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 September 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 October 31, 2007: 45,150,065

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	**September 30, 2007**	**December 31, 2006**
Current Assets		
Cash and cash equivalents	$ 181,449	$ 260,039
Marketable securities	95,041	184,525
Trade accounts receivable, net	506,400	439,727
Other accounts receivable	30,498	107,520
Operating supplies, at lower of average cost or market	23,458	19,223
Prepaid expenses	35,537	34,445
Deferred income taxes	42,962	43,107
Assets of discontinued operations	2,271	1,898
Total Current Assets	917,616	1,090,484
Property, Plant and Equipment, at cost		
Land	188,156	159,506
Buildings and leasehold improvements	779,180	688,644
Revenue equipment	1,248,888	970,290
Other equipment	253,734	239,244
	2,469,958	2,057,684
Accumulated depreciation and amortization	(993,689)	(939,709)
	1,476,269	1,117,975
Other Assets		
Deferred charges and other assets	46,810	25,894
Capitalized software, net	34,267	34,831
Goodwill	475,939	727
Deferred income taxes	-	31,978
	557,016	93,430
Total Assets	$ 2,950,901	$ 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	September 30, 2007	December 31, 2006
Current Liabilities		
Accounts payable	$ 274,243	$ 240,870
Accrued liabilities	302,598	202,923
Income taxes payable	10,702	-
Self-insurance accruals	106,393	92,372
Short-term borrowings	4,535	-
Bridge-loan facility	425,000	-
Current maturities of long-term debt	22,713	18,635
Liabilities of discontinued operations	3,465	5,002
Total Current Liabilities	1,149,649	559,802
Long-Term Liabilities		
Long-term debt and guarantees	532,099	557,723
Self-insurance accruals	128,936	114,431
Employee benefits	256,726	314,559
Other liabilities and deferred credits	27,341	14,595
Deferred income taxes	71,036	-
Total Liabilities	2,165,787	1,561,110
Commitments and Contingencies (Notes 4, 7, and 13)		
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 570,455 and 603,816 shares, respectively	6	6
Additional paid-in capital, preferred stock	86,760	91,834
Deferred compensation, defined contribution plan	(23,605)	(31,491)
Total Preferred Shareholders' Equity	63,161	60,349
Common stock, $.625 par value; authorized 100,000,000 shares; issued 61,871,878 and 61,616,649 shares, respectively	38,589	38,434
Additional paid-in capital, common stock	563,924	549,267
Retained earnings	941,865	847,068
Cost of repurchased common stock (16,743,371 and 15,168,447 shares, respectively)	(722,495)	(638,929)
Total Common Shareholders' Equity	821,883	795,840
Accumulated Other Comprehensive Loss	(99,930)	(115,410)
Total Shareholders' Equity	785,114	740,779
Total Liabilities and Shareholders' Equity	$ 2,950,901	$ 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 September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Revenues	$ 1,111,293	$ 1,076,807	$ 3,187,201	$ 3,222,851
Costs and Expenses				
Salaries, wages and other employee benefits	486,135	432,196	1,387,339	1,302,990
Purchased transportation	253,282	296,296	779,672	901,279
Fuel and fuel-related taxes	91,226	74,646	236,816	218,032
Depreciation and amortization	42,947	36,346	117,077	106,973
Maintenance	31,762	26,698	85,567	79,827
Rents and leases	22,919	18,357	59,852	57,599
Purchased labor	16,095	17,431	45,906	49,000
Other operating expenses	99,245	80,752	271,297	232,184
Loss (Income) from equity investment	-	(1,999)	2,699	(10,858)
Gain from sale of Con-way Expedite	-	(6,231)	-	(6,231)
	1,043,611	974,492	2,986,225	2,930,795
Operating Income	67,682	102,315	200,976	292,056
Other Income (Expense)				
Investment income	5,118	5,399	16,420	19,021
Interest expense	(10,603)	(8,761)	(27,927)	(25,226)
Miscellaneous, net	(271)	(511)	(78)	145
	(5,756)	(3,873)	(11,585)	(6,060)
Income from Continuing Operations before Income Tax Provision	61,926	98,442	189,391	285,996
Income Tax Provision	22,961	33,664	70,257	97,273
Income from Continuing Operations	38,965	64,778	119,134	188,723
Discontinued Operations, net of tax				
Loss from Discontinued Operations	-	-	-	(1,929)
Gain (Loss) from Disposal	-	-	1,609	(4,850)
	-	-	1,609	(6,779)
Net Income	38,965	64,778	120,743	181,944
Preferred Stock Dividends	1,693	1,748	5,172	5,319
Net Income Available to Common Shareholders	$ 37,272	$ 63,030	$ 115,571	$ 176,625
Net Income from Continuing Operations Available to Common Shareholders	$ 37,272	$ 63,030	$ 113,962	$ 183,404
Weighted-Average Common Shares Outstanding				
Basic	44,976,482	47,601,175	45,414,155	49,717,418
Diluted	48,007,691	50,857,496	48,492,037	53,092,636
Earnings (Loss) per Common Share				
Basic				
Net Income from Continuing Operations	$ 0.83	$ 1.32	$ 2.51	$ 3.69
Loss from Discontinued Operations	-	-	-	(0.04)
Gain (Loss) from Disposal	-	-	0.03	(0.10)
Net Income Available to Common Shareholders	$ 0.83	$ 1.32	$ 2.54	$ 3.55
Diluted				
Net Income from Continuing Operations	$ 0.78	$ 1.24	$ 2.37	$ 3.47
Loss from Discontinued Operations	-	-	-	(0.04)
Gain (Loss) from Disposal	-	-	0.03	(0.09)
Net Income Available to Common Shareholders	$ 0.78	$ 1.24	$ 2.40	$ 3.34

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash and Cash Equivalents, Beginning of Period	$ 260,039	$ 514,275
Operating Activities		
Net income	120,743	181,944
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	113,465	103,615
Increase in deferred income taxes	5,976	17,667
Amortization of deferred compensation	7,886	6,853
Share-based compensation	8,029	5,555
Provision for uncollectible accounts	2,625	2,152
Loss (Income) from equity investment	2,699	(10,858)
Gain from sale of business	-	(6,231)
Loss from restructuring activities	7,000	-
Gain from sales of property and equipment, net	(2,079)	(1,052)
Changes in assets and liabilities, net of acquisitions:		
Receivables	(27,644)	25,915
Prepaid expenses	6,743	2,081
Accounts payable	6,296	(5,792)
Accrued incentive compensation	19,181	13,200
Accrued liabilities, excluding accrued incentive compensation and employee benefits	24,497	27,545
Self-insurance accruals	8,492	4,382
Income taxes	41,013	8,929
Employee benefits	(9,306)	(40,167)
Deferred charges and credits	1,925	13,699
Other	(8,127)	(5,970)
Net Cash Provided by Operating Activities	327,805	350,246
Investing Activities		
Capital expenditures	(93,602)	(243,297)
Software expenditures	(8,242)	(7,500)
Proceeds from sales of property and equipment, net	15,993	4,630
Proceeds from sale of equity investment	51,900	8,000
Acquisition of CFI, net of cash acquired	(739,455)	-
Acquisition of Cougar Logistics, net of cash acquired	(28,218)	-
Net decrease in marketable securities	89,500	20,400
Net Cash Used in Investing Activities	(712,124)	(217,767)
Financing Activities		
Net proceeds from issuance of bridge-loan facility	425,000	-
Repayment of long-term debt and guarantees	(18,626)	(15,024)
Proceeds from exercise of stock options	6,907	11,771
Excess tax benefit from stock option exercises	577	2,518
Payments of common dividends	(13,675)	(15,004)
Payments of preferred dividends	(7,931)	(8,457)
Repurchases of common stock	(89,865)	(305,925)
Net Cash Provided by (Used in) Financing Activities	302,387	(330,121)
Net Cash Used in Continuing Operations	(81,932)	(197,642)
Discontinued Operations		
Net Cash Provided by (Used in) Operating Activities	3,342	(23,220)
Net Cash Used in Investing Activities	-	(178)
Net Cash Provided by (Used in) Discontinued Operations	3,342	(23,398)
Decrease in Cash and Cash Equivalents	(78,590)	(221,040)
Cash and Cash Equivalents, End of Period	$ 181,449	$ 293,235
Supplemental Disclosure		
Cash paid for income taxes, net of refunds	$ 21,458	$ 65,044
Cash paid for interest, net of amounts capitalized	$ 22,161	$ 21,295

The accompanying notes are an integral part of these statements.

