Con-way Inc.
Form 10-K
February 23, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2014
or

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

For the transition period from to
Commission File Number 1-05046
Con-way Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-1444798 (I.R.S. Employer Identification No.)
2211 Old Earhart Road, Suite 100, Ann Arbor, MI (Address of principal executive offices)	48105 (Zip Code)

Registrant's telephone number, including area code: (734) 757-1444
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.625 par value)	New York Stock Exchange (NYSE)

Securities Registered Pursuant to Section 12(g) of the Act:
7.25% Senior Notes due 2018
6.70% Senior Debentures due 2034
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ýYes oNo

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. oYes ýNo

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. ýYes oNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ýYes oNo

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one): Large accelerated filer ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
oYes ýNo

The aggregate market value of the shares of common stock held by non-affiliates of the registrant on June 30, 2014 (based upon the closing price of the common stock as of that date on the NYSE) was $2,047,525,856.

The number of shares of common stock, $0.625 par value, outstanding as of January 31, 2015 was 57,580,945.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement related to its annual meeting of shareholders scheduled to be held on May 12, 2015 are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

Overview

Con-way Inc. was incorporated in Delaware in 1958. Con-way Inc. and its subsidiaries ("Con-way" or "the Company") provide 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, inter-regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, multimodal freight brokerage, and trailer manufacturing.

Reporting Segments

For financial reporting purposes, Con-way is divided into three reporting segments: Freight, Logistics and Truckload. For financial information concerning Con-way's geographic and reporting-segment operating results, refer to Note 12, "Segment Reporting," of Item 8, "Financial Statements and Supplementary Data."

Freight

The Freight segment consists of the operating results of the Con-way Freight business unit. Con-way Freight is a less-than-truckload ("LTL") motor carrier that utilizes a network of freight service centers to provide day-definite regional, inter-regional and transcontinental less-than-truckload freight services throughout North America.

LTL carriers transport shipments from multiple shippers utilizing a network of freight service centers combined with a fleet of linehaul and pickup-and-delivery tractors and trailers. Freight is picked up from customers and consolidated for shipment at the originating service center. Freight is consolidated for transportation to the destination service centers or other intermediate service centers (referred to as freight assembly centers). At freight assembly centers, freight from various service centers can be reconsolidated for transportation to other freight assembly centers or destination service centers. From the destination service center, the freight is delivered to the customer. Typically, LTL shipments weigh between 100 and 15,000 pounds. In 2014, Con-way Freight's average weight per shipment was approximately 1,350 pounds.

The LTL trucking environment is highly competitive. Principal competitors of Con-way Freight include regional and national LTL companies, some of which are subsidiaries of global, integrated transportation service providers. Competition is based on freight rates, service, reliability, transit times and scope of operations.

Logistics

The Logistics segment consists of the operating results of the Menlo Logistics ("Menlo") business unit. Menlo develops contract-logistics solutions, which can include managing complex distribution networks, and providing supply-chain engineering and consulting, and multimodal freight brokerage services. The term "supply chain" generally refers to a strategically designed process that directs the movement of materials and related information from the acquisition of raw materials to the delivery of products to the end-user.

Menlo's supply-chain management offerings are primarily related to transportation-management and contract-warehousing services. Transportation management refers to the management of asset-based carriers and third-party transportation providers for customers' inbound and outbound supply-chain needs through the use of logistics-management systems to consolidate, book and track shipments. Contract warehousing refers to the optimization and operation of warehouses for customers using technology and warehouse-management systems to reduce inventory carrying costs and supply-chain cycle times. For several customers, contract-warehousing operations include light assembly or kitting operations. Menlo's ability to link these systems with its customers' internal enterprise resource-planning systems is intended to provide customers with improved visibility to their supply chains. Compensation from Menlo's customers takes different forms, including cost-plus, transactional, fixed-dollar, performance-based and consulting-fee arrangements.

Menlo provides its services using a customer- or project-based approach when the supply-chain solution requires customer-specific transportation management, single-client warehouses, and/or single-customer technological solutions. However, Menlo also utilizes a shared-resource, process-based approach that leverages a centralized transportation-management group, multi-client warehouses and technology to provide scalable solutions to multiple customers. Additionally, Menlo segments its business based on customer type. These industry-focused groups leverage the capabilities of personnel, systems and solutions throughout the organization to give customers expertise

in their respective industries.

