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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

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 Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), 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, a non-accelerated filer, or a smaller reporting company.
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of Common Stock, $.625 par value,
outstanding as of July 31, 2008: 45,698,906

CON-WAY INC.
FORM 10-Q
Quarter Ended June 30, 2008

INDEX

PART I. FINANCIAL INFORMATION	Page
Item 1. Financial Statements	
Consolidated Balance Sheets - June 30, 2008 and December 31, 2007	3
Statements of Consolidated Income - Three and Six Months Ended June 30, 2008 and 2007	5
Statements of Consolidated Cash Flows - Six Months Ended June 30, 2008 and 2007	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Quantitative and Qualitative Disclosures about Market Risk	31
Item 4. Controls and Procedures	33
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	34
Item 1A. Risk Factors	34
Item 6. Exhibits	35
Signatures	36

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	June 30, 2008 (Unaudited)	December 31, 2007
Current Assets		
Cash and cash equivalents	$ 236,477	$ 176,298
Marketable securities	15	30,016
Trade accounts receivable, net	646,367	503,940
Other accounts receivable	31,076	42,664
Operating supplies, at lower of average cost or market	28,779	24,142
Prepaid expenses and other assets	37,102	40,746
Deferred income taxes	33,989	37,672
Total Current Assets	1,013,805	855,478
Property, Plant, and Equipment		
Land	189,804	187,323
Buildings and leasehold improvements	785,767	792,962
Revenue equipment	1,278,306	1,246,816
Other equipment	289,552	265,640
	2,543,429	2,492,741
Accumulated depreciation and amortization	(1,093,967)	(1,033,953)
Net Property, Plant, and Equipment	1,449,462	1,458,788
Other Assets		
Deferred charges and other assets	39,514	33,139
Capitalized software, net	33,327	35,010
Employee benefits	104,349	89,039
Marketable securities	7,500	-
Intangible assets, net	36,919	18,780
Goodwill	512,864	527,446
	734,473	703,414
Total Assets	$ 3,197,740	$ 3,017,680

The accompanying notes are an integral part of these statements.

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

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2008 (Unaudited)	December 31, 2007
Current Liabilities		
Accounts payable	$ 326,908	$ 276,105
Accrued liabilities	315,150	266,625
Accrued income taxes	1,438	-
Self-insurance accruals	107,285	110,986
Short-term borrowings	6,389	5,072
Current maturities of long-term debt	22,700	22,704
Total Current Liabilities	779,870	681,492
Long-Term Liabilities		
Long-term debt and guarantees	930,212	955,722
Self-insurance accruals	130,450	118,854
Employee benefits	192,789	195,145
Other liabilities and deferred credits	39,410	24,639
Deferred income taxes	139,928	132,732
Total Liabilities	2,212,659	2,108,584
Commitments and Contingencies (Notes 4 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 542,460 and 560,998 shares, respectively	5	6
Additional paid-in capital, preferred stock	82,503	85,322
Deferred compensation, defined contribution retirement plan	(15,620)	(20,805)
Total Preferred Shareholders' Equity	66,888	64,523
Common stock, $.625 par value; authorized 100,000,000 shares; issued 62,235,403 and 61,914,495 shares, respectively	38,758	38,615
Additional paid-in capital, common stock	579,007	568,190
Retained earnings	1,029,722	972,243
Cost of repurchased common stock (16,616,509 and 16,698,513 shares, respectively)	(717,096)	(720,583)
Total Common Shareholders' Equity	930,391	858,465
Accumulated Other Comprehensive Loss	(12,198)	(13,892)
Total Shareholders' Equity	985,081	909,096
Total Liabilities and Shareholders' Equity	$ 3,197,740	$ 3,017,680

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Revenues	$ 1,339,685	$ 1,073,717	$ 2,541,266	$ 2,075,908
Costs and Expenses				
Salaries, wages and other employee benefits	532,360	461,202	1,046,614	907,757
Purchased transportation	307,024	269,531	573,097	526,390
Fuel and fuel-related taxes	170,320	77,797	304,378	145,590
Depreciation and amortization	51,981	37,067	103,208	74,130
Maintenance	32,713	28,545	67,967	53,805
Rents and leases	23,129	18,699	46,530	36,933
Purchased labor	17,588	14,652	35,608	29,811
Other operating expenses	109,710	88,603	214,996	172,052
Loss from equity investment	-	-	-	2,699
	1,244,825	996,096	2,392,398	1,949,167
Operating Income	94,860	77,621	148,868	126,741
Other Income (Expense)				
Investment income	1,113	5,854	2,670	11,302
Interest expense	(15,704)	(8,773)	(32,143)	(17,324)
Miscellaneous, net	722	418	1,395	193
	(13,869)	(2,501)	(28,078)	(5,829)
Income from Continuing Operations before Income Tax Provision	80,991	75,120	120,790	120,912
Income Tax Provision	32,185	25,670	47,872	44,826
Income from Continuing Operations	48,806	49,450	72,918	76,086
Discontinued Operations, net of tax				
Gain (Loss) from Disposal	1,609	(1,310)	1,609	1,609
	1,609	(1,310)	1,609	1,609
Net Income	50,415	48,140	74,527	77,695
Preferred Stock Dividends	1,717	1,765	3,373	3,479
Net Income Available to Common Shareholders	$ 48,698	$ 46,375	$ 71,154	$ 74,216
Net Income from Continuing Operations Available to Common Shareholders	$ 47,089	$ 47,685	$ 69,545	$ 72,607
Weighted-Average Common Shares Outstanding				
Basic	45,371,033	45,286,315	45,300,860	45,636,617
Diluted	48,226,467	48,415,928	48,203,635	48,757,823
Earnings (Loss) per Common Share				
Basic				
Net Income from Continuing Operations	$ 1.04	$ 1.05	$ 1.54	$ 1.59
Gain (Loss) from Disposal	0.03	(0.03)	0.03	0.04
Net Income Available to Common Shareholders	$ 1.07	$ 1.02	$ 1.57	$ 1.63
Diluted				
Net Income from Continuing Operations	$ 0.98	$ 0.99	$ 1.45	$ 1.50
Gain (Loss) from Disposal	0.04	(0.03)	0.04	0.03
Net Income Available to Common Shareholders	$ 1.02	$ 0.96	$ 1.49	$ 1.53

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash and Cash Equivalents, Beginning of Period	$ 176,298	$ 260,039
Operating Activities		
Net income	74,527	77,695
Adjustments to reconcile net income to net cash provided by operating activities:		
Discontinued operations, net of tax	(1,609)	(1,609)
Depreciation and amortization, net of accretion	100,795	71,741
Increase in deferred income taxes	6,284	8,933
Amortization of deferred compensation	5,185	5,087
Share-based compensation	5,508	5,350
Provision for uncollectible accounts	3,160	1,455
Loss from equity investment	-	2,699
Loss (Gain) from sales of property and equipment, net	2,135	(1,136)
Changes in assets and liabilities:		
Receivables	(141,846)	(29,961)
Prepaid expenses	2,989	(825)
Accounts payable	45,344	10,698
Accrued incentive compensation	(11,464)	(335)
Accrued liabilities, excluding accrued incentive compensation and employee benefits	70,742	29,714
Self-insurance accruals	7,895	5,511
Accrued income taxes	9,739	35,134
Employee benefits	(25,337)	(8,717)
Deferred charges and credits	(6,385)	2,016
Other	(9,991)	(5,400)
Net Cash Provided by Operating Activities	137,671	208,050
Investing Activities		
Capital expenditures	(108,087)	(57,407)
Software expenditures	(6,749)	(4,217)
Proceeds from sales of property and equipment, net	3,879	10,223
Proceeds from sale-leaseback transaction	40,380	-
Proceeds from sale of equity investment	-	51,900
Net decrease (increase) in marketable securities	22,501	(13,025)
Net Cash Used in Investing Activities	(48,076)	(12,526)
Financing Activities		
Repayment of short-term borrowings, long-term debt and guarantees	(21,690)	(18,617)
Proceeds from exercise of stock options	5,206	6,868
Excess tax benefit from stock option exercises	444	567
Payments of common dividends	(9,113)	(9,164)
Payments of preferred dividends	(3,747)	(4,027)
Repurchases of common stock	-	(89,865)
Net Cash Used in Financing Activities	(28,900)	(114,238)
Net Cash Provided by Continuing Operations	60,695	81,286
Discontinued Operations		
Net Cash Provided by (Used in) Operating Activities	(516)	4,048
Net Cash Provided by (Used in) Discontinued Operations	(516)	4,048
Increase in Cash and Cash Equivalents	60,179	85,334
Cash and Cash Equivalents, End of Period	$ 236,477	$ 345,373
Supplemental Disclosure		
Cash paid for income taxes, net	$ 31,211	$ 488
Cash paid for interest, net of amounts capitalized	$ 19,907	$ 19,740