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

1. Principal Accounting Policies

Organization

Con-way Inc. and its consolidated subsidiaries ("Con-way" or the "Company") provide transportation and logistics services for a wide range of manufacturing, industrial and retail customers. Con-way's principal business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, truckload brokerage, global logistics management, and trailer manufacturing. As more fully discussed in Note 6, "Segment Reporting," for financial reporting purposes, Con-way is divided into five reporting segments: Freight, Truckload, Logistics, Vector and Other.

Basis of Presentation

These interim financial statements of Con-way have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and Rule 10-01 of Regulation S-X, and should be read in conjunction with Con-way's 2006 Annual Report on Form 10-K. Accordingly, significant accounting policies and other disclosures normally provided have been omitted.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary to present fairly Con-way's financial position, results of operations and cash flows for the interim dates and periods presented. Results for the interim periods presented are not necessarily indicative of annual results.

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.

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 September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Numerator:				
Continuing operations (after preferred stock dividends), as reported	$ 37,272	$ 63,030	$ 113,962	$ 183,404
Add-backs:				
Dividends on Series B preferred stock, net of replacement funding	262	262	795	807
Continuing operations	37,534	63,292	114,757	184,211
Discontinued operations	--	--	1,609	(6,779)
Available to common shareholders	$ 37,534	$ 63,292	$ 116,366	$ 177,432
Denominator:				
Weighted-average common shares outstanding	44,976,482	47,601,175	45,414,155	49,717,418
Stock options and nonvested stock	345,512	363,420	392,185	482,317
Series B preferred stock	2,685,697	2,892,901	2,685,697	2,892,901
	48,007,691	50,857,496	48,492,037	53,092,636
Anti-dilutive stock options not included in denominator	894,298	400,900	831,798	324,500
Earnings (Loss) per Diluted Share:				
Continuing operations	$ 0.78	$ 1.24	$ 2.37	$ 3.47
Discontinued operations	--	--	0.03	(0.13)
Available to common shareholders	$ 0.78	$ 1.24	$ 2.40	$ 3.34

2. Acquisitions

Contract Freighters, Inc.

On August 23, 2007, Con-way acquired the outstanding common shares of Transportation Resources, Inc. ("TRI"). TRI is the holding company for Contract Freighters, Inc. and other affiliated companies (collectively, "CFI"). CFI is a truckload carrier headquartered in Joplin, Missouri, and provides asset-based full-truckload freight services throughout North America, including services into and out of Mexico. At the acquisition date, CFI operated over 2,300 tractors and more than 7,000 trailers, with more than 3,000 employees, including approximately 2,500 drivers.

Following the acquisition, the operating results of CFI are reported with the operating results of the Con-way Truckload business unit in the Truckload reporting segment. Accordingly, the Truckload reporting segment for the third quarter and first nine months of 2007 and 2006 includes the results of the Con-way Truckload business unit for all of those periods, but only includes the operating results of CFI from August 23, 2007 through September 30, 2007. As more fully discussed in Note 3, "Restructuring Activities," Con-way in September 2007 integrated the Con-way Truckload business unit with the CFI business unit.

Strategic Benefits

The acquisition of CFI establishes Con-way as an enterprise that offers domestic and international shippers with a diverse suite of solutions, including less-than-truckload ("LTL"), full-truckload, and logistics services. Con-way expects to realize a number of strategic benefits from the acquisition of CFI, including the diversification of its revenue mix, a more efficient and integrated truckload operation, and opportunities to leverage sales efforts, infrastructure and freight flows among Con-way's LTL, truckload and logistics business units.

Purchase Price and Allocation to Net Assets Acquired

In the presentation below, the preliminary allocation of the purchase price is based on the purchase price calculated as of the August 23, 2007 acquisition closing date and the estimated fair value or carrying amount (which approximates fair value) of assets acquired and liabilities assumed as of the same date. The purchase-price accounting is based on current estimates of the assets acquired and liabilities assumed and a preliminary evaluation of the effect of conforming CFI's accounting policies to those of Con-way. Accordingly, revisions to the preliminary estimates and evaluations may be necessary as these items are finalized.

Calculation of purchase price (dollars in millions):

Cash consideration paid	
Purchase price	$ 750.0
Adjustments for working capital, and for cash and debt acquired	12.0
Direct transaction costs	5.1
Gross purchase price	$ 767.1
Cash acquired	(15.4)
Net purchase price	$ 751.7

Allocation of purchase price (dollars in millions):

Current assets, excluding cash acquired		$ 56.2
Non-current assets		
Property and equipment		362.6
Intangible assets		
Customer relationships	$ 14.0	
Trademarks	1.7	
Goodwill	463.3	
		479.0
Other assets		
Internal-use software	3.0	
Restricted cash	4.0	
		7.0
Current liabilities		(43.2)
Non-current liabilities		
Deferred taxes		(96.5)
Other		(13.4)
		$ 751.7

As required by SFAS 142, "Goodwill and Intangible Assets," intangible assets with an indefinite life are not amortized while intangible assets with lives of definite duration are amortized over their estimated useful lives. Accordingly, goodwill will not be amortized and is not deductible for income-tax purposes, but will be subject to an annual impairment test. Identifiable intangible assets will be amortized on a straight-line basis over the estimated useful lives of the assets, which are 10 years for customer relationships and 2 years for trademarks.

In connection with the acquisition, former shareholders of TRI paid $4.0 million into an escrow account for the purpose of retaining certain key executive officers of CFI. Under the escrow agreement, the key executive officers will receive pro rata payments if they remain employees of CFI over a two-year period ending August 23, 2009. Accordingly, $4.0 million has been allocated to the purchase price as the value of the retention-related restricted cash and an equal liability to the key executive officers will be accrued ratably over the two-year service period. If the key executive officers terminate employment prior to August 23, 2009, any unearned portion of the restricted cash in escrow would be remitted to Con-way.

Pro Forma Financial Information

The following unaudited pro forma condensed financial information presents the combined results of operations of Con-way as if the CFI acquisition had occurred as of the beginning of the periods presented, and based on Con-way's assessment of materiality, does not reflect the acquisition of Cougar Logistics. The unaudited pro forma condensed consolidated financial information is for illustrative purposes only, is hypothetical in nature and does not purport to represent what Con-way's financial information would have been if the acquisition had occurred as of the dates indicated or what such results will be for any future periods.

The unaudited financial information reflects pro forma adjustments that are based upon available information and certain assumptions that Con-way believes are reasonable, including estimates related to purchase-method fair-value accounting adjustments, the effect of financing transactions and conforming changes in accounting policies. However, the pro forma condensed consolidated statements of income from continuing operations reflect only pro forma adjustments expected to have a continuing effect on the consolidated results beyond 12 months from the consummation of the acquisition and do not reflect any changes in operations that may occur, including synergistic benefits that may be realized through the acquisition or the costs that may be incurred in integrating operations. These estimates are preliminary and are based on information currently available and could change.

(Dollars in thousands except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue	$ 1,180,471	$ 1,203,699	$ 3,497,426	$ 3,585,068
Income from continuing operations	38,604	65,760	117,509	192,650
Net income	38,604	65,760	119,118	185,871
Net income available to shareholders	36,911	64,012	113,946	180,552
Earnings per share				
Basic	$ 0.82	$ 1.34	$ 2.51	$ 3.63
Diluted	$ 0.77	$ 1.26	$ 2.37	$ 3.42

Cougar Logistics

On September 5, 2007, Menlo Worldwide, LLC ("MW") acquired the outstanding common shares of Cougar Holdings Pte Ltd., and its primary subsidiary, Cougar Express Logistics (collectively, "Cougar Logistics"). Cougar Logistics is a warehousing, logistics, distribution-management and freight-forwarding company headquartered in Singapore. Cougar provides its services to a client base in Asia of nearly 200 global businesses with personnel, facilities and operations in 12 locations in Singapore, Malaysia and Thailand.

Following the acquisition, the operating results of Cougar are reported with the operating results of the Menlo Logistics business unit in the Logistics reporting segment. The Logistics reporting segment for the third quarter and first nine months of 2007 and 2006 includes the operating results of Cougar Logistics from September 5, 2007 through September 30, 2007.

