UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from N/A to N/A

COMMISSION FILE NUMBER 1-5046

Con-way Inc.

Incorporated in the State of Delaware
I.R.S. Employer Identification No. 94-1444798

2855 Campus Drive, Suite 300, San Mateo, California 94403
Telephone Number (650) 378-5200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Number of shares of Common Stock, $.625 par value,
outstanding as of July 31, 2007: 45,113,411

CON-WAY INC.
FORM 10-Q
Quarter Ended June 30, 2007

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CON-WAY INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

ASSETS	**June 30, 2007**	**December 31, 2006**
Current Assets		
Cash and cash equivalents	$ 345,373	$ 260,039
Marketable securities	197,550	184,525
Trade accounts receivable, net	467,064	439,727
Other accounts receivable	22,339	107,520
Operating supplies, at lower of average cost or market	24,849	19,223
Prepaid expenses	35,270	34,445
Deferred income taxes	42,926	43,107
Assets of discontinued operations	2,057	1,898
Total Current Assets	1,137,428	1,090,484
Property, Plant and Equipment, at cost		
Land	159,308	159,506
Buildings and leasehold improvements	708,230	688,644
Revenue equipment	947,698	970,290
Other equipment	249,071	239,244
	2,064,307	2,057,684
Accumulated depreciation and amortization	(970,498)	(939,709)
	1,093,809	1,117,975
Other Assets		
Deferred charges and other assets	27,932	26,621
Capitalized software, net	32,517	34,831
Deferred income taxes	22,601	31,978
	83,050	93,430
Total Assets	$ 2,314,287	$ 2,301,889

The accompanying notes are an integral part of these statements.

CON-WAY INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands except per share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2007	December 31, 2006
Current Liabilities		
Accounts payable	$ 255,956	$ 240,870
Accrued liabilities	248,214	202,923
Income taxes payable	6,839	-
Self-insurance accruals	98,079	92,372
Current maturities of long-term debt	22,722	18,635
Liabilities of discontinued operations	3,957	5,002
Total Current Liabilities	635,767	559,802
Long-Term Liabilities		
Long-term debt and guarantees	532,357	557,723
Self-insurance accruals	114,235	114,431
Employee benefits	264,183	314,559
Other liabilities and deferred credits	21,034	14,595
Total Liabilities	1,567,576	1,561,110
Commitments and Contingencies (Notes 2 and 11)		
Shareholders' Equity		
Preferred stock, no par value; authorized 5,000,000 shares: Series B, 8.5% cumulative, convertible, $.01 stated value; designated 1,100,000 shares; issued 579,659 and 603,816 shares, respectively	6	6
Additional paid-in capital, preferred stock	88,160	91,834
Deferred compensation, defined contribution plan	(26,404)	(31,491)
Total Preferred Shareholders' Equity	61,762	60,349
Common stock, $.625 par value; authorized 100,000,000 shares; issued 61,878,378 and 61,616,649 shares, respectively	38,586	38,434
Additional paid-in capital, common stock	561,640	549,267
Retained earnings	909,106	847,068
Cost of repurchased common stock (16,786,703 and 15,168,447 shares, respectively)	(724,341)	(638,929)
Total Common Shareholders' Equity	784,991	795,840
Accumulated Other Comprehensive Loss	(100,042)	(115,410)
Total Shareholders' Equity	746,711	740,779
Total Liabilities and Shareholders' Equity	$ 2,314,287	$ 2,301,889

The accompanying notes are an integral part of these statements.

CON-WAY INC.
STATEMENTS OF CONSOLIDATED INCOME
(Unaudited)
(Dollars in thousands except per share amounts)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues	$ 1,073,717	$ 1,100,052	$ 2,075,908	$ 2,146,044
Costs and Expenses				
Salaries, wages and other employee benefits	461,202	440,032	901,204	870,794
Purchased transportation	269,531	301,867	526,390	604,983
Depreciation and amortization	37,067	35,235	74,130	70,627
Maintenance	28,545	27,226	53,805	53,129
Rents and leases	18,699	19,538	36,933	39,242
Purchased labor	14,652	16,724	29,811	31,569
Other operating expenses	166,400	152,262	317,642	294,818
Loss (Income) from equity investment	-	(4,665)	2,699	(8,859)
	996,096	988,219	1,942,614	1,956,303
Operating Income	77,621	111,833	133,294	189,741
Other Income (Expense)				
Investment income	5,854	6,680	11,302	13,622
Interest expense	(8,773)	(8,317)	(17,324)	(16,465)
Miscellaneous, net	418	174	193	656
	(2,501)	(1,463)	(5,829)	(2,187)
Income from Continuing Operations before Income Tax Provision	75,120	110,370	127,465	187,554
Income Tax Provision	25,670	34,418	47,296	63,609
Income from Continuing Operations	49,450	75,952	80,169	123,945
Discontinued Operations, net of tax				
Loss from Discontinued Operations	-	(1,176)	-	(1,929)
Gain (Loss) from Disposal	(1,310)	(4,044)	1,609	(4,850)
	(1,310)	(5,220)	1,609	(6,779)
Net Income	48,140	70,732	81,778	117,166
Preferred Stock Dividends	1,765	1,808	3,479	3,571
Net Income Available to Common Shareholders	$ 46,375	$ 68,924	$ 78,299	$ 113,595
Net Income From Continuing Operations Available to Common Shareholders	$ 47,685	$ 74,144	$ 76,690	$ 120,374
Weighted-Average Common Shares Outstanding				
Basic	45,286,315	49,676,912	45,636,617	50,793,078
Diluted	48,415,928	53,104,005	48,757,823	54,228,769
Earnings (Loss) per Common Share				
Basic				
Net Income from Continuing Operations	$ 1.05	$ 1.49	$ 1.68	$ 2.37
Loss from Discontinued Operations	-	(0.02)	-	(0.04)
Gain (Loss) from Disposal	(0.03)	(0.08)	0.04	(0.09)
Net Income Available to Common Shareholders	$ 1.02	$ 1.39	$ 1.72	$ 2.24
Diluted				
Net Income from Continuing Operations	$ 0.99	$ 1.40	$ 1.58	$ 2.23
Loss from Discontinued Operations	-	(0.02)	-	(0.04)
Gain (Loss) from Disposal	(0.03)	(0.08)	0.04	(0.09)
Net Income Available to Common Shareholders	$ 0.96	$ 1.30	$ 1.62	$ 2.10

The accompanying notes are an integral part of these statements.

CON-WAY INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash and Cash Equivalents, Beginning of Period	$ 260,039	$ 514,275
Operating Activities		
Net income	81,778	117,166
Adjustments to reconcile net income to net cash provided by operating activities:		
Discontinued operations, net of tax	(1,609)	6,779
Depreciation and amortization, net of accretion	71,741	68,404
Increase in deferred income taxes	8,933	5,991
Amortization of deferred compensation	5,087	4,569
Share-based compensation	5,350	3,485
Provision for uncollectible accounts	1,455	1,251
Loss (Income) from equity investment	2,699	(8,859)
Gain from sales of property and equipment, net	(1,136)	(1,197)
Changes in assets and liabilities:		
Receivables	(29,961)	18,122
Prepaid expenses	(825)	(2,629)
Accounts payable	10,698	9,389
Accrued incentive compensation	750	944
Accrued liabilities, excluding accrued incentive compensation and employee benefits	22,076	19,894
Self-insurance accruals	5,511	2,828
Income taxes	37,604	23,276
Employee benefits	(8,717)	(5,667)
Deferred charges and credits	2,016	13,938
Other	(5,400)	(8,489)
Net Cash Provided by Operating Activities	208,050	269,195
Investing Activities		
Capital expenditures	(57,407)	(164,215)
Software expenditures	(4,217)	(6,252)
Proceeds from sales of property and equipment, net	10,223	4,050
Proceeds from sale of equity investment	51,900	-
Net increase in marketable securities	(13,025)	(13,124)
Net Cash Used in Investing Activities	(12,526)	(179,541)
Financing Activities		
Repayment of long-term debt and guarantees	(18,617)	(15,016)
Proceeds from exercise of stock options	6,868	11,749
Excess tax benefit from stock option exercises	567	2,229
Payments of common dividends	(9,164)	(10,223)
Payments of preferred dividends	(4,027)	(4,311)
Repurchases of common stock	(89,865)	(261,783)
Net Cash Used in Financing Activities	(114,238)	(277,355)
Net Cash Provided by (Used in) Continuing Operations	81,286	(187,701)
Discontinued Operations		
Net Cash Provided by (Used in) Operating Activities	4,048	(12,492)
Net Cash Used in Investing Activities	-	(178)
Net Cash Provided by (Used in) Discontinued Operations	4,048	(12,670)
Increase (Decrease) in Cash and Cash Equivalents	85,334	(200,371)
Cash and Cash Equivalents, End of Period	$ 345,373	$ 313,904
Supplemental Disclosure		
Cash paid for income taxes, net of refunds	$ 488	$ 30,188
Cash paid for interest, net of amounts capitalized	$ 19,740	$ 20,597

The accompanying notes are an integral part of these statements.

CON-WAY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Principal Accounting Policies

Organization

The term “Con-way” or “Company” refers to Con-way Inc. and its subsidiaries. Con-way provides transportation and logistics services for a wide range of manufacturing, industrial, and retail customers. For financial reporting purposes, Con-way is divided into four reporting segments: Con-way Freight and Transportation, Menlo Logistics, Vector and Con-way Other. Con-way Freight and Transportation primarily provides regional next-day, second-day, and transcontinental less-than-truckload freight transportation throughout the U.S., and in Canada, Puerto Rico and Mexico, as well as asset-based regional and transcontinental full-truckload services. Menlo Logistics develops contract logistics solutions, including the management of complex distribution networks and supply-chain engineering and consulting, and also provides domestic brokerage services. Vector served as the lead logistics manager for General Motors ("GM") prior to GM's exercise of its call right to purchase Con-way's membership interest in Vector on June 23, 2006, as more fully discussed in Note 3, “Sale of Unconsolidated Joint Venture.” Certain corporate activities are reported in the Con-way Other reporting segment.