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") provide transportation and logistics services for a wide range of manufacturing, industrial and retail customers. Con-way's business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, freight brokerage, 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, Logistics, Truckload, 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 2007 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 condition, 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 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. Con-way's adoption of SFAS 159, effective January 1, 2008, did not have a material effect on Con-way's financial statements.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB 51." Under the new statement, noncontrolling interests in the net assets of subsidiaries must be reported in the balance sheet within equity. On the face of the income statement, SFAS 160 requires disclosure of the amounts of consolidated net income attributable to both the parent and to the noncontrolling interest. The effective date of SFAS 160 is the first fiscal year beginning after December 15, 2008, and interim periods within those years, which for Con-way is the first quarter of 2009. Con-way does not expect the adoption of SFAS 160 to have a material effect on its financial statements.

In December 2007, the FASB issued SFAS 141(revised 2007), "Business Combinations" ("SFAS 141R"). The statement changes the acquisition-date and subsequent-period accounting associated with business acquisitions. Several of the changes have the potential to generate greater earnings volatility in connection with and after an acquisition. The most significant provisions of SFAS 141R result in a change in the accounting for transaction costs, contingencies, and acquisition-date accounting estimates. Under the new statement, transaction costs and transaction-related restructuring charges will be expensed as incurred. Under SFAS 141R, certain contingent assets and liabilities will be recognized at fair value. If new information is available after the acquisition, these amounts may be subject to remeasurement. Also, adjustments to acquisition-date accounting estimates will be accounted for as adjustments to prior-period financial statements. The effective date of SFAS 141R is the first fiscal year beginning after December 15, 2008, which for Con-way is 2009. Con-way is evaluating the effect of adopting SFAS 141R, including the effect on any acquisitions consummated in 2009 or thereafter.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of SFAS 133." The statement amends and expands the disclosure requirements in SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," to provide an enhanced understanding of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations; and how derivative instruments affect an entity's financial condition, results of operations, and cash flows. The effective date of SFAS 161 is for annual and interim periods beginning after November 15, 2008, which for Con-way is the first quarter of 2009. Con-way does not expect the adoption of SFAS 161 to have a material effect on its financial statements.

In May 2008, the FASB issued SFAS 162, “The Hierarchy of Generally Accepted Accounting Principles,” which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles (“the GAAP hierarchy”). SFAS 162 carries forward the GAAP hierarchy established in Statement on Auditing Standards 69 (“SAS 69”) that applies to auditors. Like SAS 69, this statement contains four lettered categories that correspond to different types of accounting standards. This statement will be effective 60 days following the Security and Exchange Commission’s approval of the Public Company Accounting Oversight Board’s amendments to auditing standards. Con-way will apply the guidance when applicable with no anticipated material effect on its financial statements.

Also in May 2008, the FASB issued SFAS 163, “Accounting for Financial Guarantee Contracts - an interpretation of SFAS 60.” This statement prescribes a recognition approach under which a claim liability is recognized when an insurer of a financial obligation expects that a claim loss will exceed the unearned premium revenue. The effective date of SFAS 163 is for annual and interim periods beginning after December 15, 2008, which for Con-way is the first quarter of 2009. Con-way does not expect the adoption of SFAS 163 to have a material effect on its financial statements.

Reclassifications and Revisions

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

During the fourth quarter of 2007, Con-way identified certain adjustments related to the first quarter of 2007. Con-way determined that those adjustments were not material to either the first or the fourth quarter. However, for a more accurate presentation, Con-way elected to revise the results of the first quarter of 2007 to reflect those immaterial adjustments, which included an increase in employee benefits expense due to amendments to benefit plans for compensated absences, partially offset by associated decreases in incentive compensation and income tax expense. For the periods presented, the adjustments decreased 2007 year-to-date net income from continuing operations by $4.1 million ($0.08 per diluted share).

Earnings per Share ("EPS")

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

(Dollars in thousands except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator:				
Continuing operations (after preferred stock dividends), as reported	$ 47,089	$ 47,685	$ 69,545	$ 72,607
Add-backs:				
Dividends on Series B preferred stock, net of replacement funding	283	284	524	533
Continuing operations	47,372	47,969	70,069	73,140
Discontinued operations	1,609	(1,310)	1,609	1,609
Available to common shareholders	$ 48,981	$ 46,659	$ 71,678	$ 74,749
Denominator:				
Weighted-average common shares outstanding	45,371,033	45,286,315	45,300,860	45,636,617
Stock options and nonvested stock	301,546	400,583	348,887	392,176
Series B preferred stock	2,553,888	2,729,030	2,553,888	2,729,030
	48,226,467	48,415,928	48,203,635	48,757,823
Anti-dilutive stock options not included in denominator	1,386,029	851,899	1,386,029	878,399
Earnings (Loss) per Diluted Share:				
Continuing operations	$ 0.98	$ 0.99	$ 1.45	$ 1.50
Discontinued operations	0.04	(0.03)	0.04	0.03
Available to common shareholders	$ 1.02	$ 0.96	$ 1.49	$ 1.53

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"). Following the acquisition of CFI, the operating results of CFI are reported with the operating results of Con-way's former truckload operation in the Truckload reporting segment. In September 2007, Con-way integrated the former truckload operation with the CFI business unit. The name of the CFI business unit was changed to Con-way Truckload in January 2008. The purchase price calculated for CFI was $752.3 million.

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"). Following the acquisition, the operating results of Cougar Logistics are reported with the operating results of the Menlo Worldwide Logistics business unit in the Logistics reporting segment. The purchase price calculated for Cougar Logistics was $28.7 million.

Chic Logistics

On October 18, 2007, MW 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"). Following the acquisition, the operating results of Chic Logistics are reported with the operating results of the Menlo Worldwide Logistics business unit in the Logistics reporting segment. The purchase price calculated for Chic Logistics was $59.1 million.

See Note 2, "Acquisitions," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2007 Annual Report on Form 10-K for additional information concerning Con-way's acquisitions, including the allocation of the purchase prices to the net assets acquired and the discussion of items affecting the determination of the purchase prices.

Goodwill and Intangible Assets

The excess of an acquired entity's purchase price over the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. In connection with the acquisitions in 2007, Con-way recognized 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 following table shows the changes in the carrying amounts of goodwill attributable to each applicable segment:

(Dollars in thousands)	Logistics	Truckload	Other	Total
Balances at December 31, 2007	$ 55,146	$ 471,573	$ 727	$ 527,446
Adjustment to fair value	(11,020)	(8,814)	--	(19,834)
Adjustment to deferred taxes	2,755	1,839	--	4,594
Direct transaction costs	282	--	--	282
Change in foreign currency exchange rates	376	--	--	376
Balances at June 30, 2008	$ 47,539	$ 464,598	$ 727	$ 512,864

The purchase-price accounting is based on current estimates of the assets acquired and liabilities assumed. Accordingly, revisions to the preliminary estimates and evaluations, including valuations of tangible and intangible assets and certain contingencies, may be necessary as information is received from third parties and these items are finalized. During the first six months of 2008, Con-way made revisions to the estimated fair value of net assets acquired in connection with the purchase of CFI and Chic, primarily $20.1 million in increases to the fair values of intangible assets, primarily customer relationships. In addition, adjustments were made to deferred taxes relating to the fair value of assets acquired.