Strategic Benefits

The acquisition of Cougar Logistics expands Menlo Logistics' operations in the important Asia-Pacific region. Menlo Logistics expects to realize a number of strategic benefits from the acquisition, including the entry into new service offerings and markets, an expansion of capabilities within its existing service portfolio and industry verticals.

Purchase Price and Allocation to Net Assets Acquired

MW acquired the outstanding common shares of Cougar Logistics for a cash purchase price of $28.2 million, subject to adjustment, and the assumption of $4.5 million in debt. The preliminary allocation of the purchase price is based on the purchase price calculated as of the September 5, 2007 acquisition closing date and the estimated fair value or carrying amount (which approximates fair value) of assets acquired and liabilities assumed as of the same date. Based on preliminary estimates, the $28.2 million purchase price (net of $0.9 million of cash acquired) was allocated to $21.5 million of acquired property and equipment, $11.9 million of goodwill, $4.5 million of assumed short-term borrowings and $0.7 million of other assumed liabilities (net of other acquired assets). Goodwill will not be amortized but will be subject to an annual impairment test. Con-way is currently evaluating the tax effect of goodwill and other assets acquired and liabilities assumed. The purchase-price accounting is based on a preliminary calculation of the purchase price and current estimates of the assets acquired and liabilities assumed. Accordingly, revisions to the preliminary calculations and estimates may be necessary as these items are finalized.

Chic Logistics

Subsequent to the end of the period, MW on October 18, 2007 acquired the outstanding common shares of Chic Holdings, Ltd. and its wholly owned subsidiaries, Shanghai Chic Logistics Co. Ltd. and Shanghai Chic Supply Chain Management Co. Ltd. (collectively, “Chic Logistics”) for a purchase price of $60 million, subject to earn-out provisions based on performance. Chic Logistics is a well-established provider of third-party logistics and transportation-management services in China and maintains a network with 130 operating sites in 78 cities. The acquisition of Chic Logistics expands Menlo Logistics’ operations in China and is expected to bring many of the same international strategic benefits as the acquisition of Cougar Logistics.

3. Restructuring Activities

Freight

In August 2007, Con-way Freight began an operational restructuring to combine its three regional operating companies into one centralized operation to improve the customer experience and streamline its processes. The reorganization into a centralized entity is intended to improve customer service and efficiency through the development of uniform new pricing and operational processes, implementation of best practices, and fostering of innovation. In connection with the reorganization, Con-way Freight recognized a third-quarter restructuring charge of $5.5 million.

Con-way expects the reorganization to be substantially complete by the end of the first quarter of 2008 and, during the period of reorganization, estimates that it will recognize total restructuring charges of approximately $18 million. Estimated restructuring charges consist primarily of employee-separation costs, lease-termination costs, and asset-impairment charges. Employee-separation costs primarily include severance payments and retention bonuses for employees who have been notified of their immediate or future separation, and accordingly, the related expenses are recognized over the employees’ remaining service period.

The following table summarizes the effect of restructuring activities for the nine months ended September 30, 2007:

(Dollars in thousands)	Charges Incurred	Cash Payments or Write-offs	Liability at September 30, 2007
Employee-separation costs	$ 3,536	$ (744)	$ 2,792
Asset-impairment charges	1,997	(1,997)	-
Total	$ 5,533	$ (2,741)	$ 2,792

Truckload

In connection with the acquisition of CFI, as more fully discussed in Note 2, “Acquisitions,” Con-way in September 2007 integrated the Con-way Truckload business unit with the CFI business unit. In connection with the integration, Con-way closed the general office of Con-way Truckload and incurred a $1.5 million third-quarter restructuring charge, primarily for costs related to employee separation, lease termination and asset impairment. Con-way estimates that it will recognize an additional $0.3 million restructuring charge in the fourth quarter of 2007 and expects that the Truckload reorganization will be substantially complete by the end of 2007.

4. 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 for the nine-month periods of 2007 and 2006 are presented below. There were no results associated with discontinued operations for the third quarters of 2007 and 2006.

(Dollars in thousands)	Nine Months Ended September 30, 2007	2006
Revenues		
Con-way Forwarding	$ -	$ 21,699
Loss from Discontinued Operations		
Con-way Forwarding		
Loss before income tax benefit	-	(2,963)
Income tax benefit	-	1,034
	$ -	$ (1,929)
Gain (Loss) from Disposal, net of tax		
Con-way Forwarding	$ 156	$ (5,128)
MWF	(33)	644
EWA	2,706	(200)
CFC	(1,220)	(166)
	$ 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 September 30, 2007 and December 31, 2006, assets of discontinued operations were $2.3 million and $1.9 million, respectively, and liabilities of discontinued operations were $3.5 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 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 recognized a $5.1 million second-quarter loss from disposal (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 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 agreed to a three-year non-compete covenant that, subject to certain exceptions, limits Con-way's annual air freight and ocean- forwarding and/or customs brokerage revenues to $175 million through December 19, 2007. Con-way 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 12, "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 $2.6 million at September 30, 2007, from $4.0 million at December 31, 2006, due primarily to the cash payment of liabilities. EWA's remaining loss reserves at September 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.

5. Sale of Unconsolidated Joint Venture

Vector SCM, LLC ("Vector") was a joint venture formed with General Motors ("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 September 30, 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 third quarter and $8.4 million in the first nine months 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.

6. Segment Reporting

Con-way discloses segment information in the manner in which the business units 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 the following five operating segments:

- *Freight*. The Freight segment consists of the operating results of the Con-way Freight business unit, which provides regional, inter-regional, and transcontinental less-than-truckload freight services throughout North America and Mexico. In 2006, the Freight segment also included the operating results of Con-way Expedite, which was sold in July 2006, and Con-way Brokerage, which was integrated into Menlo Logistics in January 2007.

- *Truckload.* The Truckload segment includes the combined operating results of the Con-way Truckload business unit and the recently acquired CFI business unit. The combined businesses provide asset-based full-truckload freight services throughout North America, including services into and out of Mexico.

- *Logistics*. The Logistics segment consists of the operating results of the Menlo Logistics business unit, which develops contract-logistics solutions, including the management of complex distribution networks and supply-chain engineering and consulting, and also provides domestic truckload-brokerage services.

- *Vector.* Prior to its sale, the Vector reporting segment consisted of Con-way’s proportionate share of the net income from Vector, a joint venture with GM. GM purchased Con-way’s membership interest in Vector in December 2006.

- *Other*. The Other reporting segment consists of the operating results of Road Systems, a trailer manufacturer, and certain corporate activities for which the related income or expense has not been allocated to other reporting segments, including results related to corporate re-insurance activities and corporate properties.

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues from External Customers				
Freight	$ 740,769	$ 730,960	$ 2,165,381	$ 2,175,349
Truckload	51,991	2,622	54,228	5,274
Logistics	312,572	340,869	956,962	1,036,430
Other	5,961	2,356	10,630	5,798
	$ 1,111,293	$ 1,076,807	$ 3,187,201	$ 3,222,851
Inter-segment Revenues				
Freight	$ 13,032	$ 11,303	$ 38,367	$ 56,984
Truckload	21,055	19,486	56,222	53,539
Logistics	64	--	304	226
Other	4,234	24,417	21,071	71,582
	$ 38,385	$ 55,206	$ 115,964	$ 182,331
Revenues before Inter-segment Eliminations				
Freight	$ 753,801	$ 742,263	$ 2,203,748	$ 2,232,333
Truckload	73,046	22,108	110,450	58,813
Logistics	312,636	340,869	957,266	1,036,656
Other	10,195	26,773	31,701	77,380
Inter-segment Revenue Eliminations	(38,385)	(55,206)	(115,964)	(182,331)
	$ 1,111,293	$ 1,076,807	$ 3,187,201	$ 3,222,851
Operating Income (Loss)				
Freight	$ 60,029	$ 93,740	$ 186,412	$ 259,841
Truckload	2,975	1,398	6	3,704
Logistics	6,188	5,462	19,659	17,740
Vector	--	1,999	(2,699)	10,858
Other	(1,510)	(284)	(2,402)	(87)
	$ 67,682	$ 102,315	$ 200,976	$ 292,056

7. Debt and Other Financing Arrangements

On August 23, 2007, Con-way acquired the outstanding common shares of CFI, and on September 5, 2007, MW acquired the outstanding common shares of Cougar Logistics, as more fully discussed in Note 2, “Acquisitions.” In connection with the acquisition of CFI, Con-way entered into a bridge-loan facility to fund a portion of the purchase price and also assumed an additional $1.1 million of secured long-term debt. In connection with the acquisition of Cougar Logistics, MW assumed $4.5 million of short-term borrowings, as more fully discussed below.

