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**CNF TRANSPORTATION INC. REPORTS
RECORD EARNINGS FOR 1998;
NET INCOME UP 16 PERCENT**

PALO ALTO, CALIFORNIA -- January 25, 1999 -- CNF Transportation Inc. today reported record 1998 net income for common shareholders of \$130.8 million, or \$2.74 per share (\$2.45 diluted), a 16 percent increase from earnings of \$113.0 million, or \$2.44 per share (\$2.19 diluted) in 1997.

The company also reported record revenue for 1998 of \$4.94 billion, up 16 percent over 1997, and record operating income of \$290.5 million, 10 percent higher than 1997's \$264.9 million.

The effective tax rate for the year was 44.5 percent.

In the fourth quarter, the company reported net income for common shareholders of \$32.6 million, or 68 cents per share (61 cents diluted), compared with net income for common shareholders in the same period a year ago of \$27.3 million, or 58 cents per share (51 cents diluted).

Revenues in the quarter were \$1.37 billion, up 15 percent from the fourth quarter of 1997, while operating income was up 10 percent to \$72.7 million.

"CNF's overall performance was very satisfactory in 1998, with the company continuing on a well-managed pace of growth," said Gregory L. Quesnel, president and chief executive officer. "Con-Way was our standout all year long, by posting exceptional results and further distancing itself from competitors with its premium services. Menlo Logistics also is demonstrating its industry leadership by profitably making some of the world's most complex supply chains more efficient. Emery's results are disappointing. I am encouraged though that its costs are coming down in line with present business levels."

Con-Way Transportation Services, the company's regional LTL carrier and truckload operator, had record fourth-quarter operating income of \$51.8 million. For 1998, operating income was a record \$206.9 million, up 41 percent from 1997.

Con-Way's revenues were \$427.2 million in the fourth quarter, up 11 percent from \$385.4 million in the same period a year ago. Revenues for 1998 were a record \$1.68 billion, up 14 percent compared with 1997.

Total Con-Way regional carrier tonnage increased 3.1 percent in the fourth quarter while LTL tonnage rose 4.1 percent. For the year, total tonnage increased 6.2 percent and LTL tonnage increased 6.6 percent.

"Con-Way's performance continues to be exceptional, and its introduction of Con-Way Integrated Services, a new multi-client warehouse management business, will help to broaden its reach with new and existing customers," said Quesnel. "All Con-Way employees are to be commended for this superior year."

Emery Worldwide reported fourth quarter operating income of \$13.0 million, down 65 percent from the same quarter a year ago. For 1998, Emery recorded operating income of \$64.3 million, down 44 percent from 1997.

Revenues in the fourth quarter for Emery decreased 4 percent to \$598.9 million. For 1998, Emery revenues were \$2.20 billion, down 2 percent.

"The slowdown of economies around the world, increased ground-based competition and deliberate purging of unprofitable accounts have affected both Emery's international and domestic volumes," said Quesnel. "In response, Emery is improving service and investing in new guaranteed products, improving yields and controlling costs."

North American air freight revenue decreased 11 percent in the fourth quarter and international air freight revenue decreased 10 percent. North American air freight tonnage decreased 12 percent in the quarter while international tonnage decreased 10 percent. For 1998, North American air freight revenue decreased 10 percent and international air freight revenue decreased 5 percent. North American tonnage decreased 8 percent in 1998 while international tonnage decreased 1 percent.

Results of **Menlo Logistics** were formerly reported under "Other" operations, but starting with this earnings report it will be a new segment. For Menlo, operating income in the fourth quarter was \$5.1 million, up 15 percent from the same quarter a year ago. Operating income for the year was \$19.5 million, up 13 percent. Revenue in the fourth quarter was \$155.7 million, up 23 percent. For the year, Menlo revenue was \$586.8 million, a 29 percent increase over 1997.

"Menlo serves many of the world's leading technology companies and has emerged as a high-tech company with its own advanced systems. Its strategy of customizing logistics solutions for the world's most complex supply chains has been the right course for it to take," said Quesnel.

The “Other” operations consist primarily of the results of the Priority Mail contract, and include Road Systems and VantageParts. Operating income for the fourth quarter of \$2.8 million compared with a loss of \$12.7 million in the same quarter last year, which included start-up expenses for the \$1.7-billion Priority Mail contract. The “Other” segment revenues in the fourth quarter were \$187.6 million, compared with \$58.7 million in the prior year, reflecting full operations of the Priority Mail contract. “Other” revenues for the full year were \$467.2 million, compared with \$88.1 million in 1997. “Other” operations had an operating loss of \$185,000, compared with a loss of \$13.4 million in 1997.