In connection with the acquisitions, Con-way recognized as definite-lived intangible assets the estimated fair value of acquired customer relationships and trademarks. Intangible assets consisted of the following:

		June 30, 2008		December 31, 2007	
(Dollars in thousands)	Weighted-Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	10.9	$ 37,513	$ 2,366	$ 18,046	$ 731
Trademarks	2.0	2,550	778	1,710	245
		$ 40,063	$ 3,144	$ 19,756	$ 976

The fair value of intangible assets is amortized on a straight-line basis over the estimated useful life. In the second quarter and first half of 2008, amortization expense related to intangible assets was $1.3 million and $2.1 million, respectively. Estimated amortization expense for the next five years is presented in the following table:

(Dollars in thousands)	
Year ending December 31:	
Remaining six months of 2008	$ 2,600
2009	4,900
2010	3,800
2011	3,800
2012	3,500
2013	3,000

3. Restructuring Activities

In August 2007, Con-way Freight began a business-transformation initiative 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 pricing and operational processes, implementation of best practices, and fostering of innovation. In the first half of 2008, Con-way incurred costs of $5.2 million in connection with the business-transformation initiative, including $2.6 million of restructuring charges, as summarized below, and $2.6 million of other costs, consisting primarily of consulting fees. Con-way Freight completed the reorganization in the first quarter of 2008.

The following table summarizes the effect of restructuring activities for the six months ended June 30, 2008:

(Dollars in thousands)	Liability at December 31, 2007	Charges Incurred	Cash Payments or Write-offs	Liability at June 30, 2008	Total Costs Incurred to Date
Employee-separation costs	$ 1,785	$ 780	$ (2,515)	$ 50	$ 7,009
Facility and lease-termination costs	2,794	850	(780)	2,864	3,644
Asset-impairment charges	--	--	--	--	2,401
Other	592	962	(1,511)	43	2,786
Total	$ 5,171	$ 2,592	$ (4,806)	$ 2,957	$ 15,840

Con-way reported the employee-separation costs in salaries, wages and other employee benefits, the facility costs in rents and leases and the asset-impairment charges and other charges in other operating expenses in the statements of consolidated income.

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 the termination of its Priority Mail contract with the USPS in 2000, and (4) the spin-off of Consolidated Freightways Corporation ("CFC") in December 1996. The results of operations and cash flows of discontinued operations have been segregated from continuing operations, except where otherwise noted.

Results of discontinued operations are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2008	2007	2008	2007
Gain (Loss) from Disposal, net of tax				
Con-way Forwarding	$ --	$ 156	$ --	$ 156
MWF	--	(60)	--	(33)
EWA	1,609	(186)	1,609	2,706
CFC	--	(1,220)	--	(1,220)
	$ 1,609	$ (1,310)	$ 1,609	$ 1,609

Con-way Forwarding

In June 2006, Con-way closed the operations of its domestic air freight forwarding business known as Con-way Forwarding. The decision to close the operating unit was made following management's detailed review of the unit's competitive position and its prospects in relation to Con-way's long-term strategies. In the periods presented, the results from Con-way Forwarding related to adjustments to loss estimates.

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. Con-way 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. In the periods presented, the results from MWF related to adjustments to loss estimates.

EWA

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 $0.4 million at June 30, 2008, from $3.3 million at December 31, 2007, due primarily to the resolution of 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. On August 8, 2006, EWA paid $10.9 million to settle the U.S. District Court litigation brought by ALPA that finally concluded litigation with former EWA pilots and flight crewmembers still represented by ALPA as of that date. The cash settlements reduced by an equal amount EWA's estimated loss reserve applicable to the grievances filed by ALPA.

Two additional actions were brought by groups of former EWA pilots and flight crewmembers no longer represented by ALPA. One action brought in federal court in Ohio in February 2007 was settled in April 2008 for $627,000. In the second action, which was ordered by the court to binding arbitration, the arbitrator granted EWA's motion to dismiss the arbitration in April 2008. The arbitrator's decision is now final, and accordingly, a $1.6 million second-quarter gain (net of tax of $1.0 million) was recognized to eliminate the previously accrued reserves associated with the contingency.

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

In June 2006, GM exercised its right to purchase Con-way's membership interest in Vector. 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. Following negotiation with GM in the first quarter of 2007, an additional receivable of $2.7 million due from GM could not be collected, and accordingly, a $2.7 million loss 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 December 31, 2008. 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 September 30, 2008. Under these agreements, the Logistics segment reported revenue of $2.8 million in the second quarter and $5.5 million in the first half of 2008, compared to $2.8 million and $5.6 million in the same respective periods of 2007, primarily for information-technology services provided to GM.

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. For financial reporting purposes, Con-way is divided into the following 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.

- *Logistics*. The Logistics segment consists of the operating results of the Menlo Worldwide Logistics business unit (also referred to as Menlo Logistics), which develops contract-logistics solutions, including the management of complex distribution networks and supply-chain engineering and consulting, and also provides freight brokerage services. The Logistics segment includes the results of Cougar Logistics and Chic Logistics for periods subsequent to their acquisition.

- *Truckload.* The Truckload segment includes the operating results of the Con-way Truckload business unit. Con-way Truckload provides asset-based full-truckload freight services throughout North America, including services into and out of Mexico. Following the acquisition of CFI in August 2007, the operating results of CFI are reported with the operating results of Con-way's former truckload operation in the Truckload reporting segment.

- *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.

Financial Data

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.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues from External Customers				
Freight	$ 824,008	$ 744,922	$ 1,567,328	$ 1,424,612
Logistics	377,138	323,909	718,598	644,390
Truckload	137,363	1,289	253,332	2,237
Other	1,176	3,597	2,008	4,669
	$ 1,339,685	$ 1,073,717	$ 2,541,266	$ 2,075,908
Inter-segment Revenues				
Freight	$ 13,312	$ 12,047	$ 24,539	$ 25,335
Logistics	15	123	23	240
Truckload	44,220	17,598	79,343	35,167
Other	12,325	7,101	23,547	16,837
	$ 69,872	$ 36,869	$ 127,452	$ 77,579
Revenues before Inter-segment Eliminations				
Freight	$ 837,320	$ 756,969	$ 1,591,867	$ 1,449,947
Logistics	377,153	324,032	718,621	644,630
Truckload	181,583	18,887	332,675	37,404
Other	13,501	10,698	25,555	21,506
Inter-segment Revenue Eliminations	(69,872)	(36,869)	(127,452)	(77,579)
	$ 1,339,685	$ 1,073,717	$ 2,541,266	$ 2,075,908
Operating Income (Loss)				
Freight	$ 77,375	$ 72,152	$ 113,452	$ 119,830
Logistics	4,954	6,935	11,217	13,471
Truckload	12,436	(2,306)	22,712	(2,969)
Vector	--	--	--	(2,699)
Other	95	840	1,487	(892)
	$ 94,860	$ 77,621	$ 148,868	$ 126,741

7. Fair-Value Measurements

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. In February 2008, the FASB issued FASB Staff Position SFAS 157-2 (“FSP SFAS 157-2”). FSP SFAS 157-2 delays the effective date of the application of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, until fiscal years beginning after November 15, 2008, and interim periods within those years, which for Con-way is the first quarter of 2009. Con-way adopted SFAS 157 effective January 1, 2008, except for the provisions that were delayed by FSP SFAS 157-2. Nonfinancial assets for which Con-way has not applied the provisions of SFAS 157 include those measured at fair value in the impairment testing of goodwill and intangible assets and those initially measured at fair value in a business combination, but not measured at fair value in subsequent periods.