Bridge-Loan Facility

On August 23, 2007, Con-way entered an agreement that established a $500.0 million bridge-loan facility. On that date, Con-way borrowed $425.0 million under the bridge-loan facility to fund a portion of the purchase price of CFI. Under the borrowing, the outstanding principal amount of $425.0 million at September 30, 2007 is due in full on August 21, 2008. No further borrowings are permitted under the terms of the agreement.

Borrowings under the bridge-loan facility bear interest at a rate based upon the lead bank’s base rate or Eurodollar rate plus a margin dependent on either Con-way’s senior debt credit ratings or a leverage ratio. The interest rate as of September 30, 2007 was 5.54%. The credit facility is guaranteed by certain of Con-way’s material domestic subsidiaries and contains two financial covenants: (i) a leverage ratio and (ii) a fixed charge coverage ratio. There are also various restrictive covenants, including limitations on (i) the incurrence of liens, (ii) consolidations, mergers and asset sales, and (iii) the incurrence of additional subsidiary indebtedness.

Assumed Subsidiary Debt

In connection with Con-way's acquisition of CFI on August 23, 2007, Con-way assumed a $1.1 million promissory note that bears interest of 6.0% and is due in full on December 31, 2009. At September 30, 2007, the full amount of $1.1 million remained outstanding under the note.

In connection with MW's acquisition of Cougar Logistics on September 5, 2007, MW assumed short-term borrowings of $4.5 million, which were outstanding under $23.5 million of unsecured credit facilities that are available for cash borrowings, letters of credit and bank guarantees. On September 30, 2007, $4.5 million of short-term borrowings remained outstanding under these foreign-currency facilities and, at that same date, $6.5 million of bank guarantees and letters of credit were outstanding, leaving $12.5 million of available capacity for additional bank guarantees, letters of credit or cash borrowings, subject to compliance with certain restrictive covenants, including limitations on the incurrence of liens. Borrowings under the credit facilities are denominated in foreign currencies and bear variable interest rates currently ranging from 2.99% to 3.40%. The credit facility fees range from 0.5% to 1.25% on the amount of outstanding bank guarantees and letters of credit.

8. 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, defined contribution retirement plans, 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 September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2007	2006	2007	2006
Service cost – benefits earned during the period	$ 27	$ 14,678	$ 82	$ 41,773
Interest cost on benefit obligation	16,411	15,501	50,603	44,115
Expected return on plan assets	(23,265)	(18,978)	(71,737)	(54,011)
Net amortization and deferral	(775)	2,165	(2,389)	6,162
Net periodic benefit expense (income)	$ (7,602)	$ 13,366	$ (23,441)	$ 38,039

	Non-Qualified Pension Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2007	2006	2007	2006
Service cost – benefits earned during the period	$ --	$ 215	$ --	$ 626
Interest cost on benefit obligation	1,006	1,142	3,316	3,330
Net amortization and deferral	476	604	1,571	1,763
Net periodic benefit expense	$ 1,482	$ 1,961	$ 4,887	$ 5,719

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. In 2006, Con-way contributed $75.0 million to the Qualified Pension Plans, all of which was paid in the first nine months.

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 increased 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 $23.5 million and $67.6 million in the third quarter and first nine months of 2007, respectively, compared to $4.4 million and $11.8 million in the same periods of 2006. At September 30, 2007 and December 31, 2006, Con-way had recognized accrued liabilities of $23.4 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2007	2006	2007	2006
Service cost – benefits earned during the period	$ 690	$ 582	$ 2,100	$ 1,650
Interest cost on benefit obligation	1,733	1,800	5,271	5,101
Net amortization and deferral	610	618	1,851	1,754
Net periodic benefit expense	$ 3,033	$ 3,000	$ 9,222	$ 8,505

9. 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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	$ 38,965	$ 64,778	$ 120,743	$ 181,944
Other comprehensive income (loss):				
Foreign currency translation adjustment	112	(182)	(123)	319
Comprehensive income	$ 39,077	$ 64,596	$ 120,620	$ 182,263

10. 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.

11. 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 289,192 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 September 30, 2007			Three Months Ended September 30, 2006		
	Stock Options	Nonvested Stock and PSPUs	Total	Stock Options	Nonvested Stock and PSPUs	Total
Salaries, wages and other employee benefits	$ 1,599	$ 1,080	$ 2,679	$ 1,566	$ 504	$ 2,070
Deferred income tax benefit	(607)	(421)	(1,028)	(611)	(196)	(807)
Net share-based compensation expense	$ 992	$ 659	$ 1,651	$ 955	$ 308	$ 1,263

(Dollars in thousands)	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Stock Options	Nonvested Stock and PSPUs	Total	Stock Options	Nonvested Stock and PSPUs	Total
Salaries, wages and other employee benefits	$ 4,955	$ 3,074	$ 8,029	$ 4,408	$ 1,147	$ 5,555
Deferred income tax benefit	(1,890)	(1,199)	(3,089)	(1,719)	(447)	(2,166)
Net share-based compensation expense	$ 3,065	$ 1,875	$ 4,940	$ 2,689	$ 700	$ 3,389

12. Income Taxes

Con-way's effective tax rate was 37.1% in the third quarter and first nine months of 2007, respectively, and was 34.2% and 34.0% in the same respective periods of last year. Excluding the effect of various discrete tax adjustments, Con-way's third-quarter and year-to-date effective tax rate in 2007 was 37.3% and 37.5%, respectively, and in 2006, was 37.5% and 37.7%, respectively. The discrete tax adjustments, which primarily affected the prior-year periods, largely reflect the settlement of issues following completion of an Internal Revenue Service ("IRS") audit.

Con-way reported an income tax liability of $10.7 million at September 30, 2007, and reported an income tax receivable of $31.5 million at December 31, 2006, due primarily to taxable income in the first nine months of 2007 and to a $34.5 million federal income tax refund received in the first quarter of 2007, partially offset by periodic payments for estimated tax in the first nine months of 2007.

Disposal-Related Capital Loss

Con-way's disposal of MWF in December 2004, as more fully discussed in Note 4, "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 $29.9 million at September 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 change the effective tax rate.

At September 30, 2007, Con-way's estimate of gross tax-affected unrecognized tax benefits increased to $13.0 million (including $3.1 million of accrued interest and penalties), due primarily to liabilities assumed in connection with Con-way's acquisition of CFI, partially offset by the effect of settlements following completion of an IRS audit. At September 30, 2007, Con-way estimated that $8.5 million of the unrecognized tax benefits, if recognized, would change the effective tax rate. 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. Where no tax return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, then additional years may be reviewed by the tax authority.

13. Commitments and Contingencies

Purchase Commitments

At September 30, 2007, Con-way had entered into purchase commitments to acquire $19.2 million of revenue equipment and other equipment for delivery in 2007.

Con-way has entered into fuel purchase commitments with certain diesel fuel vendors. Under these commitments, Con-way has agreed to purchase, at market prices, a specified volume of fuel to be delivered ratably over the contract period, which expires in July 2008. At September 30, 2007, Con-way estimates that it will purchase approximately $110 million of diesel fuel under these commitments, which represent only a portion of Con-way's fuel needs during the contract period.

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

Con-way provides transportation, logistics and supply-chain management services for a wide range of manufacturing, industrial and retail customers. Con-way's principal business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, truckload brokerage, global logistics management, and trailer manufacturing. For financial reporting purposes, Con-way is divided into five reporting segments:

- *Freight*. The Freight segment consists of the operating results of the Con-way Freight business unit, which provides regional, inter-regional, and transcontinental less-than-truckload freight services throughout North America and Mexico. In 2006, the Freight segment also included the operating results of Con-way Expedite, which was sold in July 2006, and Con-way Brokerage, which was integrated into Menlo Logistics in January 2007.

- *Truckload.* The Truckload segment includes the combined operating results of the Con-way Truckload business unit and the recently acquired CFI business unit. The combined businesses provide asset-based full-truckload freight services throughout North America, including services into and out of Mexico.