Basis of Presentation

Pursuant to the rules and regulations of the Securities and Exchange Commission, the accompanying consolidated financial statements of Con-way Inc. and its wholly owned subsidiaries have been prepared by Con-way, without audit by an independent registered public accounting firm. In the opinion of management, the consolidated financial statements include all normal recurring adjustments necessary to present fairly the information required to be set forth therein. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, should be read in conjunction with the consolidated financial statements included in Con-way's 2006 Annual Report on Form 10-K. Results for the periods presented are not necessarily indicative of annual results.

Earnings per Share ("EPS")

Basic EPS is computed by dividing reported earnings (loss) by the weighted-average common shares outstanding. Diluted EPS is calculated as follows:

(Dollars in thousands except per share data)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Numerator:				
Continuing operations (after preferred stock dividends), as reported	$ 47,685	$ 74,144	$ 76,690	$ 120,374
Add-backs:				
Dividends on Series B preferred stock, net of replacement funding	284	290	533	545
Continuing operations	47,969	74,434	77,223	120,919
Discontinued operations	(1,310)	(5,220)	1,609	(6,779)
Available to common shareholders	$ 46,659	$ 69,214	$ 78,832	$ 114,140
Denominator:				
Weighted-average common shares outstanding	45,286,315	49,676,912	45,636,617	50,793,078
Stock options and nonvested stock	400,583	494,347	392,176	502,945
Series B preferred stock	2,729,030	2,932,746	2,729,030	2,932,746
	48,415,928	53,104,005	48,757,823	54,228,769
Anti-dilutive stock options not included in denominator	851,899	321,700	878,399	325,700
Earnings (Loss) per Diluted Share:				
Continuing operations	$ 0.99	$ 1.40	$ 1.58	$ 2.23
Discontinued operations	(0.03)	(0.10)	0.04	(0.13)
Available to common shareholders	$ 0.96	$ 1.30	$ 1.62	$ 2.10

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair-value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair-value measurements and does not require any new fair-value measurements. The effective date of SFAS 157 is the first fiscal year beginning after November 15, 2007, and interim periods within those years, which for Con-way is the first quarter of 2008. Con-way does not expect the adoption of SFAS 157 to have a material effect on its financial statements.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair-value option has been elected will be reported in earnings. The effective date for SFAS 159 is the first fiscal year beginning after November 15, 2007, which for Con-way is the first quarter of 2008. Con-way is currently evaluating the elective option under SFAS 159, but does not expect that adoption will have a material effect on its financial statements.

Reclassification

Certain amounts in the prior-period financial statements have been reclassified to conform to the current-period presentation.

2. Discontinued Operations

Discontinued operations in the periods presented relate to (1) the closure of Con-way Forwarding in June 2006, (2) the sale of Menlo Worldwide Forwarding, Inc. and its subsidiaries and Menlo Worldwide Expedite!, Inc. (collectively "MWF") in December 2004, (3) the shut-down of Emery Worldwide Airlines, Inc. ("EWA") in December 2001, and (4) the spin-off of Consolidated Freightways Corporation ("CFC") in December 1996. The results of operations, net liabilities, and cash flows of discontinued operations have been segregated from continuing operations, except where otherwise noted.

Results of discontinued operations are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2007	2006	2007	2006
Revenues				
Con-way Forwarding	$ -	$ 9,544	$ -	$ 21,699
Loss from Discontinued Operations				
Con-way Forwarding				
Loss before income tax benefit	-	(1,493)	-	(2,963)
Income tax benefit	-	317	-	1,034
	$ -	$ (1,176)	$ -	$ (1,929)
Gain (Loss) from Disposal, net of tax				
Con-way Forwarding	$ 156	$ (5,128)	$ 156	$ (5,128)
MWF	(60)	1,025	(33)	644
EWA	(186)	225	2,706	(200)
CFC	(1,220)	(166)	(1,220)	(166)
	$ (1,310)	$ (4,044)	$ 1,609	$ (4,850)

The assets and liabilities of discontinued operations are presented in the consolidated balance sheets under the assets (or liabilities) of discontinued operations. At June 30, 2007 and December 31, 2006, assets of discontinued operations were $2.1 million and $1.9 million, respectively, and liabilities of discontinued operations were $4.0 million and $5.0 million, respectively.

Con-way Forwarding

In June 2006, Con-way closed the operations of its domestic air freight forwarding business known as Con-way Forwarding. The decision to close the operating unit was made following management's detailed review of the unit's competitive position and its prospects in relation to Con-way's long-term strategies. As a result of the closure, Con-way in 2006 recognized net losses of $4.2 million (net of $3.0 million of tax benefits), consisting primarily of a $5.1 million second-quarter loss (net of a $2.8 million tax benefit) for the write-off of non-transferable capitalized software and other assets, a loss related to non-cancelable operating leases, and other costs.

MWF

In October 2004, Con-way and Menlo Worldwide, LLC ("MW") entered into a stock purchase agreement with United Parcel Service, Inc. ("UPS") to sell all of the issued and outstanding capital stock of MWF. Con-way completed the sale in December 2004. The stock purchase agreement excludes the assets and liabilities related to EWA, and the obligation related to former MWF employees covered under Con-way's domestic pension, postretirement medical and long-term disability plans. Under the stock purchase agreement, Con-way has agreed to a three-year non-compete covenant that, subject to certain exceptions, will limit Con-way's annual air freight and ocean forwarding and/or customs brokerage revenues to $175 million through December 19, 2007. Con-way has also agreed to indemnify UPS against certain losses that UPS may incur after the closing of the sale with certain limitations. Any losses related to these indemnification obligations or any other costs, including any future cash expenditures, related to the sale that have not been estimated and recognized will be recognized in future periods as an additional loss from disposal when and if incurred.

See Note 2, "Discontinued Operations," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2006 Annual Report on Form 10-K for a complete description of the disposition of MWF, including a discussion of losses from impairment and disposal of MWF and of cash payments received from UPS in connection with the sale of MWF. As more fully discussed in Note 9, "Income Taxes," Con-way's disposal of MWF generated a capital loss for tax purposes.

EWA

The results of EWA relate to the cessation of its air-carrier operations in 2001. In the periods presented, results from EWA relate to adjustments of loss estimates, except for a first-quarter net gain in 2007 of $2.9 million (net of tax of $1.7 million) that relates to a recovery of prior losses. EWA's estimated loss reserves declined to $3.4 million at June 30, 2007, from $4.0 million at December 31, 2006, due primarily to the cash payment of liabilities. EWA's remaining loss reserves at June 30, 2007 were reported in liabilities of discontinued operations and consisted of Con-way's estimated remaining exposure related to the labor matters described below.

In connection with the cessation of its air-carrier operations in 2001, EWA terminated the employment of all of its pilots and flight crewmembers. Those pilots and crewmembers were represented by the Air Line Pilots Association ("ALPA") under a collective bargaining agreement. Subsequently, ALPA filed grievances on behalf of the pilots and flight crewmembers protesting the cessation of EWA's air-carrier operations and MWF's use of other air carriers. These matters have been the subject of litigation in U.S. District Court and state court in California, including litigation brought by ALPA and by former EWA pilots and crewmembers no longer represented by ALPA. On June 30, 2006, EWA, for itself and for Con-way Inc. and Menlo Worldwide Forwarding, Inc. ("MWF, Inc."), concluded a final settlement of the California state court litigation. Under the terms of the settlement, plaintiffs received a cash payment of $9.2 million from EWA, and the lawsuit was dismissed with prejudice. The cash settlement reduced by an equal amount EWA's estimated loss reserve applicable to the grievances filed by ALPA. On August 8, 2006, EWA paid $10.9 million to settle the litigation brought by ALPA that finally concluded litigation with former EWA pilots and flight crewmembers still represented by ALPA as of that date. The remaining matters are also the subject of a claim by former EWA pilots and flight crewmembers no longer represented by ALPA that has been ordered by the court to binding arbitration. Other former pilots have also initiated litigation in federal court. Based on management's current evaluation, Con-way believes that it has provided for its estimated remaining exposure related to these matters. However, there can be no assurance in this regard as Con-way cannot predict with certainty the ultimate outcome of these matters.

CFC

The results of CFC relate to Con-way's spin-off of CFC to Con-way's shareholders on December 2, 1996. In connection with the spin-off of CFC, Con-way agreed to indemnify certain states, insurance companies and sureties against the failure of CFC to pay certain workers' compensation, tax and public liability claims that were pending as of September 30, 1996. In the periods presented, Con-way's losses related to CFC were due to revisions of estimated losses related to indemnified workers' compensation liabilities.

3. Sale of Unconsolidated Joint Venture

Vector SCM, LLC ("Vector") was a joint venture formed with GM in December 2000 for the purpose of providing logistics management services on a global basis for GM, and for customers in addition to GM.

GM Exercise of Call Right

On June 23, 2006, GM exercised its right to purchase Con-way's membership interest in Vector. On December 11, 2006, an independent financial advisor established a fair value for Vector that was agreed upon by Con-way and GM. The advisor established a fair value of $96.4 million for the membership interests of both joint-venture partners, including a fair value of $84.8 million that was attributable to Con-way's membership interest in Vector.

As a result of the agreed-upon valuation, Con-way in December 2006 recognized a receivable from GM of $51.9 million (an amount equal to the $84.8 million fair value of Con-way's membership interest reduced by Con-way's $32.9 million payable to Vector) and also recognized a $41.0 million gain (an amount equal to the $51.9 million receivable reduced by Con-way's $9.0 million net investment in Vector and $1.9 million of sale-related costs). In January 2007, Con-way received a $51.9 million payment from GM.

Operating Results from Vector

Although Con-way owned a majority interest in Vector, Con-way's portion of Vector's operating results were reported as an equity-method investment based on GM's ability to control certain operating decisions. Prior to the sale of Vector, Con-way's proportionate share of the net income from Vector is reported in Con-way's statements of consolidated income as a reduction of operating expenses.