SFAS 157 requires that assets and liabilities reported at fair value be classified in one of the following three levels:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs that are not corroborated by market data

The following table summarizes the valuation of financial instruments by the SFAS 157 levels:

	June 30, 2008			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 236,477	$ 236,477	$ --	$ --
Marketable securities	7,515	15	--	7,500

Cash and cash equivalents consist of short-term interest-bearing instruments with maturities of three months or less at the date of purchase. The carrying amount of these instruments approximates their fair value due to their short maturity.

At June 30, 2008, Con-way’s marketable securities consisted primarily of one auction-rate security with a par value of $7.5 million, which approximates fair value. The liquidity of auction-rate securities has been adversely affected by auction failures that have prevented investors from selling the securities on predetermined auction dates. Accordingly, Con-way reclassified the auction-rate security from current marketable securities to long-term marketable securities. Due to the lack of quoted market prices at June 30, 2008, Con-way’s auction-rate security was valued with an income approach that utilized a discounted cash flow model. The assumptions used in preparing the discounted cash flow model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the AAA credit rating of the issue, and the rate of return required by investors to purchase the security considering the current liquidity risk associated with auction-rate securities.

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.

Defined Benefit Pension Plans

Con-way’s qualified defined benefit pension plans (collectively, the “Qualified Pension Plans”) consist mostly of the primary defined benefit pension plan (“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 a primary non-qualified supplemental defined benefit pension plan (“Supplemental DB Plan”) and several other unfunded non-qualified 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.

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

	Qualified Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2008	2007	2008	2007
Service cost – benefits earned during the period	$ 27	$ 15	$ 54	$ 55
Interest cost on benefit obligation	17,357	17,143	34,715	34,192
Expected return on plan assets	(24,246)	(25,205)	(48,493)	(48,472)
Net amortization and deferral	(793)	(1,280)	(1,587)	(1,614)
Net periodic benefit income	$ (7,655)	$ (9,327)	$ (15,311)	$ (15,839)

	Non-Qualified Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2008	2007	2008	2007
Interest cost on benefit obligation	$ 1,115	$ 1,111	$ 1,922	$ 2,310
Net amortization and deferral	372	517	641	1,095
Net periodic benefit expense	$ 1,487	$ 1,628	$ 2,563	$ 3,405

Con-way does not expect to contribute to the Qualified Pension Plans in 2008 due to their funded status; however, this could change based on changes in interest rates and asset returns.

Defined Contribution Retirement Plans

Con-way's defined contribution retirement plans consist mostly of the primary defined contribution retirement plan (the "Primary DC Plan"), which covers non-contractual U.S. employees.

Con-way recognized expense of $24.9 million and $46.9 million in the second quarter and first six months of 2008, respectively, compared to $23.0 million and $44.1 million in the same respective periods of 2007 for its matching contributions under the Primary DC Plan. At June 30, 2008 and December 31, 2007, Con-way had recognized accrued liabilities of $17.0 million and $21.9 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 June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2008	2007	2008	2007
Service cost – benefits earned during the period	$ 521	$ 829	$ 1,141	$ 1,410
Interest cost on benefit obligation	1,783	1,743	3,386	3,538
Net amortization and deferral	175	741	(24)	1,241
Net periodic benefit expense	$ 2,479	$ 3,313	$ 4,503	$ 6,189

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 June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	$ 50,415	$ 48,140	$ 74,527	$ 77,695
Other comprehensive income (loss):				
Foreign currency translation adjustment	420	(261)	1,694	(235)
Comprehensive income	$ 50,835	$ 47,879	$ 76,221	$ 77,460

10. 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 plans provide for various types of awards, including 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, respectively, vests each year. 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 qualifying 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. Awards granted to directors are generally granted with three-year graded-vesting terms, while awards granted to employees generally vest three years from the award date.

Performance-share plan units ("PSPUs") 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. The total number of shares the award recipients may collectively receive depends upon the achievement of certain performance criteria and can range from zero to 403,526 shares. The 2007 award is subject to forfeiture if an award recipient leaves Con-way during the three-year period, while the 2008 award allows for pro rata vesting if the award recipient leaves Con-way as a result of death, disability or qualifying retirement. Outstanding PSPUs have a weighted-average grant-date fair value of $44.35. The amount of expense recorded each period is based on Con-way's current estimate of the number of shares that will ultimately vest.

The following expense was recognized for share-based compensation:

(Dollars in thousands)	Three Months Ended June 30, 2008			Three Months Ended June 30, 2007		
	Stock Options	Nonvested Stock and PSPUs	Total	Stock Options	Nonvested Stock and PSPUs	Total
Salaries, wages and other employee benefits	$ 1,208	$ 1,113	$ 2,321	$ 1,847	$ 1,122	$ 2,969
Deferred income tax benefit	(461)	(434)	(895)	(706)	(438)	(1,144)
Net share-based compensation expense	$ 747	$ 679	$ 1,426	$ 1,141	$ 684	$ 1,825

(Dollars in thousands)	Six Months Ended June 30, 2008			Six Months Ended June 30, 2007		
	Stock Options	Nonvested Stock and PSPUs	Total	Stock Options	Nonvested Stock and PSPUs	Total
Salaries, wages and other employee benefits	$ 2,915	$ 2,593	$ 5,508	$ 3,356	$ 1,994	$ 5,350
Deferred income tax benefit	(1,109)	(1,011)	(2,120)	(1,283)	(778)	(2,061)
Net share-based compensation expense	$ 1,806	$ 1,582	$ 3,388	$ 2,073	$ 1,216	$ 3,289

11. Income Taxes

Con-way's effective tax rate was 39.7% and 39.6% in the second quarter and first six months of 2008, respectively, and was 34.2% and 37.1% in the same respective periods of last year. Excluding the effect of various discrete tax adjustments, Con-way's second-quarter and year-to-date effective tax rate in 2008 was 39.7% and 39.3%, respectively, and in 2007, was 37.5% and 37.6%, 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 and a 2007 first-quarter write-off of a receivable. As more fully discussed in Note 5, "Sale of Unconsolidated Joint Venture," a receivable due from GM could not be collected, and accordingly, a $2.7 million loss was recognized in the first quarter of 2007. As a sale-related receivable, the write-off was a capital loss for tax purposes and was not deductible from ordinary income. Higher effective tax rates in 2008 reflect lower taxable income from foreign subsidiaries, which limited Con-way's ability to utilize foreign tax credits, and a decline in the amount of tax-exempt interest earned.

Con-way reported an income tax liability of $1.4 million at June 30, 2008 and reported an income tax receivable of $7.6 million at December 31, 2007.

12. Sale-Leaseback Transaction

On June 30, 2008, Menlo Worldwide Logistics entered into agreements to sell and lease back two warehouses located in Singapore. In connection with the sale of the warehouses, Menlo Worldwide Logistics received $40.4 million. The resulting $19.0 million gain is classified as a deferred credit in the consolidated balance sheets and will be amortized over the ten-year term of the leases. Each lease contains an option to renew for an additional five-year term. As of June 30, 2008, future minimum payments associated with these leases were as follows:

(Dollars in thousands)	
Year ending December 31:	
2008	$ 2,047
2009	4,100
2010	4,176
2011	4,277
2012	4,341
Thereafter (through 2018)	24,956
Total minimum lease payments	$ 43,897

13. Commitments and Contingencies

Spin-Off of CFC

On December 2, 1996, Con-way completed the 100% 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. CFC's cessation of its U.S. operations in connection with the filing of bankruptcy in 2002 was deemed to have resulted in CFC's "complete withdrawal" (within the meaning of applicable federal law) from these multiemployer plans, and these plans subsequently assessed claims for such "withdrawal liabilities" against CFC, demanding that CFC pay them for the approximately $400 million that they determined to be CFC's share of unfunded vested benefits obligations under those plans.