- *Logistics*. The Logistics segment consists of the operating results of the Menlo Logistics business unit, which develops contract-logistics solutions, including the management of complex distribution networks and supply-chain engineering and consulting, and also provides domestic truckload-brokerage services.

- *Vector.* Prior to its sale, the Vector reporting segment consisted of Con-way's proportionate share of the net income from Vector, a joint venture with GM. GM purchased Con-way's membership interest in Vector in December 2006.

- *Other*. The Other reporting segment consists of the operating results of Road Systems, a trailer manufacturer, and certain corporate activities for which the related income or expense has not been allocated to other reporting segments, including results related to corporate re-insurance activities and corporate properties.

Con-way's primary business-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 transports shipments utilizing a network of freight service centers combined with a fleet of company-operated line-haul and pickup-and-delivery tractors and trailers. CFI and Con-way Truckload transport shipments using a fleet of company-operated and contractor-operated long-haul tractors and trailers. 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 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 except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues	$ 1,111,293	$ 1,076,807	$ 3,187,201	$ 3,222,851
Operating income	$ 67,682	$ 102,315	$ 200,976	$ 292,056
Other expense	5,756	3,873	11,585	6,060
Income from continuing operations before income taxes	61,926	98,442	189,391	285,996
Income tax provision	22,961	33,664	70,257	97,273
Income from continuing operations	38,965	64,778	119,134	188,723
Preferred stock dividends	1,693	1,748	5,172	5,319
Net income from continuing operations available to common shareholders	$ 37,272	$ 63,030	$ 113,962	$ 183,404
Diluted earnings per share	$ 0.78	$ 1.24	$ 2.37	$ 3.47
Operating margin	6.1%	9.5%	6.3%	9.1%
Effective tax rate	37.1%	34.2%	37.1%	34.0%

Con-way's consolidated revenue for the third quarter increased 3.2% from the same period last year due primarily to the acquisition of CFI on August 23, 2007 and to a 1.3% increase at Freight, partially offset by an 8.3% decline at Logistics. Excluding the acquisition of CFI, Con-way's third-quarter revenue decreased by 1.6%. Con-way's consolidated revenue for the first nine months of 2007 decreased 1.1% due to a 7.7% decline at Logistics and a 0.5% decline at Freight, partially offset by the acquisition-related increase in revenue at Truckload. Although revenues at Logistics declined, net revenue (revenue less purchased transportation costs) increased. Despite decreases in carrier-management revenue in the third quarter and first nine months of 2007, Logistics achieved growth in net revenue from carrier-management services as declines in purchased transportation costs more than offset the declines in carrier-management revenue. Revenues at the Freight segment in 2007 for the three- and nine-month period reflect increased revenue from the Con-way Freight business unit, which in the three-month period was partially offset by lower revenue from the former Con-way Expedite and Brokerage business unit, and in the nine-month period, was more than offset by the revenue decline from Con-way Expedite and Brokerage.

In the third quarter and first nine months of 2007, consolidated operating income decreased 33.8% and 31.2%, respectively, from the same periods last year due largely to lower operating income from the Freight reporting segment and from Vector. In the third quarter and first nine months of 2007, operating income at Freight decreased 36.0% and 28.3%, respectively, due primarily to a higher-volume, lower-yield mix of revenue 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 5, "Sale of Unconsolidated Joint Venture," of Item 1, "Financial Statements." In the first nine months 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 third quarter and first nine months of 2006 included pre-sale operating income from Vector of $2.0 million and $10.9 million, respectively.

Under Con-way's re-branding initiative announced in April 2006, Con-way has recognized expense of $10.5 million, including $3.2 million and $8.8 million in the third quarter and first nine months of 2007, respectively, primarily for the conversion of Con-way Freight trailers to the new Con-way graphic identity and for new uniforms. Under current estimates, Con-way expects to recognize $3.5 million of additional re-branding expenses in the remainder of 2007 and an estimated $10 million of re-branding expenses in 2008. Total estimated expenses of $24 million for the re-branding initiative consist primarily of the costs to re-brand Con-way Freight's tractors and trailers.

As more fully discussed in Note 3, “Restructuring Activities,” of Item 1, “Financial Statements,” Con-way incurred $7.0 million in third-quarter expense related to its reorganization initiative at Con-way Freight and to the closure of the Con-way Truckload general office.

Non-operating expenses increased $1.9 million in the third quarter of 2007 and $5.5 million in the first nine months of 2007 due primarily to an increase in interest expense, which increased $1.8 million and $2.7 million in the third quarter and first nine months of 2007, respectively. Other non-operating expense was also affected by a decrease in investment income of $0.3 million in the third quarter and $2.6 million in the first nine months of 2007. Variations in interest expense and interest income were due in part to the acquisition of CFI on August 23, 2007, which was financed with existing cash resources and proceeds from new debt financing.

Con-way’s third-quarter and year-to-date effective tax rates in 2007 were 37.1%, compared to 34.2% and 34.0%, respectively, in 2006. Excluding the effect of various discrete tax adjustments, Con-way’s third-quarter and year-to-date effective tax rates in 2007 were 37.3% and 37.5%, respectively, and in 2006, were 37.5% and 37.7%, respectively. The discrete tax adjustments, which primarily affected the prior-year periods, largely reflect the settlement of issues following completion of an Internal Revenue Service audit.

Con-way’s net income from continuing operations available to common shareholders in the third quarter and first nine months of 2007 decreased 40.9% and 37.9%, respectively, reflecting lower operating income, higher non-operating expenses, and an increase in the effective tax rate. Con-way’s diluted earnings per share from continuing operations in the same periods of 2007 decreased 37.1% and 31.7%, respectively, as lower net income 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 48.0 million shares in the third quarter of 2007 from 50.9 million shares in the same period of 2006, and in the first nine months, declined to 48.5 million shares in 2007 from 53.1 million shares in 2006.

Reporting Segment Review

Freight

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

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Summary of Segment Operating Results				
Revenues	$ 740,769	$ 730,960	$ 2,165,381	$ 2,175,349
Operating Income	60,029	93,740	186,412	259,841
Operating Margin	8.1%	12.8%	8.6%	11.9%
	2007 vs. 2006		2007 vs. 2006	
Selected Con-way Freight Operating Statistics				
Revenue per day	+2.2%		+0.7%	
Weight per day	+5.1		+2.4	
Revenue per hundredweight (“yield”)	-2.8		-1.7	
Shipments per day (“volume”)	+6.7		+3.5	
Weight per shipment	-1.5		-1.1	

The Freight segment’s revenues in the third quarter of 2007 increased 1.3% over the same period of 2006 and, in the first nine months, decreased 0.5% from the same prior-year period. Revenues in 2007 include increases at Con-way Freight and declines due to the sale of the expedited-shipping portion of its former Con-way Expedite and Brokerage business in July 2006 and to the integration of the remaining truckload-brokerage operation into Menlo Logistics in January 2007. Revenue per day for Con-way Freight increased 2.2% in the third quarter on a 5.1% increase in weight per day partially offset by a 2.8% decline in yield. In the first nine months of 2007, revenue per day at Con-way Freight rose 0.7% on a 2.4% increase in weight per day partially offset by a 1.7% decline in yield. In the third quarter, the 5.1% increase in weight per day was achieved through a 6.7% increase in shipments per day, partially offset by a 1.5% decline in weight per shipment. Weight per day in the first nine months of 2007 increased 2.4% on a 3.5% increase in shipments per day, partially offset by a 1.1% decrease in weight per shipment. The increase in the weight per day and volume of freight transported was achieved despite an increasingly price-sensitive and competitive freight market, due in part to targeted sales initiatives.

Yields declined in 2007 due primarily to lower pricing associated with new business generated under Con-way’s sales initiatives and to an increasingly price-sensitive and competitive freight market that required defensive pricing for certain customer relationships. In the third quarter and first nine months 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.

Like other LTL carriers, Con-way Freight assesses many of its customers with a fuel surcharge. The fuel surcharge is intended to compensate Con-way Freight for the adverse effects of higher fuel costs and fuel-related increases in purchased transportation. 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.” In the third quarter, Con-way Freight’s fuel-surcharge revenue in 2007 decreased 2.6% from 2006, and in the nine-month period, fuel-surcharge revenue in 2007 decreased 1.1% from 2006. Excluding fuel surcharges, yields decreased 1.9% and 1.4% in the third quarter and first nine months of 2007, respectively.

