

# LETTER TO SHAREHOLDERS



Douglas W. Stotlar, President and Chief Executive Officer

It's the nature of the freight transportation and logistics business to be in a constant state of motion and change. That definition quite literally describes the year Con-way experienced in 2007.

As we entered the year, we expected to be challenged by a struggling economy, slowing volumes, intense competition and cautious customers. Those expectations certainly came to fruition as the year progressed, yet we also saw reason for optimism. As we carried out our strategies for the business, we realized opportunities to augment our resources and to drive growth and market leadership.

## YEAR IN REVIEW

Overall, in a year that witnessed the most difficult economic conditions since 2001, our operating companies executed well and continued to deliver Con-way's traditional high-service value to customers. We secured new business opportunities in a competitive marketplace. We punctuated 2007 with three strategic additions, aligning our service portfolio with our strategy. Highlights for the year included:

- **Truckload expansion.** Our acquisition of Contract Freighters Inc. (CFI) vaulted us into the top tier of North American truckload freight carriers. This investment bought us a professionally managed, highly respected company with an excellent team and a track record for outstanding customer service and profitable growth. We concluded the acquisition in August and subsequently integrated Con-way's existing truckload operations into CFI before the end of the year.
- **Menlo leverages, expands operating model.** Our Menlo Worldwide Logistics unit continued to demonstrate success with its operating model in 2007, establishing another record for new business wins. In addition to organic growth, Menlo grew its portfolio with strategic acquisitions in Asia and a major contract with the U.S. Department of Defense.
  - **Asian expansion.** Menlo executed a targeted acquisition strategy to substantially enhance its presence in Asia. In September we purchased Singapore-based Cougar Holdings Pte Ltd., followed a month later with the acquisition of Shanghai-based Chic Holdings Ltd. Cougar expands our

presence in Singapore and South Asia with complementary capabilities and new lines of business. With Chic Logistics, we gain a leading "on-the-ground" presence with logistics and transportation management inside the People's Republic of China. As with Cougar, Chic expands the platform and service portfolio. More importantly, it provides an outstanding geographic footprint with an experienced management team that has proven capabilities in one of the largest manufacturing and consumer markets in the world.

- **DTCI award.** Menlo was selected by the U.S. Department of Defense as prime contractor for the Defense Transportation Coordination Initiative. This signature project is a testament to Menlo's recognized expertise in the commercial market for large, complex, multi-year transportation management solutions.
- **Con-way Freight restructuring.** We launched and completed nearly all facets of a fundamental transformation of our three regional LTL carriers, combining them into one operating structure headquartered in Ann Arbor, Mich. This restructuring was in response to the ever-evolving competitive landscape of the LTL market and the feedback of our customers, who desired a more streamlined, efficient operating structure that is more nimble and focused on continually improving the customer experience.

## OUTLOOK

We made strides in 2007 presenting a more unified Con-way to the market. The launch of the redesigned and modernized Con-way Web site, a new logo for Menlo that aligns with the rest of the enterprise, and the rebranding of CFI into Con-way Truckload reinforce our enterprise master brand. We'll continue these efforts in 2008 as we complete the rebranding of Con-way Freight's fleet and embark on the process of rebranding CFI's equipment to Con-way Truckload. In Asia, similar brand alignment work will commence as we transition the Chic and Cougar acquisitions to Menlo.

In 2007, Con-way tapped the strength of its balance sheet to facilitate strategic acquisitions of well-managed, service-oriented transportation and logistics enterprises. 2008 will be a year in which Con-way integrates and leverages this expanded portfolio for enhanced enterprise value and shareholder returns through a broad array of services offered to customers.

As we synchronize the gears of this enterprise platform and harness the natural business links that exist between our operating units, we will unlock real synergies that will drive new growth and shareholder value we believe are inherent in this unique mix of industry-leading service providers we call Con-way.

I want to commend our employees for an admirable effort in a challenging year. As we approach the 25th anniversary of Con-way Freight's founding, their work ethic, commitment to our values and focus on providing our customers with a superb service experience continue to be the difference that sets Con-way apart.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Stotlar". The signature is fluid and cursive, with a long horizontal line extending to the right.

March 11, 2008