Con-way has received requests for information regarding the spin-off of CFC from representatives of some of the pension funds, and Con-way responded to those requests, providing the last of the requested documents in August 2004. Very recently, nearly four years after Con-way complied with its requests for documents, one of the larger pension funds, which assessed withdrawal liabilities against CFC of approximately $319 million, advised Con-way that while the pension fund's trustees have not been asked to assess withdrawal liability against Con-way, the pension fund wishes to meet with Con-way to discuss the matter.

To resolve uncertainties created by this pension fund's recent contact, Con-way filed an arbitration demand and a federal lawsuit on August 11, 2008 against the pension fund. In the arbitration, Con-way has asked the arbitrator to decide and resolve in Con-way's favor all arbitrable disputes between the parties. In the lawsuit, Con-way Inc. v. Central States, Southeast and Southwest Areas Pension Fund (United States District for the Northern District of California 2008), Con-way has asked the court to compel the pension fund to have all disputes between the parties decided in the arbitration that Con-way filed, or, alternatively, to declare that Con-way is not liable for any of CFC's unpaid withdrawal liabilities, and to enjoin the pension fund from violating applicable statutory and plan requirements.

Con-way believes that the amount of any claims for CFC's unpaid withdrawal liabilities that multiemployer plans may in the future assert against Con-way could be material, and a judgment or arbitration award 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. Con-way believes that its actions in connection with the CFC spin-off were proper and intends to vigorously defend itself from any claims brought against it by multiemployer pension funds seeking to hold Con-way responsible for CFC's unpaid withdrawal liabilities. However, there can be no assurance as to the outcome of any such litigation given uncertainties inherent in such proceedings, including the possible application of adverse judicial decisions rendered in unrelated matters not involving Con-way.

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, plus accrued 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
- New Accounting Standards
- 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 business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, freight brokerage, and trailer manufacturing. For financial reporting purposes, Con-way is divided into the following 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.

- *Logistics*. The Logistics segment consists of the operating results of the Menlo Worldwide Logistics business unit (also referred to as Menlo Logistics), which develops contract-logistics solutions, including the management of complex distribution networks and supply-chain engineering and consulting, and also provides freight brokerage services. The Logistics segment includes the results of Cougar Logistics and Chic Logistics for periods subsequent to their acquisition.

- *Truckload.* The Truckload segment includes the operating results of the Con-way Truckload business unit. Con-way Truckload provides asset-based full-truckload freight services throughout North America, including services into and out of Mexico. Following the acquisition of CFI in August 2007, the operating results of CFI are reported with the operating results of Con-way's former truckload operation in the Truckload reporting segment.

- *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.

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's primary business units are affected by the timing and degree of fluctuations in fuel prices and their ability to recover incremental fuel costs through fuel-surcharge programs.

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. Con-way Truckload transports shipments using a fleet of 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 June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$ 1,339,685	$ 1,073,717	$ 2,541,266	$ 2,075,908
Operating income	$ 94,860	$ 77,621	$ 148,868	$ 126,741
Other expense	13,869	2,501	28,078	5,829
Income from continuing operations before income tax provision	80,991	75,120	120,790	120,912
Income tax provision	32,185	25,670	47,872	44,826
Income from continuing operations	48,806	49,450	72,918	76,086
Preferred stock dividends	1,717	1,765	3,373	3,479
Net income from continuing operations available to common shareholders	$ 47,089	$ 47,685	$ 69,545	$ 72,607
Diluted earnings per share	$ 0.98	$ 0.99	$ 1.45	$ 1.50
Operating margin	7.1%	7.2%	5.9%	6.1%
Effective tax rate	39.7%	34.2%	39.6%	37.1%

Overview

Con-way's consolidated revenue for the second quarter of 2008 increased 24.8% over the same period of 2007 and, in the first half of 2008, increased 22.4% from the same prior-year period due largely to acquisition-related revenue increases from Truckload and Logistics, and complemented by organic growth. Excluding revenue from the companies acquired in the second half of 2007, Con-way's second-quarter and first-half revenue in 2008 increased 9.8% and 8.0%, respectively, due to increases at Freight and Logistics.

In the second quarter of 2008, consolidated operating income increased 22.2% from the same period last year due to increases at the Truckload and Freight segments, partially offset by lower operating income from the Logistics and Other segments. In the first half of 2008, consolidated operating income increased 17.5% due primarily to improved operating results from Truckload, partially offset by lower operating income from Freight and Logistics. Increased operating income for the Truckload segment was due to the acquisition of CFI, while declines in operating income from Logistics were due primarily to losses at its recently acquired companies. Excluding results from the acquired companies, Con-way's second-quarter and first-half operating income increased 7.6% and 1.2%, respectively. As more fully discussed in Note 3, "Restructuring Activities," of Item 1, "Financial Statements," Freight incurred $5.2 million in expenses in the first-quarter of 2008 related to its business-transformation initiative.

Since the announcement of Con-way's re-branding initiative in April 2006, Con-way recognized total expense of $21.1 million through the second quarter of 2008, when the initiative was substantially completed. Re-branding expenses consisted primarily of the costs to convert Con-way Freight's tractors and trailers to the new Con-way graphic identity. See "Reporting Segment Review – Freight" below for re-branding expenses incurred by the Freight segment in the periods presented. Under separate initiatives, Con-way will incur re-branding expenses related to the companies acquired in the second half of 2007; however, Con-way does not expect those expenses to be material.

In the second quarter and first half of 2008, non-operating expense increased $11.4 million and $22.2 million, respectively, due primarily to increases in interest expense and declines in investment income. In the second quarter and first half of 2008, interest expense increased $6.9 million and $14.8 million, respectively, and investment income declined $4.7 million and $8.6 million, respectively. Variations in interest expense and interest income were due primarily to acquisitions in the second half of 2007, which were financed with existing cash resources and proceeds from new debt financing.

Con-way's effective tax rate was 39.7% and 39.6% in the second quarter and first six months of 2008, respectively, and was 34.2% and 37.1% in the same respective periods of last year. Excluding the effect of various discrete tax adjustments, as more fully discussed in Note 11, "Income Taxes," of Item 1, "Financial Statements," Con-way's second-quarter and year-to-date effective tax rate in 2008 was 39.7% and 39.3%, respectively, and in 2007, was 37.5% and 37.6%, respectively. Higher effective tax rates in 2008 reflect lower taxable income from foreign subsidiaries, which limited Con-way's ability to utilize foreign tax credits, and a decline in the amount of tax-exempt interest earned.

Con-way's net income from continuing operations available to common shareholders in the second quarter and first half of 2008 decreased 1.2% and 4.2%, respectively, reflecting higher non-operating expense and an increase in the effective tax rate that offset higher operating income. Con-way's diluted earnings per share from continuing operations in the same periods of 2008 decreased 1.0% and 3.3%, respectively.

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 June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Summary of Segment Operating Results				
Revenues	$ 824,008	$ 744,922	$ 1,567,328	$ 1,424,612
Operating Income	77,375	72,152	113,452	119,830
Operating Margin	9.4%	9.7%	7.2%	8.4%
	2008 vs. 2007		2008 vs. 2007	
Selected Operating Statistics				
Revenue per day	+11.6%		+11.4%	
Weight per day	+1.9		+2.5	
Revenue per hundredweight (“yield”)	+9.6		+8.7	
Shipments per day (“volume”)	-0.9		+0.8	
Weight per shipment	+2.8		+1.7	

The Freight segment’s revenue in the second quarter of 2008 increased 10.6% over the same period of 2007 and, in the first half of 2008, increased 10.0% from the same prior-year period. Revenue increases at Freight in the second quarter of 2008 reflect higher revenue per day and 0.5 more working days when compared to the same period of last year. Revenue per day for Freight increased 11.6% in the second quarter on a 1.9% increase in weight per day and a 9.6% increase in yield. The 1.9% increase in weight per day was achieved through a 2.8% increase in weight per shipment, partially offset by a 0.9% decline in shipments per day. In the first half of 2008, revenue per day increased 11.4% on a 2.5% increase in weight per day and an 8.7% increase in yield. The 2.5% increase in weight per day in the first six months of 2008 was achieved through a 1.7% increase in weight per shipment combined with a 0.8% increase in shipments per day.