Except for the sale-related gain described above, Vector's segment results subsequent to June 30, 2006 included only profit or loss associated with the settlement of business-case activity related to the periods prior to June 30, 2006. In connection with these business cases, Con-way at December 31, 2006 reported a $2.7 million receivable from GM. Following negotiation with GM in the first quarter of 2007, the business-case receivable due from GM could not be collected, and accordingly, a $2.7 million charge was recognized in the Vector reporting segment to write off the outstanding receivable from GM.

Transition and Related Services

Pursuant to a closing agreement, GM and Con-way specified the transition services, primarily accounting assistance, and the compensation amounts for such services, to be provided to GM through the transition period ended March 23, 2007. In addition, GM and Con-way entered into an agreement for Con-way to provide certain information-technology support services at an agreed-upon compensation through at least March 31, 2008. Under these agreements, Menlo Logistics reported revenue of $2.8 million in the second quarter and $5.6 million in the first half of 2007, primarily for information-technology services provided to GM.

See Note 3, "Investment in Unconsolidated Joint Venture," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2006 Annual Report on Form 10-K for a complete description of Vector, including a discussion of Con-way's net investment in Vector and other sale-related amounts.

4. Segment Reporting

Con-way discloses segment information in the manner in which the components are organized for making operating decisions, assessing performance and allocating resources. Management evaluates segment performance primarily based on revenue and operating income (loss). Accordingly, interest expense, investment income and other non-operating items are not reported in segment results. Corporate expenses are generally allocated based on measurable services provided to each segment, or for general corporate expenses, based on segment revenue and capital employed. Inter-segment revenue and related operating income have been eliminated to reconcile to consolidated revenue and operating income.

For financial reporting purposes, Con-way is divided into four reporting segments: Con-way Freight and Transportation, Menlo Logistics, Vector and Con-way Other. Vector served as the lead logistics manager for GM prior to GM's exercise of its call right to purchase Con-way's membership interest in Vector on June 23, 2006. In December 2006, Con-way recognized the sale to GM of Con-way's membership interest in Vector. The sale of Vector did not qualify as a discontinued operation due to its classification as an equity-method investment, and accordingly, Vector's income or losses are reported in net income from continuing operations. Effective January 1, 2007, the operating results of Vector are reported separately as a single reporting segment and are excluded from the results of the Menlo Logistics reporting segment. Segment reporting disclosures have been reclassified for all periods presented.

(Dollars in thousands)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues from External Customers				
Con-way Freight and Transportation	$ 749,808	$ 754,353	$ 1,431,518	$ 1,450,483
Menlo Logistics	323,909	345,699	644,390	695,561
	$ 1,073,717	$ 1,100,052	$ 2,075,908	$ 2,146,044
Inter-segment Revenues				
Con-way Freight and Transportation	$ 11,738	$ 22,420	$ 25,540	$ 45,629
Menlo Logistics	123	226	240	226
	$ 11,861	$ 22,646	$ 25,780	$ 45,855
Revenues before Inter-segment Eliminations				
Con-way Freight and Transportation	$ 761,546	$ 776,773	$ 1,457,058	$ 1,496,112
Menlo Logistics	324,032	345,925	644,630	695,787
Inter-segment Revenue Eliminations	(11,861)	(22,646)	(25,780)	(45,855)
	$ 1,073,717	$ 1,100,052	$ 2,075,908	$ 2,146,044
Operating Income (Loss)				
Con-way Freight and Transportation	$ 70,328	$ 102,276	$ 124,203	$ 169,079
Menlo Logistics	6,935	6,093	13,471	12,278
Vector	--	4,665	(2,699)	8,859
Con-way Other	358	(1,201)	(1,681)	(475)
	$ 77,621	$ 111,833	$ 133,294	$ 189,741

5. Employee Benefit Plans

In the periods presented, employees of Con-way and its subsidiaries in the U.S. were covered under several retirement benefit plans, including defined benefit pension plans, a defined contribution retirement plan, and a postretirement medical plan. Con-way's defined benefit pension plans include "qualified" plans that are eligible for certain beneficial treatment under the Internal Revenue Code ("IRC"), as well as "non-qualified" plans that do not meet IRC criteria.

In October 2006, Con-way's Board of Directors approved changes to Con-way's retirement benefit plans that are intended to preserve the retirement benefits earned by existing employees under Con-way's primary qualified defined benefit pension plan (the "Primary DB Plan") and its primary non-qualified supplemental defined benefit pension plan (the "Supplemental DB Plan") while expanding benefits earned under its defined contribution plan (the "Primary DC Plan") and its new supplemental defined contribution plan (the "Supplemental DC Plan"). The major provisions were effective January 1, 2007, and are more fully discussed in Note 9, "Employee Benefit Plans," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2006 Annual Report on Form 10-K.

Defined Benefit Pension Plans

Con-way's qualified defined benefit pension plans (collectively, the "Qualified Pension Plans") consist mostly of the Primary DB Plan, which covers the non-contractual employees and former employees of Con-way's continuing operations as well as former employees of its discontinued operations. Con-way's other qualified defined benefit pension plans cover only the former employees of discontinued operations.

Con-way also sponsors the Supplemental DB Plan and several other unfunded non-qualified defined benefit plans (collectively, the "Non-Qualified Pension Plans"). The Supplemental DB Plan provides additional benefits for certain employees who are affected by IRC limitations on compensation eligible for benefits available under the qualified Primary DB Plan.

Adoption of SFAS 158 – Measurement-Date Provision

Effective January 1, 2007, Con-way adopted the measurement-date provisions of SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of SFAS 87, 88, 106, and 132R," which require employers to measure plan assets and obligations as of the end of the fiscal year. Accordingly, Con-way changed its measurement date to December 31 from November 30 for all of its defined benefit pension plans. Under the transition provisions of SFAS 158, Con-way recognized a $21.3 million decrease in plan-related employee benefit liabilities, an $8.3 million decline in related deferred tax assets, and a $13.0 million increase in shareholders' equity. The beginning-of-period increase to shareholders' equity consisted of a $2.6 million decline in retained earnings to recognize pension cost for December 2006 and a $15.6 million decline in accumulated other comprehensive loss primarily to recognize the effect of an increase in the plan-related discount rate to 5.95% at December 31, 2006 from 5.85% at November 30, 2006.

Net Periodic Pension Expense (Income)

The following tables summarize the components of net periodic benefit expense (income) for Con-way's defined benefit pension plans:

	Qualified Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2007	2006	2007	2006
Service cost – benefits earned during the period	$ 15	$ 13,685	$ 55	$ 27,095
Interest cost on benefit obligation	17,143	14,453	34,192	28,614
Expected return on plan assets	(25,205)	(17,695)	(48,472)	(35,033)
Net amortization and deferral	(1,280)	2,019	(1,614)	3,997
Net periodic benefit expense (income)	$ (9,327)	$ 12,462	$ (15,839)	$ 24,673

	Non-Qualified Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2007	2006	2007	2006
Service cost – benefits earned during the period	$ --	$ 201	$ --	$ 411
Interest cost on benefit obligation	1,111	1,068	2,310	2,188
Net amortization and deferral	517	566	1,095	1,159
Net periodic benefit expense	$ 1,628	$ 1,835	$ 3,405	$ 3,758

In April 2007, Con-way contributed $12.7 million to the Qualified Pension Plans. Con-way does not currently anticipate making any further contributions to the plans in 2007.

Defined Contribution Retirement Plan

Effective January 1, 2007, amendments to Con-way's Primary DC Plan increased the contributions made by Con-way to its employees' 401(k) accounts. Con-way doubled its discretionary matching contributions under the Primary DC Plan to 50% of the first 6 percent of employees' eligible compensation (from 50% of the first 3 percent of eligible compensation) and now makes additional contributions to employees' 401(k) accounts based on years of service. As a result, Con-way's expense related to its contributions under the Primary DC Plan was $23.0 million and $44.1 million in the second quarter and first half of 2007, respectively, compared to $3.6 million and $7.4 million in the same periods of 2006. At June 30, 2007 and December 31, 2006, Con-way had recognized accrued liabilities of $20.0 million and $1.4 million, respectively, for its contributions related to the Primary DC Plan.

Postretirement Medical Plan

The following table summarizes the components of net periodic benefit expense for the postretirement medical plan:

(Dollars in thousands)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Service cost – benefits earned during the period	$ 829	$ 540	$ 1,410	$ 1,068
Interest cost on benefit obligation	1,743	1,752	3,538	3,301
Net amortization and deferral	741	620	1,241	1,136
Net periodic benefit expense	$ 3,313	$ 2,912	$ 6,189	$ 5,505

6. Comprehensive Income

Comprehensive income, which is a measure of all changes in equity except those resulting from investments by owners and distributions to owners, was as follows:

(Dollars in thousands)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Net income	$ 48,140	$ 70,732	$ 81,778	$ 117,166
Other comprehensive income (loss):				
Foreign currency translation adjustment	(261)	(5)	(235)	501
Comprehensive income	$ 47,879	$ 70,727	$ 81,543	$ 117,667

7. Common Stock Repurchase Program

In April 2006, the Board of Directors authorized the repurchase of up to $400 million in Con-way's common stock through open-market transactions and privately negotiated transactions from time to time in such amounts as management deemed appropriate through June 30, 2007. Under the program, which concluded on June 29, 2007, Con-way repurchased common stock of $399.5 million.

8. Share-Based Compensation

Under terms of the share-based compensation plans, Con-way grants various types of share-based compensation awards to employees and directors. The plan provides for awards in the form of stock options, nonvested stock (also known as restricted stock), and performance-share plan units.