The Priority Mail contract had operating income of \$2.0 million in the fourth quarter on revenues of \$169.4 million. For the full year, the Priority Mail operating loss was \$3.0 million on revenues of \$410.8 million. Priority Mail contract results as reported in “Other” include expected cost recoveries in accordance with the contractual arrangements for the operation.

“Although we fell short of our goal of achieving profitability with Priority Mail for 1998, we remain enthusiastic regarding the full potential of this large project. With the complete Phase 1 network now operating, and with a year of experience under our belt, we expect better financial performance,” said Quesnel.

CNF Transportation is a diversified holding company with businesses in regional trucking, domestic and international air freight, global logistics management, trailer manufacturing and wholesale truck parts 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 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 December 31	
	1998	1997 (2)
REVENUES		
Con-Way Transportation Services	\$ 427,173	\$ 385,350
Emery Worldwide	598,939	623,461
Menlo Logistics	155,732	126,761
Other	187,616	58,676
	<u>\$ 1,369,460</u>	<u>\$1,194,248</u>
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 51,788	\$ 37,438
Emery Worldwide	12,974	36,659
Menlo Logistics	5,090	4,428
Other	2,815	(12,739)
	<u>72,667</u>	<u>65,786</u>
OTHER EXPENSE, NET	<u>10,093</u>	<u>11,914</u>
Income before income taxes	62,574	53,872
Income taxes	27,845	24,561
Net income	<u>34,729</u>	<u>29,311</u>
Preferred stock dividends	<u>2,091</u>	<u>2,025</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 32,638</u>	<u>\$ 27,286</u>
Average Common Shares Outstanding		
Basic	47,815,891	47,068,269
Diluted (1)	55,430,553	55,614,216
Earnings per Common Share		
Basic	<u>\$ 0.68</u>	<u>\$ 0.58</u>
Diluted (1)	<u>\$ 0.61</u>	<u>\$ 0.51</u>

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

(2) Certain amounts in the prior year have been reclassified in connection with the adoption of SFAS 131, Disclosures about Segments of an Enterprise and Related Information.

CNF TRANSPORTATION INC.

CONDENSED STATEMENTS OF CONSOLIDATED INCOME

(Dollars in thousands except per share amounts)

	Years Ended December 31	
	1998	1997 (2)
REVENUES		
Con-Way Transportation Services	\$ 1,683,991	\$1,473,188
Emery Worldwide	2,203,474	2,249,594
Menlo Logistics	586,835	455,892
Other	467,190	88,127
	<u>\$ 4,941,490</u>	<u>\$4,266,801</u>
OPERATING INCOME (LOSS)		
Con-Way Transportation Services	\$ 206,945	\$ 147,155
Emery Worldwide	64,299	113,963
Menlo Logistics	19,459	17,178
Other	(185)	(13,429)
	<u>290,518</u>	<u>264,867</u>
OTHER EXPENSE, NET	<u>40,107</u>	<u>43,053</u>
Income before income taxes	250,411	221,814
Income taxes	111,433	100,925
Net income	<u>138,978</u>	<u>120,889</u>
Preferred stock dividends	<u>8,169</u>	<u>7,886</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 130,809</u>	<u>\$ 113,003</u>
Average Common Shares Outstanding		
Basic	47,659,745	46,236,688
Diluted (1)	55,514,318	53,077,468
Earnings per Common Share		
Basic	<u>\$ 2.74</u>	<u>\$ 2.44</u>
Diluted (1)	<u>\$ 2.45</u>	<u>\$ 2.19</u>

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

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

	December 31, 1998	December 31, 1997
ASSETS		
Current assets	\$ 1,100,361	\$ 1,009,387
Property, plant and equipment, net	984,476	879,842
Other assets	604,575	532,267
Total Assets	\$ 2,689,412	\$ 2,421,496
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	\$ 907,482	\$ 806,138
Long-term debt and guarantees	467,635	473,488
Other long-term liabilities and deferred credits	412,940	358,767
Preferred stock - Subsidiary Trust	125,000	125,000
Shareholders' equity	776,355	658,103
Total Liabilities and Shareholders' Equity	\$ 2,689,412	\$ 2,421,496