

The Con-way enterprise celebrated its 25<sup>th</sup> anniversary in 2008, a milestone year which also will be remembered as the most tumultuous in our history. The year began with cautious optimism, invigorated by strategic acquisitions and business transformations that expanded our footprint and provided new opportunities. It concluded with an extraordinary confluence of challenges as we operated in a global recession, fueled by volatile energy prices, a meltdown in the housing, construction and automotive industries, and financial markets in disarray.

## **YEAR IN REVIEW**

Despite the economy, we successfully executed strategies to capture synergies among our business units, strengthen the recognition of the Con-way brand as a service leader, and position our companies to compete and win in their respective markets. Highlights for the year included:

**Competitive re-engineering.** Con-way Freight accomplished an intensive re-engineering of its operating network, consolidating 40 service centers while improving service. This strategic network optimization was designed to reduce fixed and variable costs, streamline operations to reduce handling, and add faster transit times to hundreds of cities.

The network changes were completed on schedule and accomplished the goals of reducing costs while maintaining full market coverage and elevating service. Con-way Freight continued to serve every community it had before with on-time delivery above 97 percent, and with productivity levels that were consistently at all-time highs throughout the year.

**Strategic differentiation.** Global companies are challenged as never before by supply chains that are longer, more complex and more critical to success than ever. Turning challenge into advantage requires supply chain transformation few companies are able to master. It's led to the emergence of lead logistics providers, with Menlo Worldwide Logistics at the forefront. Menlo has proven the value of this strategic collaboration model through its two-year 4PL relationship with Diebold, Incorporated where Menlo is using Lean process design and re-engineering methodologies coupled with continuous improvement practices to help Diebold remove millions of dollars of supply chain cost while accelerating product time-to-market.

In 2008, Menlo was selected by Navistar, Inc. for a similar global lead logistics provider role. This collaborative engagement is well on the way to driving competitive supply chain transformation for this major truck manufacturer. Menlo's business development efforts

remained strong in 2008, setting a record with 84 new business wins. The company also successfully extended its brand and value proposition deeper into China and South Asia.

**Synergy.** Con-way Truckload turned in a commendable performance in 2008, a year in which it expanded the Con-way brand in the truckload industry and delivered on our expectations for synergy and service. Cooperation with Con-way Freight and Menlo Worldwide Logistics enabled Con-way Truckload to realize over \$160 million of affiliate business in 2008. This allowed our truckload unit to optimize fleet utilization, while delivering an exceptional, cost-effective service to its sister companies and commercial customers.

Con-way Truckload also ran more miles safely in 2008 than any year in its history, setting a record for the lowest accident frequency rate since the company began keeping records.

## **LOOKING AHEAD**

The depth of the recession continues to suppress signs of an economic recovery. Industrial production and consumer spending remain challenged while businesses struggle to work off inventory. Weak demand is curtailing freight volumes while excess capacity continues to place intense pressure on pricing, making revenue and profit growth elusive.

While we cannot control the economy, we can control our responses to it. We took actions to reduce our cost base in 2008 and again early this year. Importantly, we also are intensely focused on improving in areas that matter to our customers. At a time when many of our competitors are standing still, we are pursuing many initiatives to enhance performance and build lasting value when customers need it the most.

Once the economy recovers, the unique strengths Con-way brings to market will power an excellent growth engine. We have an enviable infrastructure and geographic footprint, and a solid technology platform that is well positioned to meet our customers' needs in North America and around the world. And we have a team of employees whose dedication to excellence and focus on taking care of our customers are the foundation of our strength and the core of our values.

I'd like to thank our customers and shareholders for their support, and I want to commend our employees for their tremendous efforts in an uncommonly difficult year. Thank you for your dedication to and confidence in our mission and values. By remaining true to our values and measuring every action through the eyes of our customers, we'll continue to deliver the superior service that sets Con-way apart in the marketplace.

Sincerely,  
Douglas W. Stotlar  
President and CEO

March 30, 2009