Stock options are granted at prices equal to the market value of the common stock on the date of grant and expire 10 years from the date of grant. Generally, stock options are granted with three- or four-year graded-vesting terms, under which one-third or one-fourth of the award vests each year, respectively. Stock options granted in and after December 2004 generally have three-year graded-vesting terms, while stock options issued before that date generally have four-year graded-vesting terms. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the stock option plans). Effective September 26, 2006, Con-way established vesting provisions for new option awards that generally provide for immediate vesting of unvested shares upon retirement. Stock options issued before that date generally provide for continued vesting subsequent to the employee’s retirement.

Shares of nonvested stock are valued at the market price of Con-way’s common stock at the date of award and are generally granted with three-year graded-vesting terms.

In the first quarter of 2007, Con-way awarded performance-share plan units (“PSPUs”) to its officer-level employees. These shares are valued at the market price of Con-way’s common stock at the date of award and vest three years from the grant date if certain performance criteria are achieved. PSPUs are subject to forfeiture if an award recipient leaves Con-way during the three-year period. If the maximum performance criteria are attained, award recipients may collectively earn up to 312,936 shares. The

PSPUs were awarded with a weighted-average grant-date value of $47. The amount of expense recorded each period is based on Con-way's current estimate of the number of shares that will ultimately vest.

The following expense was recognized for share-based compensation:

(Dollars in thousands)	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Stock Options	Nonvested Stock and PSPUs	Total	Stock Options	Nonvested Stock and PSPUs	Total
Salaries, wages and other employee benefits	$ 1,847	$ 1,122	$ 2,969	$ 1,491	$ 506	$ 1,997
Deferred income tax benefit	(706)	(438)	(1,144)	(572)	(198)	(770)
Net share-based compensation expense	$ 1,141	$ 684	$ 1,825	$ 919	$ 308	$ 1,227

(Dollars in thousands)	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	Stock Options	Nonvested Stock and PSPUs	Total	Stock Options	Nonvested Stock and PSPUs	Total
Salaries, wages and other employee benefits	$ 3,356	$ 1,994	$ 5,350	$ 2,842	$ 643	$ 3,485
Deferred income tax benefit	(1,283)	(778)	(2,061)	(1,091)	(251)	(1,342)
Net share-based compensation expense	$ 2,073	$ 1,216	$ 3,289	$ 1,751	$ 392	$ 2,143

9. Income Taxes

Con-way's effective tax rate was 34.2% and 37.1% in the second quarter and first half of 2007, respectively, and was 31.2% and 33.9% in the same respective periods of last year. Excluding the effect of various discrete tax adjustments, Con-way's second-quarter and first-half effective tax rate in 2007 was 37.5% and 37.6%, respectively, and in 2006, was 37.6% and 37.8%, respectively. The beneficial effect of discrete tax adjustments in all periods presented primarily reflect the settlement of issues following completion of an Internal Revenue Service ("IRS") audit.

At December 31, 2006, Con-way reported an income tax receivable of $31.5 million in other accounts receivable in the consolidated balance sheets. In the first quarter of 2007, Con-way received federal income tax refunds of $34.5 million, and at June 30, 2007, reported an accrued income tax liability of $6.8 million.

Disposal-Related Capital Loss

Con-way's disposal of MWF in December 2004, as more fully discussed in Note 2, "Discontinued Operations," generated a capital loss for tax purposes. Under current tax law, capital losses can only be used to offset capital gains. Since Con-way did not forecast any significant taxable capital gains in the five-year tax carry-forward period, the cumulative disposal-related tax benefit was fully offset by a valuation allowance of an equal amount. The remaining disposal-related tax benefit and the associated valuation allowance increased to $30.4 million at June 30, 2007 from $11.8 million at December 31, 2006, due primarily to a second-quarter revision to MWF's tax basis, which Con-way initially estimated at the time of MWF's disposal.

Uncertain Tax Positions

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS 109" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. FIN 48 is a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. Tax positions shall be recognized in the financial statements only when it is more likely than not that the position will be sustained upon examination by a taxing authority. If the position meets the more-likely-than-not criteria, it should be measured using a probability-weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. It requires previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold to be derecognized in the first subsequent financial reporting period in which the threshold is no longer met.

Con-way adopted the provisions of FIN 48 on January 1, 2007. As of the adoption date, Con-way reported gross tax-affected unrecognized tax benefits of $7.6 million, including $1.2 million of accrued interest and penalties related to the unrecognized tax benefits. Con-way classifies interest and penalties expense related to income taxes as a component of income tax expense. As of the adoption date, Con-way estimated that $5.4 million of the unrecognized tax benefits, if recognized, would affect the effective tax rate.

At June 30, 2007, Con-way's estimate of gross tax-affected unrecognized tax benefits declined to $7.0 million primarily due to settlements following completion of an IRS audit. In the next 12 months, Con-way does not expect a significant increase or decrease to its estimates of unrecognized tax benefits.

In the normal course of business, Con-way is subject to examination by taxing authorities throughout the world. With few exceptions, Con-way is no longer subject to U.S. federal examinations for years before 2003, and is no longer subject to state, local, and foreign income-tax examinations for years before 1999. However, certain years remain subject to examination in the relevant jurisdictions, including the years from 2003 to 2006 for U.S. federal income taxes and the years from 1999 to 2006 for state, local and foreign income taxes.

10. Acquisitions

Contract Freighters, Inc.

On July 13, 2007, Con-way Inc. entered into an agreement to acquire the common stock of Transportation Resources, Inc. ("TRI") for an aggregate purchase price of $750 million, subject to adjustment. TRI is the privately held holding company for Contract Freighters, Inc. and other affiliated companies (collectively, "CFI").

CFI is a North American truckload carrier headquartered in Joplin, Missouri, and provides truckload services for customers throughout the U.S., Canada and Mexico. CFI reported annual revenue of $427 million in 2006 and currently operates over 2,600 tractors and more than 7,000 trailers, with more than 3,000 employees, including approximately 2,500 drivers.

The acquisition of TRI is subject to customary review by regulatory authorities and fulfillment or waiver of closing conditions. The boards of directors of both companies have approved the transaction, which is expected to conclude during the 2007 third quarter. Con-way intends to fund the acquisition with existing cash resources together with proceeds from debt financing, either through the sale of debt securities in the public markets or through bridge financing. Con-way has obtained a commitment to provide bridge financing of up to $500 million, which is subject to certain conditions, including satisfactory completion of the lender's due diligence review of CFI.

Cougar Express Logistics

On June 7, 2007, Menlo Worldwide, LLC ("MW") entered into an agreement to acquire the common stock of Cougar Holdings Pte Ltd., and its primary subsidiary, Cougar Express Logistics ("Cougar"), for an aggregate purchase price of $33.9 million, subject to adjustment. The purchase price includes a $28.2 million cash payment and the assumption of $5.7 million in debt.

Cougar is a publicly traded freight forwarding, warehousing, logistics and distribution-management company headquartered in Singapore. Cougar provides its services to a client base of nearly 200 Asia-based and global businesses with personnel, facilities and operations in 12 locations in Singapore, Malaysia and Thailand. In its most recent fiscal year, Cougar reported annual revenue of $23 million.

The acquisition of Cougar is subject to customary review by regulatory authorities and fulfillment or waiver of closing conditions, and the transaction is expected to conclude in the third quarter of 2007. Con-way and MW intend to fund the acquisition with Con-way's existing cash resources.

11. Commitments and Contingencies

Spin-Off of CFC

On December 2, 1996, Con-way completed the spin-off of Consolidated Freightways Corporation ("CFC") to Con-way's shareholders. CFC was, at the time of the spin-off, a party to certain multiemployer pension plans covering some of its current and former employees. The cessation of its U.S. operations in 2002 resulted in CFC's "complete withdrawal" (within the meaning of applicable federal law) from these multiemployer plans, at which point it became obligated, under federal law, to pay its share of any unfunded vested benefits under those plans.

It is possible that the trustees of CFC's multiemployer pension plans may assert claims that Con-way is liable for amounts owing to the plans as a result of CFC's withdrawal from those plans and, if so, there can be no assurance that those claims would not be material. Con-way has received requests for information regarding the spin-off of CFC from representatives from some of the pension funds, and, in accordance with federal law, Con-way has responded to those requests.

Con-way believes that it would ultimately prevail if any such claims were made, although there can be no assurance in this regard due to various unknowns, including possible adverse judicial decisions in other cases. Con-way believes that the amount of those claims, if asserted, could be material, and a judgment against Con-way for all or a significant part of these claims could have a material adverse effect on Con-way's financial condition, results of operations and cash flows.

Prior to the enactment in April 2004 of the Pension Funding Equity Act of 2004, if the multiemployer funds had asserted such claims against Con-way, Con-way would have had a statutory obligation to make cash payments to the funds prior to any arbitral or judicial decisions on the funds' determinations. Under the facts related to the CFC withdrawals and the law in effect after enactment of the Pension Funding Equity Act of 2004, Con-way would no longer be required to make such payments to the multiemployer funds unless and until final decisions in arbitration proceedings, or in court, upheld the funds' determinations.

As a result of the matters discussed above, Con-way can provide no assurance that matters relating to the spin-off of CFC will not have a material adverse effect on Con-way's financial condition, results of operations or cash flows.

Other

In February 2002, a lawsuit was filed against EWA in the District Court for the Southern District of Ohio, alleging violations of the Worker Adjustment and Retraining Notification Act (the "WARN Act") in connection with employee layoffs and ultimate terminations due to the August 2001 grounding of EWA's airline operations and the shutdown of the airline operations in December 2001. The court subsequently certified the lawsuit as a class action on behalf of affected employees laid off between August 11 and August 15, 2001. The WARN Act generally requires employers to give 60-days notice, or 60-days pay and benefits in lieu of notice, of any shutdown of operations or mass layoff at a site of employment. The estimated range for potential loss on this matter is zero to approximately $9 million, including interest. Con-way intends to continue to vigorously defend the lawsuit.