In 2014, Menlo's three largest customers collectively accounted for 27.9% of the revenue and 12.7% of the net revenue (revenue less purchased transportation) reported for the Logistics reporting segment. Menlo's largest customer accounted for 3.0% of the consolidated revenue of Con-way in 2014.

There are numerous competitors in the contract-logistics market that include domestic and foreign logistics companies, the logistics arms of integrated transportation companies, and contract manufacturers. However, Menlo primarily competes against a limited number of major competitors that have sufficient resources to provide services under large logistics contracts. Competition for projects is generally based on price and the ability to rapidly implement technology-based transportation and logistics solutions. With an increase in the number of freight brokers and the increasing availability of commercial logistics-management systems, customers' cost-reduction efforts are often focused on price. In response to this competitive pressure, Menlo seeks to design logistics solutions for customers based on innovative solutions that use a structured continuous-improvement program.

Truckload

The Truckload segment consists of the operating results of the Con-way Truckload business unit. Con-way Truckload is a full-truckload motor carrier that utilizes a fleet of tractors and trailers to provide short- and long-haul, asset-based transportation services throughout North America. Con-way Truckload provides dry-van transportation services to manufacturing, industrial and retail customers while using single drivers as well as two-person driver teams over long-haul routes, with each trailer containing only one customer's goods. This origin-to-destination freight movement limits intermediate handling and is not dependent on the same network of locations utilized by LTL carriers. On average, Con-way Truckload transports shipments more than 800 miles from origin to destination. Under its regional service offering, Con-way Truckload transports truckload shipments between 100 and 600 miles, including local-area service for truckload shipments of less than 100 miles.

Con-way Truckload offers "through-trailer" service into and out of Mexico through major gateways in Texas, Arizona and California. This service eliminates the need for shipment transfer and/or storage fees at the border and typically involves equipment-interchange operations with various Mexican motor carriers. For a shipment with an origin or destination in Mexico, Con-way Truckload provides transportation for the domestic portion of the freight move, and a Mexican carrier provides the pick-up, linehaul and delivery services within Mexico.

The truckload market is fragmented with numerous carriers of varying sizes. Principal competitors of Con-way Truckload include other truckload carriers, logistics providers, railroads, private fleets, and to a lesser extent, LTL carriers. Competition is based on freight rates, service, reliability, transit times, and driver and equipment availability.

General

Employees

At December 31, 2014, Con-way had approximately 30,100 regular full-time employees. The approximate number of regular full-time employees by segment was as follows: Freight, 20,000; Logistics, 6,000; and Truckload, 3,200. In addition to the regular full-time employees at the reporting segments, Con-way had approximately 900 regular full-time employees consisting primarily of executive, technology and administrative positions that support Con-way's operating subsidiaries.

Con-way's business units utilize other sources of labor that provide flexibility in responding to varying levels of economic activity and customer demand. In addition to regular full-time employees, Con-way Freight employs part-time employees and non-employee contract labor; Menlo utilizes non-employee contract labor primarily related to its warehouse-management services; and Con-way Truckload contracts with owner-operators to transport shipments.

Cyclicality and Seasonality

Con-way's operations are affected, in large part, by conditions in the cyclical markets of its customers and in the U.S. and global economies, as more fully discussed in Item 1A, "Risk Factors."

Con-way's operating results are also affected by seasonal fluctuations that change demand for transportation services. In the Freight segment, generally the second and third quarters have the highest business levels while the fourth quarter usually has the lowest business levels. In the Truckload segment, the months of August and October typically have the highest business levels while the month of December usually has the lowest business levels. The Logistics segment does not generally experience seasonal fluctuations.

Price and Availability of Fuel

Con-way is exposed to the effects of changes in the price and availability of diesel fuel, as more fully discussed in Item 1A, "Risk Factors."