Freight’s operating income in the third quarter and first nine months of 2007 decreased 36.0% and 28.3%, respectively, due primarily to a higher-volume, lower-yield mix of revenue, which required increased freight handling. Due largely to the change in the mix of revenue, employee costs in the third quarter and first nine months of 2007 increased 8.1% and 4.6%, respectively, from the same periods in 2006. Base compensation in the third quarter and first nine months of 2007 rose 8.6% and 5.5%, respectively, reflecting additional freight-handling requirements, wage and salary rate increases, and an increase in driver count during the period in response to increases in actual and anticipated freight volumes. Employee benefits expense increased 6.5% in the third quarter of 2007 due primarily to higher payroll taxes and increases in the costs for paid time off, partially offset by a decline in sick-pay expense. Variations in expenses for paid time off and sick pay were due in part to a conversion from a sick-pay benefit to a paid-time-off benefit. In the first nine months of 2007, employee benefits expense increased 4.3% due largely to higher self-insurance expense for health-care benefits, higher payroll taxes, and to increases in the costs for paid time off, partially offset by lower costs associated with workers' compensation claims and sick pay. In the third quarter of 2007, incentive compensation increased $3.6 million or 40.8% and, in the first nine months of 2007, increased $1.3 million or 4.2% based on variations in performance measures relative to incentive-plan targets.

Expenses for fuel, oil and fuel taxes in the third quarter of 2007 increased 6.4% from 2006 and, in the nine-month period of 2007, increased 3.1% from 2006. During the same comparative periods, purchased transportation expense decreased 2.7% and 11.5%, respectively, as fuel-related increases were more than offset by the effect of lower transportation requirements following the sale of the expedited-shipping portion of the former Con-way Expedite and Brokerage business in July 2006.

Depreciation expense in the third quarter and first nine months of 2007 increased 4.4% and 4.9% from the third quarter and first nine months of 2006, due primarily to volume-related increases in revenue equipment. Operating income was also negatively affected by increases in vehicular self-insurance expense and costs incurred under Con-way's re-branding initiative and its operational restructuring, which combines its three regional operating companies into one centralized operation. Vehicular self-insurance expense increased 22.4% and 52.4% in the third quarter and first nine months of 2007 due to increased claims experience, including an $8.0 million loss related to a significant claim in the second quarter of 2007. Under Con-way's re-branding initiative announced in April 2006, Con-way Freight incurred $3.2 million and $8.8 million of costs in the third quarter and first nine months of 2007, respectively, compared to $0.1 million and $0.4 million in the third quarter and first nine months of 2006, respectively. 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. As more fully discussed in Note 3, "Restructuring Activities," of Item 1, "Financial Statements," Con-way Freight incurred $5.5 million in third-quarter expense related to its operational restructuring announced in August 2007.

Comparative operating results for the Freight segment reflect the sale of the expedited-shipping portion of its former Con-way Expedite and Brokerage business in July 2006. In connection with the sale, Con-way recognized a $6.2 million third-quarter gain in 2006.

Truckload

Following the acquisition of CFI, the operating results of CFI are reported with the operating results of the Con-way Truckload business unit in the Truckload reporting segment. Accordingly, the Truckload reporting segment for the third quarter and first nine months of 2007 and 2006 includes the results of the Con-way Truckload business unit for all of those periods, but only includes the operating results of CFI from August 23, 2007 through September 30, 2007.

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Summary of Segment Operating Results				
Revenues				
CFI	$ 51,280	$ -	$ 51,280	$ -
Con-way Truckload	711	2,622	2,948	5,274
Total	$ 51,991	$ 2,622	$ 54,228	$ 5,274
Operating Income (Loss)				
CFI	$ 7,693	$ -	$ 7,693	$ -
Con-way Truckload	(4,718)	1,398	(7,687)	3,704
Total	$ 2,975	$ 1,398	$ 6	$ 3,704

Increased revenue at the Truckload reporting segment was substantially due to the acquisition of CFI. As a result of the acquisition, the third quarter of 2007 included CFI revenue in 26 of 63 working days and the first nine months of 2007 included CFI revenue in 26 of 191 working days. In all periods presented, segment revenue is reported after the elimination of revenue recognized for truckload services provided by CFI and Con-way Truckload to Con-way Freight and Menlo Logistics. Accordingly, CFI revenue in the third quarter and first nine months of 2007 is reported net of $9.5 million of inter-segment revenue. In the same periods of 2007 and 2006, Con-way Truckload revenue is reported net of inter-segment revenue of $11.5 million and $46.7 million, respectively, and $19.5 million and $53.5 million, respectively.

Operating results for the Truckload segment also reflect the acquisition of CFI. Subsequent to its acquisition on August 23, 2007, CFI reported operating income of $7.7 million while Con-way Truckload in the third quarter and first nine months of 2007 reported operating losses of $4.7 million and $7.7 million, respectively, which were due in part to productivity declines following Con-way's announcement of the CFI acquisition on July 13, 2007 and to $1.5 million of third-quarter costs incurred in the integration of the Con-way Truckload business unit with the CFI business unit, as more fully discussed in Note 3, "Restructuring Activities," of Item 1, "Financial Statements."

Logistics

The table below compares operating results and operating margins of the Logistics reporting segment. The table summarizes Menlo Logistics' gross revenues as well as net revenues (revenues less purchased transportation expenses). Carrier-management revenue is attributable to contracts for which Menlo Logistics manages the transportation of freight but subcontracts the actual transportation and delivery of products to third parties, which Menlo Logistics refers to as purchased transportation. Menlo 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 Menlo Logistics for transporting the shipments.

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Summary of Segment Operating Results				
Revenues	$ 312,572	$ 340,869	$ 956,962	$ 1,036,430
Purchased Transportation	(203,015)	(241,097)	(637,371)	(745,687)
Net Revenues	109,557	99,772	319,591	290,743
Operating Income	6,188	5,462	19,659	17,740
Operating Margin on Revenue	2.0%	1.6%	2.1%	1.7%
Operating Margin on Net Revenue	5.6%	5.5%	6.2%	6.1%

Logistics' revenue in the third quarter and first nine months of 2007 decreased 8.3% and 7.7%, 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 third quarter and first nine months decreased 12.8% and 12.5%, respectively, while revenue from warehouse-management services rose 3.7% and 6.4%, respectively.

Logistics' net revenue in the third quarter and first nine months of 2007 increased 9.8% and 9.9%, respectively, due primarily to increases in net revenue from both carrier-management and warehouse-management services. Despite decreases in carrier-management revenue in the third quarter and first nine months of 2007, Logistics achieved growth in net revenue from carrier-management services as declines in purchased transportation costs more than offset the declines in carrier-management revenue. In the third quarter and first nine months of 2007, purchased transportation costs decreased 15.8% and 14.5%, respectively, due primarily to decreases in carrier-management volumes and lower carrier rates.

Logistics' operating income in the third quarter and first nine months of 2007 increased 13.3% and 10.8%, respectively, over the same periods of last year. Operating margins were positively impacted by income from information-technology services provided to GM, as more fully discussed in Note 5, "Sale of Unconsolidated Joint Venture," of Item 1, "Financial Statements." Higher operating income in 2007 also reflects a decline in costs incurred during a contract-bid process. In connection with this contract, as more fully discussed below, Logistics incurred $1.0 million of costs in the third quarter of last year. Excluding the items discussed above, operating margins in the third quarter and first nine months of 2007 declined, as higher net revenue from carrier-management and warehouse-management services was more than offset by increases in employee costs and allocated corporate costs, and from higher expenses for rent and supplies.

Employee costs in the third quarter and first nine months of 2007 increased 15.5% and 11.9% respectively, which reflect increases in headcount, employee benefits, and wage and salary rate increases. Headcount increases were due in part to growth in warehouse-management services. Employee benefits expense increased 22.9% and 19.4% in the third quarter and first nine months of 2007, respectively, due principally from higher self-insurance expense for health-care benefits, increased costs for post-employment benefits, and increased costs for paid time off. The cost of health-care benefits in the first nine months 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 third quarter and first nine months 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 the Logistics segment in the third quarter and first nine months of 2007 increased by $2.6 million and $8.8 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 are utilized in providing information-technology services to GM, as described above, and also to provide services on other Menlo Logistics' information-technology initiatives.