Con-way is a defendant in various other lawsuits incidental to its businesses. It is the opinion of management that the ultimate outcome of these actions will not have a material effect on Con-way's financial condition, results of operations or cash flows.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Management’s Discussion and Analysis of Financial Condition and Results of Operations (referred to as “Management’s Discussion and Analysis”) is intended to assist in a historical and prospective understanding of Con-way’s financial condition, results of operations, and cash flows, including a discussion and analysis of the following:

- Overview of Business
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- Forward-Looking Statements

Overview of Business

The Company provides transportation and logistics services for a wide range of manufacturing, industrial and retail customers. For financial reporting purposes, Con-way is divided into four reporting segments: [1] Con-way Freight and Transportation, which primarily provides freight services through Con-way Freight, a provider of regional less-than-truckload (“LTL”) freight services, and Con-way Transportation, which consists of both Con-way Truckload, a provider of full-truckload freight services, and Road Systems, a trailer manufacturer; [2] Menlo Logistics, which provides integrated contract logistics solutions; [3] Vector, which served as the former lead logistics manager for GM prior to GM's exercise of its call right to purchase Con-way's membership interest in Vector on June 23, 2006; and [4] Con-way Other, which includes certain corporate activities.

Con-way’s operating-unit results generally depend on the number, weight and distance of shipments transported, the prices received on those shipments or services, and the mix of services provided to customers, as well as the fixed and variable costs incurred by Con-way in providing the services and the ability to manage those costs under changing circumstances. Con-way Freight and Transportation primarily transports shipments through a freight service center network while Menlo Logistics manages the logistics functions of its customers and primarily utilizes third-party transportation providers for the movement of customer shipments.

Results of Operations

The following table compares Con-way's consolidated operating results for continuing and discontinued operations:

(Dollars in thousands except per share amounts)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Net Income (Loss)				
Continuing Operations [1]	$ 47,685	$ 74,144	$ 76,690	$ 120,374
Discontinued Operations	(1,310)	(5,220)	1,609	(6,779)
Available to Common Shareholders	$ 46,375	$ 68,924	$ 78,299	$ 113,595
Diluted Earnings (Loss) per Share				
Continuing Operations	$ 0.99	$ 1.40	$ 1.58	$ 2.23
Discontinued Operations	(0.03)	(0.10)	0.04	(0.13)
Available to Common Shareholders	$ 0.96	$ 1.30	$ 1.62	$ 2.10

[1] After preferred stock dividends

Con-way's second-quarter net income from continuing operations available to common shareholders decreased 35.7% to $47.7 million in 2007, and in the first six months, decreased 36.3% to $76.7 million due primarily to lower operating income from Con-way Freight and Transportation and to the loss of income from Vector following its sale to GM. Con-way's diluted earnings per share from continuing operations in 2007 decreased 29.3% to $0.99 in the second quarter, and in the first six months, decreased 29.1% to $1.58 due primarily to a decline in net income that was partially offset by the accretive effect of Con-way's share repurchase program, which concluded on June 29, 2007. Primarily as the result of share repurchases, Con-way's average diluted shares outstanding declined to 48.4 million shares in the second quarter of 2007 from 53.1 million shares in the same period of 2006, and in the first six months, declined to 48.8 million shares in 2007 from 54.2 million shares in 2006.

Net income available to common shareholders in the periods presented include the results of discontinued operations, which relate to the closure of Con-way Forwarding, the sale of MWF, the shut-down of EWA, and the spin-off of CFC, as more fully discussed in Note 2, "Discontinued Operations," of Item 1, "Financial Statements." The resulting net income available to common shareholders decreased to $46.4 million ($0.96 per diluted share) in the second quarter of 2007 from $68.9 million ($1.30 per diluted share) in the second quarter of 2006, and in the first six months, decreased to $78.3 million ($1.62 per diluted share) in 2007 from $113.6 million ($2.10 per diluted share).

The overview below provides a high-level summary of Con-way's results from continuing operations for the periods presented and is intended to provide context for the remainder of the discussion on reporting segments. Refer to "Reporting Segment Review" below for more complete and detailed discussion and analysis.

Continuing Operations

(Dollars in thousands)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues				
Con-way Freight and Transportation	$ 749,808	$ 754,353	$ 1,431,518	$ 1,450,483
Menlo Logistics	323,909	345,699	644,390	695,561
	$ 1,073,717	$ 1,100,052	$ 2,075,908	$ 2,146,044
Operating Income (Loss)				
Con-way Freight and Transportation	$ 70,328	$ 102,276	$ 124,203	$ 169,079
Menlo Logistics	6,935	6,093	13,471	12,278
Vector	--	4,665	(2,699)	8,859
Con-way Other	358	(1,201)	(1,681)	(475)
	$ 77,621	$ 111,833	$ 133,294	$ 189,741

Con-way's consolidated revenue for the second quarter and first half of 2007 decreased 2.4% and 3.3%, respectively, from the same periods last year, due to decreases at both revenue-generating segments. Menlo Logistics' revenue for the second quarter and first half of 2007 decreased 6.3% and 7.4%, respectively, due principally to declines in carrier-management services, partially offset by increases in warehouse-management services. Con-way Freight and Transportation's revenue for the second quarter and first half of 2007 declined 0.6% and 1.3%, respectively, due primarily to a decline in revenue from Con-way Transportation following the sale of the expedited-shipping portion of the former Con-way Expedite and Brokerage business in July 2006.

In the second quarter and first half of 2007, consolidated operating income decreased 30.6% and 29.7%, respectively, from the same periods last year due largely to lower operating income from Con-way Freight and Transportation and from Vector. Con-way Freight and Transportation's operating income in the second quarter and first half of 2007 decreased 31.2% and 26.5%, respectively, due primarily to a higher-volume, lower-yield mix of revenue at Con-way Freight and to higher employee costs. Lower operating income from Vector reflects its sale, which was recognized in December 2006, as more fully discussed in Note 3, "Sale of Unconsolidated Joint Venture," of Item 1, "Financial Statements." In the first half of 2007, operating income included a $2.7 million first-quarter loss for the write-off of a receivable related to the Vector sale, while the second quarter and first half of 2006 included income from Vector of $4.7 million and $8.9 million, respectively.

Under Con-way's re-branding initiative announced in April 2006, Con-way has recognized expense of $7.3 million, including $2.9 million and $5.7 million in the second quarter and first half of 2007, respectively, primarily for the conversion of trailers to the new Con-way graphic identity and for new uniforms. Under current estimates, Con-way expects to recognize approximately $8 million of additional re-branding expenses in the remainder of 2007 and another $8 million of re-branding expenses in 2008. Total estimated expenses of $23 million for the re-branding initiative consist primarily of the costs to re-brand tractors and trailers.

Other net expense increased $1.0 million in the second quarter of 2007 and $3.6 million in the first half of 2007 due primarily to a decline in investment income, which decreased $0.8 million and $2.3 million in the second quarter and first half of 2007, respectively, due to a decrease in the average balances of interest-bearing financial instruments resulting primarily from common stock repurchases that were funded with cash and the conversion of marketable securities. Other net expense was also affected by an increase in interest expense of $0.5 million in the second quarter and $0.9 million in the first half of 2007.

Con-way's effective tax rate was 34.2% and 37.1% in the second quarter and first half of 2007, respectively, and was 31.2% and 33.9% in the same respective periods of last year. Excluding the effect of various discrete tax adjustments, Con-way's second-quarter and first-half effective tax rate in 2007 was 37.5% and 37.6%, respectively, and in 2006, was 37.6% and 37.8%, respectively. The beneficial effect of discrete tax adjustments in all periods presented primarily reflect the settlement of issues following completion of an IRS audit.

Reporting Segment Review

Con-way Freight and Transportation

The following table compares operating results, operating margins, and the percentage change in selected operating statistics of the Con-way Freight and Transportation reporting segment:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Summary of Segment Operating Results				
Revenues	$ 749,808	$ 754,353	$ 1,431,518	$ 1,450,483
Operating Income	70,328	102,276	124,203	169,079
Operating Margin	9.4%	13.6%	8.7%	11.7%

	2007 vs. 2006	2007 vs. 2006
Selected Con-way Freight Operating Statistics		
Revenue per day	+0.8%	-0.2%
Weight per day	+4.4	+1.1
Revenue per hundredweight (“yield”)	-3.5	-1.2
Weight per shipment	-0.4	-0.9

Con-way Freight and Transportation’s revenue in the second quarter and first half of 2007 declined 0.6% and 1.3%, respectively, from the same periods in 2006 due primarily to a decline in revenue from Con-way Transportation following the sale of the expedited-shipping portion of the former Con-way Expedite and Brokerage business in July 2006. Revenues in 2007 were also affected by increases in weight per day and lower yields at Con-way Freight. Weight per day in the second quarter and first half of 2007 increased 4.4% and 1.1%, respectively, from the same periods in 2006. The amount of weight transported increased, despite an increasingly price-sensitive and competitive freight market, due to targeted sales initiatives that were implemented to increase freight transported.

Yields declined 3.5% and 1.2% in the second quarter and first half of 2007, respectively, due primarily to lower yields associated with new business generated under Con-way’s sales initiatives, to an increasingly price-sensitive and competitive freight market that required defensive pricing for certain customer relationships, and to an increase in freight shipped under Con-way’s spot-quote program. In the second quarter and first half of 2007, Con-way’s recent sales initiatives contributed to increased business levels from large customers who typically command lower rates on a higher quantity of freight. Also, in the current competitive freight market, Con-way lowered rates when management considered it appropriate and necessary to retain certain valued and profitable customer relationships. For the periods presented, lower yields were due in part to Con-way’s spot-quote program, which places lower-yielding large shipments into empty linehaul segments, making use of lower-cost under-utilized capacity.

Like other LTL carriers, Con-way Freight assesses many of its customers with a fuel surcharge. Fuel surcharges are only one part of Con-way Freight’s overall rate structure, and the total price that Con-way Freight receives from customers for its services is governed by market forces, as more fully discussed below in Item 3, “Quantitative and Qualitative Disclosures About Market Risk – Fuel.” Although fuel surcharges increase the revenue per hundredweight billed to customers, fuel surcharges did not have a significant effect on second-quarter and first-half yield comparisons as yields excluding fuel surcharges decreased 3.4% and 1.2% in the second quarter and first half of 2007, respectively.

