417
EARNINGS PER COMMON SHARE		
Basic	<u>\$ 2.68</u>	<u>\$ 2.06</u>
Diluted (1)	<u>\$ 2.38</u>	<u>\$ 1.83</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)

	September 30, 1999	December 31, 1998
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ASSETS		
Current assets	\$ 1,167,024	\$ 1,100,361
Property, plant and equipment, net	1,089,319	984,476
Other assets	645,617	604,575
Total Assets	<u>\$ 2,901,960</u>	<u>\$ 2,689,412</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 945,492	\$ 900,630
Long-term debt and guarantees	433,457	467,635
Other long-term liabilities and deferred credits	487,943	419,792
Preferred stock - Subsidiary Trust	125,000	125,000
Shareholders' equity	910,068	776,355
Total Liabilities and Shareholders' Equity	<u>\$ 2,901,960</u>	<u>\$ 2,689,412</u>