Rent expense increased 16.1% and 13.5% in the third quarter and first nine months of 2007, respectively, as a result of new warehouse customer space requirements as well as facilities expansion with existing customers. Supplies expense increased 2.3% and 13.8% in the third quarter and first nine months of 2007, respectively, due to existing and new warehouse customer service requirements.

At the conclusion in August 2007 of a lengthy preparation and selection process, the Department of Defense U.S. Transportation Command ("DODTC") selected Menlo Logistics as the primary contractor for the Defense Transportation Coordination Initiative ("DTCI"), a logistics program directed by the DODTC to streamline and improve domestic transportation and distribution operations. Under the contract, Menlo Logistics will be responsible for deploying and operating an integrated logistics solution for shipment planning and optimization, shipment execution and overall transportation management for Department of Defense ("DOD") shipments moving into and among DOD facilities in the contiguous United States. The contract, which has a potential seven-year life cycle, has a three-year base period with an estimated $525 million in transportation spend. Implementation of the initiative, which is expected to be rolled out in three phases over a 25-month period, was delayed briefly by a protest filed by a competitor; however, the protest was subsequently withdrawn in October 2007.

As more fully discussed in Note 2, "Acquisitions," of Item 1, "Financial Statements," Menlo Worldwide, LLC acquired Cougar Logistics on September 5, 2007, and on October 18, 2007, acquired Chic Logistics. The acquisitions did not have a material effect on Logistics' revenues or operating income in the periods presented.

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 $2.0 million and $10.9 million in the third quarter and first nine months 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 5, "Sale of Unconsolidated Joint Venture," of Item 1, "Financial Statements."

Other

The Other reporting segment consists of the operating results of Road Systems, a trailer manufacturer, and certain corporate activities for which the related income or expense has not been allocated to other reporting segments, including results related to corporate re-insurance activities and corporate properties. Operating losses from corporate properties in 2007 reflect a $0.6 million third-quarter loss for environmental remediation of an unused corporate property. The table below summarizes the operating results for the Other reporting segment:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues				
Road Systems	$ 5,961	$ 2,356	$ 10,630	$ 5,798
Operating Income (Loss)				
Road Systems	$ (171)	$ 386	$ 618	$ 1,058
Con-way re-insurance activities	(354)	(238)	(1,601)	(860)
Con-way corporate properties	(1,015)	(426)	(1,740)	(1,314)
Sales of non-operating assets	--	--	--	1,260
Other	30	(6)	321	(231)
	$ (1,510)	$ (284)	$ (2,402)	$ (87)

Discontinued Operations

Net income available to common shareholders in the periods presented includes 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 4, “Discontinued Operations,” of Item 1, “Financial Statements.” Results of discontinued operations for the nine-month periods of 2007 and 2006 are presented below. There were no results associated with discontinued operations for the third quarter of 2007 and 2006.

(Dollars in thousands except per share amounts)	Nine Months Ended September 30,	
	2007	2006
Discontinued Operations, net of tax		
Loss from Discontinued Operations	$ --	$ (1,929)
Gain (Loss) from Disposal	1,609	(4,850)
	$ 1,609	$ (6,779)
Earnings (Loss) per share - Diluted		
Loss from Discontinued Operations	$ --	$ (0.04)
Gain (Loss) from Disposal	0.03	(0.09)
	$ 0.03	$ (0.13)

Liquidity and Capital Resources

Cash and cash equivalents declined to $181.4 million at September 30, 2007 from $260.0 million at December 31, 2006, as $712.1 million used in investing activities exceeded $327.8 million provided by operating activities and $302.4 million provided by financing activities. Cash used by investing activities primarily reflects the acquisitions of CFI and Cougar Logistics in the third quarter of 2007. In the first nine months of 2007, cash provided by financing activities primarily reflects $425.0 million borrowed under a bridge-loan facility in August 2007 to fund a portion of the purchase price of CFI. 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 4, "Discontinued Operations," of Item 1, "Financial Statements."

(Dollars in thousands)	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Operating Activities		
Net income	$ 120,743	$ 181,944
Discontinued operations	(1,609)	6,779
Non-cash adjustments (1)	145,601	117,701
Net income before non-cash items	264,735	306,424
Changes in assets and liabilities	63,070	43,822
Net Cash Provided by Operating Activities	327,805	350,246
Net Cash Used in Investing Activities	(712,124)	(217,767)
Net Cash Provided by (Used in) Financing Activities	302,387	(330,121)
Net Cash Used in Continuing Operations	(81,932)	(197,642)
Net Cash Provided by (Used in) Discontinued Operations	3,342	(23,398)
Decrease in Cash and Cash Equivalents	$ (78,590)	$ (221,040)

(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 nine months of 2007 was $327.8 million, a $22.4 million decrease from the first nine months of 2006, due to a decrease in net income before non-cash items, partially offset by an increase in cash provided by changes in assets and liabilities. In the first nine months of 2007, receivables used $27.6 million, compared to $25.9 million provided in the same prior-year period.

Cash provided by changes in accrued income taxes increased to $41.0 million in the first nine months of 2007 from $8.9 million in the same prior-year period, due primarily to tax refunds received in March 2007.

Employee benefits used $9.3 million in the first nine months of 2007 compared to $40.2 million used in the same period of 2006. As a result of 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 8, "Employee Benefit Plans," of Item 1, "Financial Statements."

Cash provided by deferred charges and credits decreased to $1.9 million in the first nine months of 2007 from $13.7 million provided in the same period of 2006, primarily due to the sale of Con-way's membership interest in Vector. In the first nine 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 increased to $712.1 million in the first nine months of 2007 from $217.8 million used in the first nine months of 2006 due primarily to $739.5 million used to purchase CFI and $28.2 million used to purchase Cougar Logistics in the third quarter of 2007. As more fully discussed in Note 2, "Acquisitions," of Item 1, "Financial Statements," Con-way completed the acquisitions of CFI and Cougar Logistics in August 2007 and September 2007, respectively.

The increase in cash used for acquisitions was partially offset by a decline in capital expenditures, an increase in cash provided from the conversion of marketable securities, proceeds received from the sale of Con-way's membership interest in Vector, and an increase in proceeds from the sale of properties and equipment. Capital expenditures in the first nine months of 2007 decreased $149.7 million from the same prior-year period due primarily to fewer tractor and trailer expenditures at the Freight and Truckload segments. The prior year included an above-average number of tractors acquired in advance of new governmental emission standards. Cash provided by declines in marketable securities increased $69.1 million due primarily to the conversion in August 2007 of marketable securities into cash to fund a portion of the purchase price of CFI. The first nine months of 2007 include $51.9 million of proceeds received in January 2007 from the sale of Con-way's membership interest in Vector, while the same period of 2006 includes $8.0 million of proceeds received from the sale of the expedited-shipping portion of the former Con-way Expedite and Brokerage business in the third quarter of 2006. Proceeds from the sale of properties and equipment increased $11.4 million in the first nine months of 2007 compared to the same period of 2006 due primarily to the sale of Con-way Truckload tractors.

Financing Activities

Financing activities provided cash of $302.4 million in the first nine months of 2007 compared to $330.1 million used in the same period of 2006. In August 2007, Con-way borrowed $425.0 million under a bridge-loan facility to fund a portion of the purchase price of CFI. Financing activities also reflect 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 nine months of 2007 from $305.9 million in the first nine months of 2006. The repurchase program concluded on June 29, 2007 and no additional authorizations have been made under the program. In both periods presented, financing activities 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 September 30, 2007, no borrowings were outstanding under Con-way's revolving credit facility and $216.5 million of letters of credit were outstanding, leaving $183.5 million of available capacity for additional letters of credit or cash borrowings, subject to compliance with financial covenants and other customary conditions to borrowing. Including credit facilities assumed in connection with MW's acquisition of Cougar Logistics, Con-way had other uncommitted unsecured credit facilities totaling $63.5 million. Under these facilities, $4.5 million of short-term borrowings remained outstanding, and a total of $21.6 million of letters of credit, bank guarantees, and overdraft facilities were outstanding at September 30, 2007.

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 nine months of 2007, there have been no material changes in Con-way's contractual obligations outside the ordinary course of business, except for Con-way's borrowings under the bridge-loan facility and entry into purchase commitments, as more fully discussed in Note 7, "Debt," and Note 13, "Commitments and Contingencies," respectively, of Item 1, "Financial Statements."