Con-way Freight and Transportation’s operating income in the second quarter and first half of 2007 decreased 31.2% and 26.5%, respectively, due primarily to a higher-volume, lower-yield mix of revenue at Con-way Freight and to higher employee costs. Employee costs in the second quarter and first half of 2007 increased 4.7% and 3.1%, respectively, from the same periods in 2006 due largely to increases in base compensation and employee benefits. Base compensation in the second quarter and first half of 2007 rose 6.6% and 4.1%, respectively, reflecting wage and salary rate increases and increased costs associated with driver recruitment and training, as driver count increased during the period in response to increases in actual and anticipated freight volumes. Employee benefits expense increased 2.1% and 3.4% in the second quarter and first half of 2007, respectively, due largely to higher self-insurance expense for health-care benefits and to increases in the costs for paid time off and post-employment benefits, partially offset by lower costs associated with workers’ compensation claims.

Operating income was also negatively affected by increases in vehicular self-insurance expense and costs incurred under Con-way's re-branding initiative. Vehicular self-insurance expense increased 87.1% and 67.0% in the second quarter and first half of 2007, respectively, due primarily to an $8.0 million loss related to a significant claim in the second quarter of 2007, partially offset by improved overall vehicular-claim experience. Under Con-way's re-branding initiative announced in April 2006, Con-way Freight incurred $2.9 million and $5.7 million of costs in the second quarter and first half of 2007, respectively, compared to $0.3 million in the second quarter and first half of 2006. The re-branding costs were for expenses related primarily to the conversion of trailers to the new Con-way graphic identity and to new uniforms.

In the second quarter and first half of 2007, purchased transportation expense decreased 15.9% and 19.4%, respectively, due primarily to a decline in transportation requirements following the sale of the expedited-shipping portion of the former Con-way Expedite and Brokerage business in July 2006, partially offset by increases at Con-way Freight. Rent expense in the second quarter and first half of 2007 decreased 14.2% and 18.6%, respectively, due to a decreased demand for temporary rentals following tractor and trailer acquisitions in 2006 and the expiration of a long-term lease for trailers.

Menlo Logistics

The table below compares operating results and operating margins of the Menlo Logistics ("Logistics") reporting segment. The table summarizes Logistics' gross revenues as well as net revenues (revenues less transportation expenses). Carrier-management revenue is attributable to contracts for which Logistics manages the transportation of freight but subcontracts the actual transportation and delivery of products to third parties, which Logistics refers to as purchased transportation. Logistics' management places emphasis on net revenues as a meaningful measure of the relative importance of its principal services since gross revenues earned on most carrier-management services include the third-party carriers' charges to Logistics for transporting the shipments.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Summary of Segment Operating Results				
Revenues	$ 323,909	$ 345,699	$ 644,390	$ 695,561
Purchased Transportation	(217,998)	(249,125)	(434,356)	(504,590)
Net Revenues	105,911	96,574	210,034	190,971
Operating Income	6,935	6,093	13,471	12,278
Operating Margin on Revenue	2.1%	1.8%	2.1%	1.8%
Operating Margin on Net Revenue	6.5%	6.3%	6.4%	6.4%

Logistics' revenue in the second quarter and first half of 2007 decreased 6.3% and 7.4%, respectively, due principally to decreases in carrier-management services, partially offset by increases in warehouse-management services. In 2007, revenue from carrier-management services in the second quarter and first half decreased 10.5% and 12.4%, respectively, while revenue from warehouse-management services rose 5.0% and 7.9%, respectively.

Logistics' net revenue in the second quarter and first half of 2007 increased 9.7% and 10.0%, respectively. Higher net revenue in 2007 reflects reductions in purchased transportation costs and an increase in the percentage of revenue derived from warehouse-management services, which has the effect of increasing gross revenues without an associated increase in purchased transportation. In the second quarter and first half of 2007, purchased transportation costs decreased 12.5% and 13.9%, respectively, due primarily to decreases in carrier-management volumes and lower carrier rates.

Logistics' operating income in the second quarter and first half of 2007 increased 13.8% and 9.7%, respectively, over the same periods of last year, due primarily to the growth in net revenue. Operating margins were positively impacted by income from information-technology services provided to GM, as more fully discussed in Note 3, "Sale of Unconsolidated Joint Venture," of Item 1, "Financial Statements." Operating margins were negatively impacted by increases in employee costs and allocated corporate costs, and from higher expenses for rent and supplies. Employee costs in the second quarter and first half of 2007 increased 8.2% and 10.1% respectively, which reflect increases in base compensation and employee benefits. Base compensation in the second quarter and first half of 2007 rose 9.2% and 9.9%, due primarily to growth in headcount and, to a lesser extent, wage and salary rate increases. Headcount increases were due in part to growth in warehouse-management services. Employee benefits expense increased 15.2% and 17.7% in the second quarter and first half of 2007, respectively, due principally from higher self-insurance expense for health-care benefits. The cost of health-care benefits in the first half of 2007 was significantly affected by a single large first-quarter claim. Excluding the unusually large first-quarter claim, health-care expenses in both the second quarter and first half of 2007 were adversely affected by higher overall claims activity, due to an increase in the cost per claim and in the number of claims. Corporate administrative costs allocated to Logistics in the second quarter and first half of 2007 increased by $3.2 million and $6.2 million, respectively, due primarily to the allocation of costs associated with corporate information-technology personnel who were retained by Con-way following the sale of Vector to GM in December 2006. The associated costs of these employees were allocated to Vector prior to its sale, but were allocated to Logistics subsequent to the sale. The retained employees were utilized in providing information-technology services to GM, as described above, and also to provide services on other Logistics' information-technology initiatives. Rent expense increased 10.4% and 12.2% in the second quarter and first half of 2007, respectively, as a result of new warehouse customer space requirements as well as facilities expansion with existing customers. Supplies expense increased 18.9% and 20.4% in the second quarter and first half of 2007, respectively, due to existing and new warehouse customer service requirements.

Vector

In December 2006, Con-way recognized the sale to GM of Con-way's membership interest in Vector. The sale of Vector did not qualify as a discontinued operation due to its classification as an equity-method investment, and accordingly, Vector's income or losses are reported in net income from continuing operations.

In 2007, segment results reported from Con-way's equity investment in Vector included a $2.7 million first-quarter loss compared to income of $4.7 million and $8.9 million in the second quarter and first half of 2006, respectively. The first-quarter loss in 2007 was due to the write-off of a business-case receivable from GM, as more fully discussed in Note 3, "Sale of Unconsolidated Joint Venture," of Item 1, "Financial Statements."

Con-way Other

The Con-way Other reporting segment consists of certain corporate activities for which the related income (loss) has not been allocated to other reporting segments. The table below summarizes the operating results for the Con-way Other reporting segment:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Con-way re-insurance activities	$ 584	$ (976)	$ (1,247)	$ (622)
Con-way corporate properties	(271)	(463)	(725)	(888)
Sales of non-operating assets	--	280	--	1,260
Other	45	(42)	291	(225)
	$ 358	$ (1,201)	$ (1,681)	$ (475)

Liquidity and Capital Resources

Cash and cash equivalents rose to $345.4 million at June 30, 2007 from $260.0 million at December 31, 2006, as $208.1 million provided by operating activities exceeded $126.8 million used in investing and financing activities. Investing activities in the first half of 2007 used $12.5 million, as capital expenditures and increased investments in marketable securities were partially offset by $51.9 million of proceeds received from the sale of Con-way's membership interest in Vector. In the first half of 2007, financing activities used $114.2 million, primarily for the repurchase of $89.9 million of common stock. Con-way's cash flows are summarized in the table below.

Discontinued operations in the periods presented relate to the closure of Con-way Forwarding, the sale of MWF, the shut-down of EWA, and the spin-off of CFC, as more fully discussed in Note 2, "Discontinued Operations," of Item 1, "Financial Statements."

(Dollars in thousands)	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Operating Activities		
Net income	$ 81,778	$ 117,166
Discontinued operations	(1,609)	6,779
Non-cash adjustments (1)	94,129	73,644
Net income before non-cash items	174,298	197,589
Changes in assets and liabilities	33,752	71,606
Net Cash Provided by Operating Activities	208,050	269,195
Net Cash Used in Investing Activities	(12,526)	(179,541)
Net Cash Used in Financing Activities	(114,238)	(277,355)
Net Cash Provided by (Used in) Continuing Operations	81,286	(187,701)
Net Cash Provided by (Used in) Discontinued Operations	4,048	(12,670)
Increase (Decrease) in Cash and Cash Equivalents	$ 85,334	$ (200,371)

(1) "Non-cash adjustments" refer to depreciation, amortization, deferred income taxes, provision for uncollectible accounts, equity-method income or loss, and other non-cash income and expenses.

Operating Activities

Cash flow from operating activities in the first half of 2007 was $208.1 million, a $61.1 million decrease from the first half of 2006, due to a decrease in net income before non-cash items and a decline in cash provided by changes in assets and liabilities. In the first half of 2007, receivables used $30.0 million, compared to $18.1 million provided in the same prior-year period. Cash provided from income taxes increased to $37.6 million in the first half of 2007 from $23.3 million in the same prior-year period, due primarily to tax refunds received in March 2007. Employee benefits used $8.7 million in the first half of 2007 compared to $5.7 million in the same period of 2006. Under benefit plan amendments that were effective on January 1, 2007, an increase in the obligation for Con-way's defined contribution pension plan was largely offset by a decline in the obligation related to Con-way's defined benefit pension plans, as more fully discussed in Note 5, "Employee Benefit Plans," of Item 1, "Financial Statements." Cash provided by deferred charges and credits decreased to $2.0 million in the first six months of 2007 from $13.9 million provided in the same period of 2006, primarily due to the sale of Con-way's membership interest in Vector. In the first six months of 2006, cash provided by deferred charges and credits reflects variations in Con-way's affiliate payable to Vector.