Yield increases in 2008 primarily reflect increases in fuel surcharges and average length of haul. Commensurate with higher transportation costs, shipments with longer lengths of haul generally have higher yields. Yields in both periods also reflect general rate increases. Con-way Freight implemented a general rate increase of 5.5% on January 28, 2008 compared to a 4.9% increase on March 19, 2007. These general rate increases were applied to customers with pricing governed by Con-way Freight’s standard tariff; however, the effects of the increases were diminished in part by the competitive pricing environment. Yields in the second quarter and first half of 2008 were also adversely affected by an increase in average weight per shipment.

Excluding fuel surcharges, yields in the second quarter and first half of 2008 increased 1.2% and 1.6%, respectively. 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 higher fuel costs and fuel-related increases in purchased transportation. Fuel surcharges are only one part of the overall rate structure, and the total price received from customers is governed by market forces, as more fully discussed below in Item 3, “Quantitative and Qualitative Disclosures About Market Risk - Fuel.” In the second quarter, Freight’s fuel-surcharge revenue increased to 20.4% of revenue in 2008 from 13.2% in 2007, and in the first six months, increased to 18.7% of revenue in 2008 from 12.5% in 2007.

Freight’s operating income in the second quarter of 2008 increased 7.2% over the same period of 2007 and, in the first six months, decreased 5.3% from the same prior-year period. Operating income in the periods presented benefited from revenue growth but was adversely affected by increased costs for fuel and purchased transportation, higher expenses for salaries, wages and other employee benefits, and increases in other operating expenses. Operating expenses in the first half of 2008 were adversely affected by $5.2 million of costs related to Con-way Freight’s business-transformation initiative. As more fully discussed in Note 3, “Restructuring Activities,” of Item 1, “Financial Statements,” Con-way Freight announced the reorganization in August 2007 and it was completed at the end of the first quarter of 2008.

In the second quarter and first half of 2008, expenses for fuel and fuel-related taxes increased 49.0% and 43.9%, respectively, due primarily to an increase in the cost of diesel fuel. During the same comparative periods, purchased transportation expense

increased 31.5% and 29.3%, respectively, reflecting an increase in freight transported by third-party providers and fuel-related rate increases.

In the second quarter and first half of 2008, expenses for salaries, wages and other employee benefits increased 2.9% and 3.4%, respectively, from the same periods in 2007. Base compensation in the second quarter and first half of 2008 increased 3.1% and 4.1%, respectively, due primarily to wage and salary rate increases and, to a lesser extent, growth in head count and additional freight-handling requirements. Employee benefits expense increased 6.1% and 5.7% in the second quarter and first half of 2008, respectively, due primarily to higher costs associated with workers' compensation claims and health-care benefits, partially offset by a decline in expenses for compensated absences. In both six-month periods presented, expenses for compensated absences include non-recurring first-quarter adjustments for benefit plan changes associated with the business-transformation and operational-restructuring initiatives. In the second quarter, incentive compensation decreased $4.3 million or 33.8% and, in the first half of 2008, decreased $9.0 million or 45.5% based on variations in performance measures relative to incentive-plan targets.

Other operating expenses increased 6.5% and 11.4% in the second quarter and first half of 2008, respectively, reflecting the business-transformation initiative, increased corporate allocations due to information technology projects, and higher expenses for sales and marketing activities, including promotional items and the use of consultants.

Under Freight's re-branding initiative, which was completed in the second quarter of 2008, Freight incurred $1.2 million and $4.9 million of costs in the second quarter and first half of 2008, respectively, compared to $2.9 million and $5.7 million in the second quarter and first half of 2007, respectively. The re-branding costs were for expenses related primarily to the conversion of tractors and trailers to the new Con-way graphic identity.

Logistics

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

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Summary of Segment Operating Results				
Revenues	$ 377,138	$ 323,909	$ 718,598	$ 644,390
Purchased Transportation	(250,507)	(217,998)	(465,959)	(434,356)
Net Revenues	126,631	105,911	252,639	210,034
Operating Income	4,954	6,935	11,217	13,471
Operating Margin on Revenue	1.3%	2.1%	1.6%	2.1%
Operating Margin on Net Revenue	3.9%	6.5%	4.4%	6.4%

Logistics' revenue in the second quarter and first half of 2008 increased 16.4% and 11.5%, respectively, reflecting the acquisitions of Cougar Logistics and Chic Logistics in the second half of 2007 and organic growth. Excluding revenue from the acquired companies, Logistics' revenue in the second quarter increased 9.3% due to a 7.8% increase in revenue from carrier-management services and a 14.1% increase in revenue from warehouse-management services, while in the first half of 2008, Logistics' revenue increased 4.4% due to a 1.2% increase in revenue from carrier-management services and a 14.0% increase in revenue from warehouse-management services.

Logistics' net revenue in the second quarter and first half of 2008 increased 19.6% and 20.3%, respectively, partially due to the acquisitions of Cougar Logistics and Chic Logistics. Excluding net revenue from the acquired companies, Logistics' net revenue increased 10.8% and 11.7% in the second quarter and first half of 2008, respectively. Higher net revenue in 2008 reflects an

increase in the percentage of revenue derived from warehouse-management services, which increases revenue without an associated increase in purchased transportation.

Logistics' operating income in the second quarter and first half of 2008 decreased 28.6% and 16.7%, respectively, as higher net revenue was more than offset by collective operating losses of $1.7 million in the second quarter and $2.8 million in the first half of 2008 at Cougar Logistics and Chic Logistics. Management expects revenue and operating results at the acquired companies to improve in future periods. The remaining discussion of operating results and percentage changes in expense categories excludes the acquired companies.

Excluding operating losses from the acquired companies, Logistics' operating income in the second quarter of 2008 declined 3.5%, but increased 4.3% in the first half of 2008. The decline in operating income in the second quarter of 2008 was due primarily to two separate customer-specific issues settled during the period that resulted in increased expense for cargo-loss claims and a provision for an uncollectible account. In the second quarter and first half of 2008, purchased transportation expenses increased 8.6% and 0.8%, respectively, due to increases in carrier-management services. Other operating expenses; expenses for salaries, wages and other employee benefits; costs for rents and leases; and purchased labor expense increased due primarily to increased warehouse-management volumes associated with new customers and growth with existing customers. Including the customer specific issues discussed above, other operating expenses increased 18.3% and 17.4% in the second quarter and first half of 2008, respectively, due primarily to increases in corporate allocations and the use of professional services, higher costs for cargo loss and damage claims, and increased facilities expenses. Salaries, wages and other employee benefits increased 5.1% and 7.6% in the second quarter and first half of 2008, respectively, reflecting increases in base compensation, employee benefits, and other employee-related costs. In the second quarter and first half of 2008, base compensation rose 5.6% and 7.5%, respectively, due primarily to growth in headcount. Employee benefits expense increased 3.0% in the second quarter and 6.8% in the first half of 2008 due principally to higher costs associated with heath-care and retirement benefits. Other employee-related costs increased 18.8% and 22.9% in the second quarter and first half of 2008, respectively, due primarily to an increase in acquisition-related travel costs. In the second quarter and first half of 2008, expenses for rents and leases increased 22.3% and 21.5%, respectively, and expenses for purchased labor increased 10.9% and 8.8%, respectively.