Regulation

Ground Transportation

The motor-carrier industry is subject to federal regulation by the Federal Motor Carrier Safety Administration ("FMCSA"), the Pipeline and Hazardous Materials Safety Agency ("PHMSA"), and the Surface Transportation Board ("STB"), which are units of the U.S. Department of Transportation. The FMCSA publishes and enforces comprehensive trucking safety regulations and performs certain functions relating to motor-carrier registration, cargo and liability insurance, extension of credit to motor-carrier customers, and leasing of equipment by motor carriers from owner-operators. The PHMSA publishes and enforces regulations regarding the transportation of hazardous materials. The STB has authority to resolve certain types of pricing disputes and authorize certain types of intercarrier agreements.

The FMCSA operates the Compliance Safety Accountability ("CSA") program in an effort to improve commercial truck and bus safety. A component of the CSA program is the Safety Measurement System, which analyzes all safety-based violations to determine a commercial motor carrier's safety performance. This safety program allows the FMCSA to identify carriers with safety-performance issues and intervene to address a carrier's specific safety problems.

Federal law allows all states to impose insurance requirements on motor carriers conducting business within their borders, and empowers most states to require motor carriers conducting interstate operations through their territory to make annual filings verifying that they hold appropriate registrations from FMCSA. Motor carriers also must pay state fuel taxes and vehicle registration fees, which normally are apportioned on the basis of mileage operated in each state.

Hours of service ("HOS") regulations by the FMCSA establish the maximum number of hours that a commercial truck driver may work. An HOS rule that went into effect in July 2013 reduced the number of hours a commercial truck driver may work during his or her work day. Congress recently required FMCSA to suspend part of the HOS regulation that eliminated the "34-hour restart" provision pending a mandated study of the safety implications. Depending on the timing and outcome of the study, there may or may not be further HOS regulatory changes.

Environmental

Con-way's operations involve the storage, handling and use of diesel fuel and other hazardous substances. Con-way is subject to laws and regulations that (1) govern activities or operations that may have adverse environmental effects such as discharges to air and water, and the handling and disposal practices for solid and hazardous waste, and (2) impose liability for the costs of remediation of, and certain damages resulting from, sites of past spills, disposals, or other releases of hazardous materials.

Environmental liabilities relating to Con-way's properties may be imposed regardless of whether Con-way leases or owns the properties in question and regardless of whether such environmental conditions were created by Con-way or by a prior owner or tenant, and also may be imposed with respect to properties that Con-way may have owned or leased in the past. Con-way has accrued for its estimate of remediation costs at these sites.

Homeland Security

Con-way is subject to compliance with various cargo-security and transportation regulations issued by the Department of Homeland Security, including regulation by the Transportation Security Administration and the Bureau of Customs and Border Protection.

Other Information

Information Available on Website

Con-way makes available, free of charge, on its website at http://www.con-way.com, under the heading "Annual Reports & SEC Filings," within the "Investors" tab, copies of its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and any amendments to those reports, in each case as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission.

In addition, Con-way makes available, free of charge, on its website under the heading "Corporate Governance," within the "Investors" tab, current copies of the following documents: (1) the charters of the Audit, Compensation, Finance, and Governance and Nominating Committees of its Board of Directors; (2) its Corporate Governance Guidelines; and (3) its Code of Business Ethics. Copies of these documents are also available in print to shareholders upon request, addressed to the Corporate Secretary at 2211 Old Earhart Road, Suite 100, Ann Arbor, Michigan 48105.

None of the information on Con-way's website shall be deemed to be a part of this report.

Regulatory Certifications

In 2014, Con-way filed the written affirmations and Chief Executive Officer certifications required by Section 303A.12 of the NYSE Listing Manual and Section 302 of the Sarbanes-Oxley Act.

ITEM 1A. RISK FACTORS

Con-way's consolidated financial condition, results of operations and cash flows could be adversely affected by various risks. These risks include, but are not limited to, the principal factors listed below and other matters set forth in this Annual Report on Form 10-K. You should carefully consider all of these risks before making any investment or other decisions.