Investing Activities

Cash used in investing activities decreased to $12.5 million in the first half of 2007 from $179.5 million in the first half of 2006 due primarily to a decline in capital expenditures and to $51.9 million in proceeds received in January 2007 from the sale of Con-way's membership interest in Vector. Capital expenditures in the first half of 2007 decreased $106.8 million from the same prior-year period due primarily to fewer tractor and trailer expenditures at Con-way Freight and Transportation. The prior year includes an above-average number of tractors acquired in advance of new governmental emission standards. Proceeds from the sale of properties and equipment increased $6.2 million in the first half of 2007 compared to the same period of 2006 due primarily to the sale of Con-way Truckload tractors. In both periods presented, investing activities also reflect increases in short-term marketable securities, which used $13.0 million and $13.1 million in the first half of 2007 and 2006, respectively.

Financing Activities

Financing activities used cash of $114.2 million in the first half of 2007 compared to $277.4 million in the same period of 2006, due substantially to a decline in common stock repurchases made under Con-way's repurchase program. Under the program, common stock repurchases fell to $89.9 million in the first half of 2007 from $261.8 million in the first half of 2006. The repurchase program concluded on June 29, 2007 and no additional purchases will be made under the program. Financing activities in both periods presented also reflect proceeds from the exercise of stock options, dividend payments and scheduled principal payments for notes related to Con-way's defined contribution retirement plan.

Con-way has a $400 million revolving credit facility that matures on September 30, 2011. The revolving credit facility is available for cash borrowings and for the issuance of letters of credit up to $400 million. At June 30, 2007, no borrowings were outstanding under Con-way's revolving credit facility and $202.6 million of letters of credit were outstanding, leaving $197.4 million of available capacity for additional letters of credit or cash borrowings, subject to compliance with financial covenants and other customary conditions to borrowing. Con-way had other uncommitted unsecured credit facilities totaling $40.0 million. Under these facilities, a total of $17.5 million of letters of credit, bank guarantees, and overdraft facilities were outstanding at June 30, 2007.

As more fully discussed in Note 10, "Acquisitions," of Item 1, "Financial Statements," Con-way on July 13, 2007 entered into an agreement to acquire the common stock of Transportation Resources, Inc. ("TRI"), the privately held holding company for Contract Freighters, Inc. and other affiliated companies (collectively, "CFI"). Con-way intends to fund the acquisition with existing cash resources together with proceeds from debt financing, either through the sale of debt securities in the public markets or through bridge financing. Con-way has obtained a commitment to provide bridge financing of up to $500 million, which is subject to certain conditions including satisfactory completion of the lender's due diligence review of CFI.

See "– Forward-Looking Statements" below; Item 1A, "Risk Factors" of Part II, "Other Information;" and Note 5, "Debt and Other Financing Arrangements," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2006 Annual Report on Form 10-K for additional information concerning Con-way's $400 million credit facility and its other debt instruments.

Contractual Cash Obligations

Con-way's contractual cash obligations as of December 31, 2006 are summarized in Con-way's 2006 Annual Report on Form 10-K under Item 7, "Management's Discussion and Analysis – Liquidity and Capital Resources – Contractual Cash Obligations." In the first six months of 2007, there have been no material changes in Con-way's contractual obligations outside the ordinary course of business.

In 2007, Con-way anticipates capital and software expenditures of approximately $185 million or approximately $123 million of additional expenditures in the remaining half of 2007. Con-way's estimate for capital expenditures primarily includes acquisitions of additional tractor and trailer equipment, land, and development of new and existing facilities. Con-way's actual 2007 capital expenditures may differ from the estimated amount, depending on factors such as availability and timing of delivery of equipment, the availability of land in desired locations for new facilities, and the timing of obtaining permits, environmental studies and other approvals necessary for the development of new and existing facilities. The planned expenditures do not represent contractual obligations.

Other

Con-way's ratio of total debt to capital decreased to 42.6% at June 30, 2007 from 43.8% at December 31, 2006, due primarily to the increase in retained earnings from net income earned in 2007, the net increase in common shareholders' equity on adoption of the measurement-date provisions of SFAS 158, and an $18.6 million debt repayment in January of 2007. The increases in common shareholders' equity were partially offset by the share repurchases in 2007.

Con-way believes that its working capital requirements and capital expenditure plans in the foreseeable future will be adequately met with various sources of liquidity and capital, including Con-way's cash and cash equivalents, marketable securities, cash flow from operations, credit facilities and access to capital markets. At June 30, 2007, Con-way's senior unsecured debt was rated as investment grade by Standard and Poor's (BBB), Fitch Ratings (BBB), and Moody's (Baa3).

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to adopt accounting policies and make significant judgments and estimates. In many cases, there are alternative policies or estimation techniques that could be used. Con-way maintains a process to evaluate the appropriateness of its accounting policies and estimation techniques, including discussion with and review by the Audit Committee of its Board of Directors and its independent registered public accounting firm. Accounting policies and estimates may require adjustment based on changing facts and circumstances and actual results could differ from estimates.

Information concerning Con-way's "Critical Accounting Policies and Estimates" are included in Item 7, "Management's Discussion and Analysis," in Con-way's 2006 Annual Report on Form 10-K. Con-way believes that the accounting policies that are most judgmental and material to the financial statements are those related to the following:

- Employee Retirement Benefit Plans
- Self-Insurance Accruals
- Income Taxes
- Disposition and Restructuring Estimates
- Revenue Recognition
- Property, Plant and Equipment and Other Long-Lived Assets

Other than the recent adoption of the accounting pronouncements described below, there have been no significant changes to Con-way's critical accounting policies and estimates during the first six months of 2007.

Employee Retirement Benefit Plans

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of SFAS 87, 88, 106, and 132R." Effective on December 31, 2006, Con-way adopted the recognition and related disclosure provisions of SFAS 158, as more fully discussed in Note 9, "Employee Benefit Plans," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2006 Annual Report on Form 10-K. Effective January 1, 2007, Con-way adopted the measurement-date provisions of SFAS 158, which require employers to measure plan assets and obligations as of the end of the fiscal year. Accordingly, Con-way changed its measurement date to December 31 from November 30 for all of its defined benefit pension plans. Under the transition provisions of SFAS 158, Con-way recognized a $21.3 million decrease in plan-related liabilities, an $8.3 million decline in related deferred tax assets, and a $13.0 million increase in shareholders' equity. The beginning-of-period increase to shareholders' equity consisted of a $2.6 million decline in retained earnings to recognize service cost for December 2006 and a $15.6 million decline in accumulated other comprehensive loss to recognize the effect of an increase in the plan-related discount rate.

The effect of adoption of SFAS 158's measurement-date provisions to Con-way's financial statements as of and for the six months ended June 30, 2007 was primarily the result of an increase in the discount rate (used to measure plan-related obligations) to 5.95% at December 31, 2006 from 5.85% at November 30, 2006. This increase in discount rate reduced Con-way's estimated plan obligation, as described above, and will also increase estimated annual pension income in 2007 by $7.7 million. Following completion of final actuarial calculations, Con-way estimates that the defined benefit pension plans in 2007 will result in annual pension income of $25 million, based primarily on an expected return on plan assets that exceeds the interest cost on plan benefit obligations.

Income Taxes

Effective on January 1, 2007, Con-way adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes," as more fully discussed in Note 9, "Income Taxes," of Item 1, "Financial Statements." Con-way assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those positions where it is more likely than not that a tax benefit will be sustained, Con-way has recorded the largest amount of tax benefit with a greater-than-50-percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

Forward-Looking Statements

Certain statements included herein constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to a number of risks and uncertainties, and should not be relied upon as predictions of future events. All statements other than statements of historical fact are forward-looking statements, including:

- any projections of earnings, revenues, weight, yield, volumes, income or other financial or operating items;
- any statements of the plans, strategies, expectations or objectives of Con-way’s management for future operations or other future items;
- any statements concerning proposed new products or services;
- any statements regarding Con-way’s estimated future contributions to pension plans;
- any statements as to the adequacy of reserves;
- any statements regarding the outcome of any claims that may be brought against Con-way by CFC’s multi-employer pension plans;
- any statements regarding future economic conditions or performance;
- any statements regarding the proposed acquisition of Transportation Resources, Inc. and proposed related financing;
- any statements regarding the outcome of legal and other claims and proceedings against Con-way, and
- any statements of estimates or belief and any statements or assumptions underlying the foregoing.

Certain such forward-looking statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates” or “anticipates” or the negative of those terms or other variations of those terms or comparable terminology or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data and methods that may be incorrect or imprecise and there can be no assurance that they will be realized. In that regard, the following factors, among others and in addition to the matters discussed elsewhere in this document and other reports and documents filed by Con-way with the Securities and Exchange Commission, could cause actual results and other matters to differ materially from those discussed in such forward-looking statements:

- changes in general business and economic conditions, including the global economy;
- the creditworthiness of Con-way’s customers and their ability to pay for services rendered;
- increasing competition and pricing pressure;
- availability of fuel and changes in fuel prices or fuel surcharges;
- the effects of the cessation of EWA’s air-carrier operations;
- the possibility that Con-way may, from time to time, be required to record impairment charges for long-lived assets;
- the proposed acquisition of Transportation Resources, Inc. and proposed related financing (including without limitation the possibility that such acquisition may not be consummated due to failure of regulatory approval or other closing conditions to be satisfied, risks relating to the financing, integration risks and risks that acquisition synergies are not realized);
- the possibility of defaults under Con-way’s $400 million credit agreement and other debt instruments (including without limitation defaults resulting from unusual charges);

- the possibility that Con-way may be required to repay certain indebtedness in the event that the ratings assigned to its long-term senior debt by credit rating agencies are reduced;

- labor matters, including the grievances by furloughed EWA pilots and crew members, labor-organizing activities, work stoppages or strikes;

- enforcement of and changes in governmental regulations, including the effects of new regulations issued by the Department of Homeland Security;

- environmental and tax matters;

- matters relating to Con-way's 1996 spin-off of CFC, including the possibility that CFC's multi-employer pension plans may assert claims against Con-way, that Con-way may not prevail in those proceedings and that Con-way may not have the financial resources necessary to satisfy amounts payable to those plans;

- matters relating to the sale of MWF, including Con-way's obligation to indemnify UPS for certain losses in connection with the sale, and

- matters relating to Con-way's defined benefit and defined contribution pension plans.