In August 2007, the Department of Defense ("DOD") selected Menlo Worldwide Logistics Government Services, LLC ("MWLGS"), a subsidiary of Menlo Logistics, Inc., as the primary contractor for the Defense Transportation Coordination Initiative ("DTCI"), a logistics program directed by the DOD to streamline and improve domestic transportation and distribution operations. Under the contract, MWLGS will be responsible for deploying and operating an integrated logistics solution for shipment planning, shipment execution and overall transportation management for DOD shipments moving into and among DOD facilities in the contiguous United States. The contract, with a potential seven-year life, has a three-year base period with an estimated $525 million in transportation expenditures. Implementation of the initiative is being rolled out in three phases over a 25-month period with the first distribution center beginning operations on March 31, 2008. The contract did not have a material effect on Logistics' revenue or operating income in the second quarter or first half of 2008; however, as of June 30, 2008, $8.0 million in unearned revenue and $6.0 million in deferred set-up costs have been recorded and are reported in Con-way's consolidated balance sheets as accrued liabilities, and deferred charges and other assets, respectively.

Truckload

The following table compares revenues and operating income (loss) of the Truckload reporting segment:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Summary of Segment Operating Results				
Revenues	$ 137,363	$ 1,289	$ 253,332	$ 2,237
Operating Income (Loss)	12,436	(2,306)	22,712	(2,969)

Increased revenue and operating income at the Truckload reporting segment was due to the acquisition of CFI. For periods prior to the acquisition of CFI in August 2007, the operating results of the Truckload segment consist only of the pre-acquisition truckload business unit. Results in 2008 include a $0.7 million second-quarter restructuring charge related to the integration of the Truckload business units. In all periods presented, segment revenue is reported after the elimination of revenue recognized for truckload services provided to Con-way Freight and Menlo Logistics. Accordingly, revenue in the second quarter is reported

net of inter-segment revenue of $44.2 million in 2008 and $17.6 million in 2007. Revenue in the first six months is reported net of inter-segment revenue of $79.3 million in 2008 and $35.2 million in 2007. Con-way Truckload's results are affected by the timing and degree of fluctuations in fuel prices, as more fully discussed below in Item 3, "Quantitative and Qualitative Disclosures About Market Risk – Fuel."

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 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. Results in the second quarter and first six months of 2008 include expenses related to a variable executive compensation plan that promotes synergistic inter-segment activities. The table below summarizes the operating results for the Other reporting segment:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Road Systems	$ 1,176	$ 3,597	$ 2,008	$ 4,669
Operating Income (Loss)				
Road Systems	$ 393	$ 482	$ 829	$ 789
Con-way re-insurance activities	1,096	584	1,971	(1,247)
Con-way corporate properties	(151)	(271)	(307)	(725)
Variable executive compensation	(772)	--	(1,141)	--
Other	(471)	45	135	291
	$ 95	$ 840	$ 1,487	$ (892)

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 its terminated Priority Mail contract with the USPS, and the spin of CFC, as more fully discussed in Note 4, "Discontinued Operations," of Item 1, "Financial Statements." Results of discontinued operations are presented below.

(Dollars in thousands except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Gain (Loss) from Disposal, net of tax	$ 1,609	$ (1,310)	$ 1,609	$ 1,609
Gain (Loss) from Disposal – per diluted share	$ 0.04	$ (0.03)	$ 0.04	$ 0.03

Liquidity and Capital Resources

Cash and cash equivalents rose to $236.5 million at June 30, 2008 from $176.3 million at December 31, 2007, as $137.7 million provided by operating activities exceeded $48.1 million used in investing activities and $28.9 million used in financing activities. In the first half of 2008, cash provided by operating activities came primarily from net income before non-cash items while cash used in investing and financing activities primarily reflects capital expenditures and the repayment of debt, respectively.

(Dollars in thousands)	Six Months Ended June 30,	
	2008	2007
Operating Activities		
Net income	$ 74,527	$ 77,695
Discontinued operations	(1,609)	(1,609)
Non-cash adjustments (1)	123,067	94,129
Net income before non-cash items	195,985	170,215
Changes in assets and liabilities	(58,314)	37,835
Net Cash Provided by Operating Activities	137,671	208,050
Net Cash Used in Investing Activities	(48,076)	(12,526)
Net Cash Used in Financing Activities	(28,900)	(114,238)
Net Cash Provided by Continuing Operations	60,695	81,286
Net Cash Provided by (Used in) Discontinued Operations	(516)	4,048
Increase in Cash and Cash Equivalents	$ 60,179	$ 85,334

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

Operating Activities

Cash flow from operating activities in the first six months of 2008 was $137.7 million, a $70.4 million decrease from the first six months of 2007, as an increase in net income before non-cash items was offset by a net use of cash due to changes in assets and liabilities. In the first half of 2008, changes in receivables, employee benefits, and accrued income taxes reduced operating cash flow when compared to the prior year, partially offset by an increase in operating cash flow associated with accrued liabilities (excluding employee benefits and incentive compensation) and accounts payable.

In the first six months of 2008, receivables used $141.8 million, compared to $30.0 million used in the same prior-year period, due to increased receivables at the Freight and Logistics segments reflecting increased revenues and increases in the average collection period for outstanding receivables.

Employee benefits used $25.3 million in the first half of 2008 compared to $8.7 million used in the first half of 2007. In both periods presented, the use of cash associated with the changes in employee benefit assets and liabilities primarily reflects net benefit income earned from the qualified pension plans and benefit payments associated with non-qualified pension plans, partially offset by expense recognized from the non-qualified pension plans. However, the first half of last year also reflects the effect of defined contribution plan amendments effective on January 1, 2007, which resulted in an $18.6 million increase in the plan-related liability during the six-month period ended on June 30, 2007.

Cash provided from accrued income taxes decreased to $9.7 million in the first half of 2008 from $35.1 million in the same prior-year period due primarily to tax refunds received in March 2007.

The increase in accrued liabilities provided $70.7 million in the first six months of 2008 compared to $29.7 million in the first six months of 2007, while the increase in accounts payable over the same periods provided $45.3 million and $10.7 million,

respectively. Increases in accrued liabilities and accounts payable primarily reflect higher business levels, while the growth in accrued liabilities also reflects an increase in accrued interest on the 7.25% Senior Notes issued in December 2007.

Investing Activities

Cash used in investing activities increased to $48.1 million in the first six months of 2008 from $12.5 million used in the first six months of 2007 due primarily to an increase in capital expenditures and a decrease in proceeds received from the sale of assets, partially offset by changes in marketable securities. Capital expenditures in the first half of 2008 increased $50.7 million from the same prior-year period due primarily to increased tractor and trailer expenditures at the Truckload segment. The first six months of 2008 include $40.4 million of proceeds received from the sale of two Logistics' warehouses, as more fully discussed in Note 12, "Sale-Leaseback Transaction," of Item 1, "Financial Statements," compared to $51.9 million of proceeds received in the first six months of 2007 from the sale of Con-way's membership interest in Vector. In both periods presented, investing activities also reflect sales and purchases of marketable securities, which provided $22.5 million in the first half of 2008 compared to $13.0 million used in the first half of 2007.

Financing Activities

Financing activities used cash of $28.9 million in the first six months of 2008 compared to $114.2 million used in the same period of 2007. The decrease in the amount of cash used in financing activities was due primarily to the conclusion of Con-way's common stock repurchase program on June 29, 2007. In the first half of 2007, common stock repurchases of $89.9 million were made under a repurchase program authorized by Con-way's Board of Directors. In both periods presented, financing activities also reflect proceeds from the exercise of stock options, dividend payments and scheduled debt repayments.

Con-way has a $400 million revolving credit facility that matures on September 30, 2011. The revolving credit facility is available for cash borrowings and for the issuance of letters of credit up to $400 million. At June 30, 2008, no borrowings were outstanding under Con-way's revolving credit facility; however, $204.8 million of letters of credit were outstanding, with $195.2 million of available capacity for additional letters of credit or cash borrowings. Con-way had other uncommitted unsecured credit facilities totaling $56.7 million at June 30, 2008, which are available to support letters of credit, bank guarantees, and overdraft facilities; at that date, a total of $19.6 million was outstanding under these facilities.