As discussed in Item 1A, "Risk Factors" of Part II, "Other Information" in Con-way's 2006 Annual Report on Form 10-K, Con-way's primary business unit is capital intensive and makes significant investments in revenue equipment and service centers. Like Con-way Freight, the newly acquired CFI business unit requires investments in revenue equipment, which depend on the ability to generate cash flow from operations and access to debt and equity markets. In 2007, Con-way anticipates capital and software expenditures of approximately $150.0 million or approximately $48.0 million of additional expenditures in the fourth quarter 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

On October 18, 2007, MW completed the acquisition of Chic Logistics, as more fully discussed in Note 2, "Acquisitions," of Item 1, "Financial Statements." The $60.0 million purchase price was funded with existing cash resources.

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 September 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
- Acquisitions
- Disposition and Restructuring Activities
- Revenue Recognition
- Property, Plant and Equipment and Other Long-Lived Assets

Con-way's acquisition of CFI and Cougar Logistics in the third quarter of 2007 requires management to make significant judgments and estimates, as more fully discussed below. Also, the current-year adoption of new accounting pronouncements resulted in changes to the accounting policies and estimation techniques, as more fully discussed below. Except for the effect of recent acquisitions and the current-year adoption of recent accounting pronouncements, there have been no significant changes to the critical accounting policies and estimates disclosed in Con-way's 2006 Annual Report on Form 10-K.

Acquisitions

Con-way's accounting for the acquisition of CFI and Cougar Logistics requires various judgments and estimates, including but not limited to, purchase-method accounting estimates related to the fair value of assets acquired and liabilities assumed and the estimated useful lives of acquired property and equipment, internal-use software, and identifiable intangible assets. Estimates of the fair value of assets acquired are based on various valuation techniques, with a market-based approach applied to acquired property and equipment, an income-based approach applied to identifiable intangible assets and a cost-based approach applied to internal-use software. In the case of CFI, the current and deferred income-tax effects associated with assets acquired and liabilities assumed have been estimated based on Con-way's status as a "C" corporation rather than CFI's previous status as a "Subchapter S" corporation. Generally, all other assets acquired and liabilities assumed have been recorded at carrying value, which approximates fair value.

The excess of the acquired entity's purchase price over the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The assessment requires the comparison of the fair value of a reporting unit to the carrying value of its net assets, including allocated goodwill. If the carrying value of the reporting unit exceeds its fair value, Con-way must then compare the implied fair value of reporting-unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting-unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The amounts that Con-way has recorded for goodwill and other identifiable intangible assets represent fair values, which were primarily determined by an income-based valuation approach. The estimates and assumptions used in the initial valuation of goodwill and identifiable intangible assets include, but are not limited to: the future expected cash flows from sales, customer contracts, and trademarks; growth opportunities; the retention of key employees; and integration costs. These estimates and assumptions may be incomplete or inaccurate because unanticipated events and circumstances may occur. If estimates and assumptions used to initially value goodwill and identifiable intangible assets prove to be inaccurate, ongoing reviews of the carrying values of such goodwill and intangible assets, as discussed above, may result in an impairment loss in the period in which Con-way identifies the impairment. Changes in assumptions and estimates related to acquisitions could have a material effect on Con-way's financial condition or results of operations.

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 nine months ended September 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 the 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 12, “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 outcome of legal and other claims and proceedings against Con-way;
- any statements regarding the acquisition of CFI and related financing; 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, changes in fuel prices or fuel surcharges, and the effect of recently-filed litigation alleging that Con-way engaged in price-fixing of fuel surcharges in violation of Federal antitrust laws;
- 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 goodwill, intangible assets, and other long-lived assets;
- the possibility of defaults under Con-way's $400 million credit agreement, $500 million bridge credit agreement, other debt instruments, and the possibility that Con-way may be unable to refinance its borrowings under the bridge credit agreement with long-term debt;
- 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;
- matters relating to the acquisitions of CFI and Cougar Logistics (including, without limitation risks relating to the financing, integration risks and risks that acquisition synergies are not realized); 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 13, "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 September 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’s business units are 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’s business units in the Freight and Truckload reporting segments are subject to the risk of price fluctuations. Like other 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 Freight’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.

Other than as described below, 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.

Con-way acquired CFI on August 23, 2007. CFI was not previously required to maintain disclosure controls and procedures, or maintain, document and assess internal control over financial reporting, as required under the rules and regulation of the Securities and Exchange Commission. Con-way will review CFI’s procedures and controls and may make additional changes in those controls in the future. Con-way excluded CFI from it assessment of the effectiveness of internal control over financial reporting as of September 30, 2007.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain legal proceedings of Con-way are also discussed in Note 4, “Discontinued Operations,” and Note 13, “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. Since this lawsuit was filed, over 40 similar lawsuits have been filed by other plaintiffs in various federal district courts, naming as defendants Con-way or Con-way Freight (or both), as well as other companies engaged in the LTL trucking business. Con-way expects that these lawsuits will be consolidated in a single jurisdiction for litigation.

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 a 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 acquisitions of CFI and Cougar Logistics, as more fully discussed herein below and in Note 2, “Acquisitions,” of Part 1 Item 1, “Financial Statements.”

The degree of success of the acquisition will depend, in part, on Con-way’s ability to realize the anticipated synergies, cost savings and growth opportunities from integrating acquired businesses with Con-way’s existing businesses. Con-way’s success in realizing these benefits and the timing of this realization depends upon the successful integration of operations. The integration process may be complex, costly and time-consuming. The difficulties of integrating the operations of acquired businesses include, among others:

- unanticipated issues in integrating information, communications and other systems;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management’s attention from ongoing business concerns;
- the impact on internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and
- unanticipated issues, expenses and liabilities.

Con-way 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 acquisitions and could adversely affect Con-way’s business.

ITEM 6. EXHIBITS

Exhibit No.

(2) Plan of acquisition, reorganization, arrangement, liquidation, or succession:

2.1 Con-way Plan for reorganization of Con-way Freight, Inc. (Item 7.01 to Con-way's Report on Form 8-K filed on August 22, 2007*).

(4) Instruments defining the rights of holders:

4.1 $500 million Bridge Credit Agreement dated August 23, 2007 between Con-way Inc. and Goldman Sachs Credit Partners L.P.

4.2 Subsidiary Guaranty Agreement dated August 23, 2007 made by Con-way Freight Inc., Menlo Worldwide, LLC, Menlo Logistics, Inc., Transportation Resources, Inc., and Contract Freighters, Inc. in favor of the banks referred to in 4.1.

(10) Material contracts

10.1 Con-way Inc. 2005 Deferred Compensation Plan for Executives and Key Employees, Amended and Restated Effective January 1, 2008 (Exhibit 99.1 to Con-way's Report on Form 8-K filed on September 27, 2007*#).

10.2 Con-way Inc. 1993 Deferred Compensation Plan for Executives and Key Employees (Exhibit 99.2 to Con-way's Report on Form 8-K filed on September 27, 2007*#).

10.3 Con-way Inc. 2005 Supplemental Excess Retirement Plan, Amended and Restated Effective January 1, 2008 (Exhibit 99.3 to Con-way's Report on Form 8-K filed on September 27, 2007*#).

10.4 Con-way Inc. Supplemental Retirement Savings Plan, Amended and Restated Effective January 1, 2008 (Exhibit 99.4 to Con-way's Report on Form 8-K filed on September 27, 2007*#).

10.5 Separation Agreement and General Release between Con-way Freight Inc. and David S. McClimon effective September 28, 2007 (Exhibit 99 to Con-way's Report on Form 8-K filed on October 1, 2007*#).

10.6 Amendment No. 1 dated December 4, 2006 to the Amended and Restated 2003 Equity and Incentive Plan for Non-Employee Directors.#

10.7 Severance Agreement dated August 23, 2007 between Herbert J. Schmidt and Contract Freighters, Inc. #

10.8 Stock Purchase Agreement to purchase Chic Holdings Limited between Menlo Worldwide, LLC and various sellers dated September 7, 2007.

(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

* Previously filed with the Securities and Exchange Commission and incorporated herein by reference.
\# Designates a contract or compensation plan for Management and Directors.

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)

November 7, 2007

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