As a result of the foregoing, no assurance can be given as to future financial condition, results of operations, or cash flows. See Note 11, "Commitments and Contingencies," of Item 1, "Financial Statements."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Con-way is exposed to a variety of market risks, including the effects of interest rates, fuel prices, and foreign currency exchange rates.

Con-way enters into derivative financial instruments only in circumstances that warrant the hedge of an underlying asset, liability or future cash flow against exposure to some form of interest rate, commodity or currency-related risk. Additionally, the designated hedges should have high correlation to the underlying exposure such that fluctuations in the value of the derivatives offset reciprocal changes in the underlying exposure. Derivative financial instruments held by Con-way at June 30, 2007 did not have a material effect on Con-way's financial statements.

Interest Rates

Con-way is subject to the effect of interest rate fluctuations on the fair value of its long-term debt and on the amount of interest income earned on cash-equivalent investments and short-term marketable securities, as more fully discussed in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of Con-way’s 2006 Annual Report on Form 10-K.

Fuel

Con-way is exposed to the effects of changes in the availability and price of diesel fuel. Generally, fuel can be obtained from various sources and in the desired quantities. However, an inability to obtain fuel could have a material adverse effect on Con-way. Con-way Freight and Transportation is subject to the risk of price fluctuations. Like other LTL carriers, Con-way Freight assesses many of its customers with a fuel surcharge. The fuel surcharge is a part of Con-way Freight’s overall rate structure for customers and is intended to compensate Con-way Freight for the adverse effects of higher fuel costs. In periods of rising fuel prices, the fuel surcharge typically increases Con-way Freight's yields and revenue, and Con-way Freight generally recovers more than the cost of higher fuel and fuel-related increases in purchased transportation. Con-way cannot predict the future movement of fuel prices, Con-way Freight’s ability to recover higher fuel costs through fuel surcharges, or the effect that changes in fuel surcharges may have on Con-way Freight’s overall rate structure. Con-way Freight's operating income may be adversely affected by a decline in fuel prices as lower fuel surcharges would reduce its yield and revenue. Whether fuel prices increase, decrease, or remain constant, Con-way’s operating income may be adversely affected if market pressures limited Con-way Freight’s ability to assess its fuel surcharges.

Foreign Currency

The assets and liabilities of Con-way’s foreign subsidiaries are denominated in foreign currencies, which create exposure to changes in foreign currency exchange rates. However, the market risk related to foreign currency exchange rates is not material to Con-way’s financial condition, results of operations, or cash flows.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

Con-way's management, with the participation of Con-way's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Con-way's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, Con-way's Chief Executive Officer and Chief Financial Officer have concluded that Con-way's disclosure controls and procedures are effective as of the end of such period.

(b) Internal Control Over Financial Reporting.

There have not been any changes in Con-way's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, Con-way's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain legal proceedings of Con-way are also discussed in Note 2, "Discontinued Operations," and Note 11, "Commitments and Contingencies," of Part 1 Item 1, "Financial Statements."

Con-way, along with 11 other companies engaged in the LTL trucking business, has been named as a defendant in a purported class-action lawsuit filed on July 30, 2007 in the United States District Court for the Southern District of California. The named plaintiffs, Farm Water Technological Services Inc. d/b/a Water Tech. and C.B.J.T. d/b/a Agricultural Supply, allege that the defendants have conspired to fix fuel surcharges for LTL shipments in violation of Federal antitrust laws and are seeking treble damages, injunctive relief, attorneys' fees and costs. Con-way is currently reviewing the allegations made in the complaint.

In 2003, prior to the sale of MWF to UPS, Con-way became aware of information that Emery Transnational, a Philippines-based joint venture in which MWF, Inc. may be deemed to be a controlling partner, may have made certain payments in violation of the Foreign Corrupt Practices Act. Con-way promptly notified the Department of Justice and the Securities and Exchange Commission of this matter, and MWF, Inc. instituted policies and procedures in the Philippines designed to prevent such payments from being made in the future. Con-way was subsequently advised by the Department of Justice that it is not pursuing an investigation of this matter. Con-way conducted an internal investigation of approximately 40 other MWF, Inc. international locations and has shared the results of the internal investigation with the SEC. The internal investigation revealed that Menlo Worldwide Forwarding (Thailand) Limited, a Thailand-based joint venture, also may have made certain payments in violation of the Foreign Corrupt Practices Act. MWF, Inc. made certain personnel changes and instituted policies and procedures in Thailand designed to prevent such payments from being made in the future. In December 2004, Con-way completed the sale of its air freight forwarding business (including the stock of MWF, Inc., Emery Transnational and Menlo Worldwide Forwarding (Thailand) Limited) to an affiliate of UPS. In connection with that sale, Con-way agreed to indemnify UPS for certain losses resulting from violations of the Foreign Corrupt Practices Act. Con-way is currently unable to predict whether it will be required to make payments under the indemnity or whether the SEC will impose fines or other penalties directly on Con-way as of result of the actions of Emery Transnational.

ITEM 1A. RISK FACTORS

There are no material changes to the risk factors previously disclosed in Item 1A, "Risk Factors," of Con-way's 2006 Annual Report on Form 10-K, except for risks related to the acquisition of TRI, as more fully discussed herein below and in Note 10, "Acquisitions," of Part 1 Item 1, "Financial Statements." TRI is the privately held holding company for Contract Freighters, Inc. and other affiliated companies (collectively, "CFI").

Con-way's acquisition of CFI is subject to various risks, including the possibility that the acquisition will not be completed and the possibility that the expected benefits of the acquisition will not be realized.

Con-way's acquisition of CFI is subject to the satisfaction or waiver of specified conditions to closing, as set forth in the merger agreement, and the acquisition also requires that Con-way obtain financing to fund a portion of the transaction, either through the sale of debt securities in the public markets or through bridge financing. Con-way has obtained a commitment from Goldman Sachs Credit Partners LP ("Goldman") to provide bridge financing of up to $500 million, which is subject to certain conditions, including satisfactory completion of Goldman's due diligence review of CFI. If Con-way is unable to obtain the required financing at closing or if any of the conditions to closing are not satisfied or waived, the acquisition will not be completed. If the acquisition is not completed, the price of Con-way's common stock may decline. Con-way will also be obligated to pay certain transaction-related fees, including legal and accounting fees incurred in connection with the acquisition, whether or not the acquisition is completed, and such costs would be recognized as expense in the period in which such a determination is made. Furthermore, if the acquisition is not completed, Con-way's operations could be adversely affected by cost increases and deterioration in service performance at Con-way Truckload, due in part to above-average employee turnover at Con-way Truckload following Con-way's announcement of the CFI acquisition.

While Con-way currently expects that CFI's management team and its customer base will remain with CFI after closing, there can be no assurance in this regard. The departure of one or more key CFI executives or the loss of one or more significant customers could have an adverse effect on the acquired business. Con-way has entered into employee-retention agreements with certain key CFI executives that provide for the forfeiture of escrowed funds if the executive leaves the employ of CFI prior to specified dates following the closing of the acquisition.

In addition, Con-way may not be able to realize all of the operating efficiencies, synergies, cost savings or other benefits expected from the acquisition, and may incur higher-than-expected costs and encounter other difficulties when integrating CFI into the Con-way organization. The success of the acquisition depends, in part, on Con-way's ability to realize the anticipated synergies, cost savings and growth opportunities from integrating CFI's business with Con-way's existing businesses. Con-way's success in realizing these benefits and the timing of this realization depend upon the successful integration of the operations of CFI. The integration process may be complex, costly and time-consuming. The difficulties of integrating the operations of CFI include, among others:

- unanticipated issues in integrating information, communications and other systems;
- retaining key employees;
- consolidating corporate and administrative infrastructures; and
- the diversion of management's attention from ongoing business concerns.

Con-way and CFI may not accomplish this integration smoothly or successfully. The diversion of the attention of management from its current operations to the integration effort and any difficulties encountered in combining operations could prevent Con-way from realizing the full benefits anticipated to result from the acquisition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides a summary of shares repurchased during the quarter ended June 30, 2007:

	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [1]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program [1]
April 1, 2007 – April 30, 2007	218,000	$ 54.67	218,000	$ 33,341,779
May 1, 2007 – May 31, 2007	471,000	$ 55.34	471,000	$ 7,274,297
June 1, 2007 – June 30, 2007	126,000	$ 54.00	126,000	$ 470,677
Total	815,000	$ 54.96	815,000	$ --

[1] In April 2006, the Board of Directors authorized the repurchase of up to $400 million in Con-way's common stock through open-market transactions and privately negotiated transactions. Con-way concluded the repurchase program on June 29, 2007.

ITEM 6. EXHIBITS

Exhibit No.

(10) Material Contracts

10.1 Agreement and Plan of Merger dated as of July 13, 2007, by and among the Company, Seattle Acquisition Corporation, a Missouri corporation and a wholly owned subsidiary of the Company, Transportation Resources, Inc., a Missouri corporation, the Shareholders' Agent (as defined therein) and the Principal Shareholders (as defined therein).*

(31) Certification of Officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32) Certification of Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(99) Additional documents:

99.1 Computation of Ratios of Earnings to Fixed Chares

* Confidential treatment has been requested for portions of the signature page to this exhibit. The copy filed herewith omits the information subject to the confidentiality requested. Omissions are designated with [***]. A complete version of this exhibit has been filed separately with the United States Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Con-way Inc.
(Registrant)

August 7, 2007

/s/ Kevin C. Schick
Kevin C. Schick
Senior Vice President and
Chief Financial Officer