See "– Forward-Looking Statements" below; Item 1A, "Risk Factors," and Note 7, "Debt and Other Financing Arrangements," of Item 8, "Financial Statements and Supplementary Data," in Con-way's 2007 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, 2007 are summarized in Con-way's 2007 Annual Report on Form 10-K under Item 7, "Management's Discussion and Analysis – Liquidity and Capital Resources – Contractual Cash Obligations." In the first six months of 2008, there have been no material changes in Con-way's contractual obligations outside the ordinary course of business, except for the sale-leaseback transaction, discussed in Note 12, "Sale-Leaseback Transaction," of Item 1, "Financial Statements."

Other

In 2008, Con-way anticipates net capital and software expenditures of approximately $220 million ($268 million of expenditures net of $48 million in proceeds received from the sale of properties and equipment). 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 2008 capital expenditures may differ from the estimated amount, depending on factors such as actual and anticipated business volumes, 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.

At June 30, 2008, Con-way's senior unsecured debt was rated as investment grade by Standard and Poor's (BBB), Fitch Ratings (BBB), and Moody's (Baa3).

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, cash flow from operations, credit facilities and access to capital markets.

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 auditors. 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" is included in Item 7, "Management's Discussion and Analysis," in Con-way's 2007 Annual Report on Form 10-K. Con-way believes that the accounting policies that require the most judgment and are material to the financial statements are those related to the following:

- Defined Benefit Pension Plans
- Self-Insurance Accruals
- Income Taxes
- Revenue Recognition
- Property, Plant and Equipment and Other Long-Lived Assets
- Acquisitions
- Disposition and Restructuring Activities

There have been no significant changes to the critical accounting policies and estimates disclosed in Con-way's 2007 Annual Report on Form 10-K.

New Accounting Standards

Refer to Note 1, "Principal Accounting Policies," of Item 1, "Financial Statements," for a discussion of recently issued accounting standards that Con-way has not yet adopted.

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 strategic acquisitions; 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, certain important 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. A detailed description of certain of these risk factors is included in Item 1A, "Risk Factors," of Con-way's 2007 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Con-way enters into derivative financial instruments only in circumstances that warrant the hedge of an underlying asset, liability or future cash flow against exposure to some form of interest rate, commodity or currency-related risk. Additionally, the designated hedges should have high correlation to the underlying exposure such that fluctuations in the value of the derivatives offset reciprocal changes in the underlying exposure. Derivative financial instruments held by Con-way at June 30, 2008 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 marketable securities, as more fully discussed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of Con-way's 2007 Annual Report on Form 10-K.

Fuel

Con-way is subject to risks associated with the availability and price of fuel, which are subject to political, economic, and market factors that are outside of Con-way's control.

Con-way would be adversely affected by an inability to obtain fuel in the future. Although historically Con-way has been able to obtain fuel from various sources and in the desired quantities, there can no assurance that this will continue to be the case in the future.

Con-way may also be adversely affected by the timing and degree of fluctuations in fuel prices. Currently, Con-way's business units have fuel-surcharge revenue programs or cost-recovery mechanisms in place with a majority of customers. Con-way's business units in the Freight and Truckload segments maintain fuel-surcharge programs designed to offset or mitigate the adverse effect of rising fuel prices. Menlo Logistics has cost-recovery mechanisms incorporated into most of its customer contracts under which it recognizes fuel-surcharge revenue designed to eliminate the adverse effect of rising fuel prices on purchased transportation.

Although Con-way Freight's competitors in the less-than-truckload ("LTL") market also impose fuel surcharges, there is no LTL industry-standard fuel-surcharge formula. Con-way Freight's fuel-surcharge program, which is based on a published national index, constitutes only part of Con-way Freight's overall rate structure. Con-way Freight generally refers to "base freight rates" as the collective pricing elements that exclude fuel surcharges. Accordingly, changes to base freight rates reflect numerous factors such as length of haul, freight class, and weight per shipment as well as customer-negotiated adjustments to Con-way's fuel-surcharge mechanism. Ultimately, the total amount that Con-way Freight can charge for its services is determined by competitive pricing pressures and market factors.

Historically, its fuel-surcharge program has enabled Con-way Freight to more than recover increases in fuel costs and fuel-related increases in purchased transportation. As a result, Con-way Freight may be adversely affected if fuel prices fall and the resulting decrease in fuel-surcharge revenue is not offset by an equivalent increase in base freight-rate revenue. Although lower fuel surcharges may improve Con-way Freight's ability to increase the freight rates that it would otherwise charge, there can be no assurance in this regard. Con-way Freight may also be adversely affected if fuel prices continue to increase or if fuel prices remain at historically high levels. Customers faced with fuel-related increases in transportation costs often seek to negotiate lower rates through reductions in the base rates and/or limitations on the fuel surcharges charged by Con-way Freight, which adversely affect Con-way Freight's ability to offset higher fuel costs with higher revenue.

Con-way Truckload's fuel-surcharge program mitigates the effect of rising fuel prices but does not result in Con-way Truckload fully recovering its cost of fuel. In part, this is due to fuel costs that cannot be billed to customers, including costs such as those incurred in connection with empty and out-of-route miles or when engines are being idled during cold or warm weather. As with the LTL industry, there is no truckload industry-standard fuel-surcharge formula.

Con-way would be adversely affected if, due to competitive and market factors, its business units are unable to continue their current fuel-surcharge programs and/or cost-recovery mechanisms. In addition, there can be no assurance that the programs and/or mechanisms utilized by Con-way Freight and Menlo Logistics, as currently maintained or as modified in the future, will be

sufficiently effective to offset increases in the price of fuel, or that the programs maintained by Con-way Truckload will enable Con-way Truckload to sufficiently minimize its exposure to fuel-related cost increases.

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. Con-way does not currently use derivative financial instruments to manage foreign currency risk.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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

(b) Internal Control Over Financial Reporting

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

Con-way acquired CFI on August 23, 2007, Cougar Logistics on September 5, 2007 and Chic Logistics on October 18, 2007. Management excluded these acquired companies from its assessment of the effectiveness of disclosure controls and procedures and internal control over financial reporting as of June 30, 2008. Management was unable to assess the effectiveness of the disclosure controls and procedures and internal control over financial reporting of these acquired companies because of the timing of the acquisitions. Management expects to update its assessment of the effectiveness of the disclosure controls and procedures and internal control over financial reporting to include these companies as soon as practicable but in any event, no later than in the Form 10-K for the annual period ended December 31, 2008.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Con-way, along with other companies engaged in the LTL trucking business, was 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. After this lawsuit was filed, approximately 50 similar lawsuits were 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. In December 2007, these cases were consolidated for litigation in the Federal District Court for the Northern District of Georgia in Atlanta.

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.

Certain legal proceedings of Con-way are also discussed in Note 4, "Discontinued Operations," and Note 13, "Commitments and Contingencies," of Item 1, "Financial Statements."

ITEM 1A. RISK FACTORS

A detailed description of risk factors is included in Item 1A, "Risk Factors," of Con-way's 2007 Annual Report on Form 10-K. Except for the discussion included herein under "Fuel" of Part 1, Item 3, "Market Risk," there have been no changes to Con-way's risk-factors disclosures.

ITEM 6. EXHIBITS

Exhibit No.

(10) Material Contracts

- 10.1 Amendment No. 1 dated June 22, 2008 to the Amended and Restated Con-way Inc. 2005 Deferred Compensation Plan for Executives. #

- 10.2 Summary of Material Executive Relocation Package (Item 5.02 to Con-way's Report on Form 8-K filed on May 29, 2008).*#

(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)

August 11, 2008

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