Economic Cyclicality

Con-way's operating results are affected, in large part, by cyclical conditions in its customers' markets and in the U.S. and global economies. While economic conditions affect most companies, the transportation industry is cyclical and susceptible to trends in economic activity. When individuals and companies purchase and produce fewer goods, Con-way's businesses transport fewer goods. In addition, Con-way Freight and Con-way Truckload are capital-intensive and Con-way Freight has a relatively high fixed-cost structure that is difficult to adjust to match shifting volume levels. Accordingly, any sustained weakness in demand or continued downturn or uncertainty in the economy generally would have an adverse effect on Con-way.

Industry Competition

The transportation market is highly competitive and sensitive to price and service, especially in periods of little or no macro-economic growth. Some of the Company's competitors have more financial resources than Con-way, more equipment, a broader global network, a wider range of services or have other competitive advantages. Some competitors periodically reduce their prices to gain business, especially during times of reduced growth rates in the economy, which may limit Con-way's ability to maintain or increase prices or maintain revenue. Consolidation in the ground transportation industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.

Customer behavior may also change in response to market pressures in a way that adversely affects Con-way's business units. Many customers reduce the number of carriers they use by selecting "core carriers" as approved transportation service providers and Con-way may not be among those selected. Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress prices or result in the loss of some business to competitors. Some customers may choose to consolidate certain shipments through a different mode of transportation. In addition, high volume package shippers could develop in-house ground delivery capabilities, which would in turn reduce Con-way's revenue and market share. If Con-way is unable to compete effectively through its current service offerings, if current competitors or potential future competitors offer a broader range of services or more effectively bundle their services or if Con-way's current customers become competitors, it could have a material adverse effect on Con-way's business, financial condition and results of operations.

Government Regulation and Taxes

Con-way operates in a highly regulated and highly taxed industry. As discussed more fully in Item 1, "Business," Con-way is subject to the regulatory powers of the U.S. Department of Transportation, the Environmental Protection Agency, and the Department of Homeland Security, among other federal agencies, as well as various state, local and foreign laws and regulations that apply to its business activities. These include regulations related to, among other things, driver hours-of-service limitations, labor organizing activities, cargo security requirements, anti-corruption and anti-bribery laws, tax, data privacy and data security laws, employment practices, healthcare and environmental matters, including potential limits on carbon emissions under climate change legislation. Con-way may become subject to new or more restrictive regulations imposed by such agencies in respect of engine exhaust emissions, driver hours of service, security, ergonomics, and a number of other unforeseen issues potentially applicable to its businesses or the industry.

Concern over climate change, for example, has led to increased legislative and regulatory efforts to limit carbon dioxide and other greenhouse gas emissions. Even without such regulation, Con-way's response to customer-led sustainability initiatives could lead to increased costs to implement additional efforts to reduce its emissions. Additionally, Con-way may experience reduced demand for its services if it does not comply with customers'

sustainability requirements. As a result, increased costs or loss of revenue resulting from sustainability initiatives could have an adverse effect on Con-way.

The costs of compliance with existing or future laws or regulations, as well as any potential liabilities under or violations of such laws or regulations, could have an adverse effect on Con-way. As these regulatory requirements continue to evolve, Con-way is not able to accurately predict how new governmental laws and regulations, or changes to existing laws and regulations, will affect the transportation industry generally, or Con-way in particular. As a result, Con-way believes that any additional

measures that may be required by future laws and regulations or changes to existing laws and regulations could result in additional costs and could have an adverse effect on Con-way.

Various federal, state and local authorities impose operating taxes, including fuel taxes, tolls, and excise and other taxes, on the transportation industry. In addition, various license and registration fees and bonding requirements apply to Con-way's business activities. Increases in these operating taxes, fees and requirements, or new forms of such operating taxes, fees and requirements, could result in additional costs and could have an adverse effect on Con-way.

Capital Markets

Significant disruptions or volatility in the global capital markets may increase Con-way's cost of borrowing or affect its ability to access credit, debt and equity capital markets. Market conditions may affect Con-way's ability to refinance indebtedness as and when it becomes due. In addition, changes in Con-way's credit ratings could adversely affect its ability and cost to borrow funds. Con-way is unable to predict how conditions in the capital markets will affect its financial condition, results of operations or cash flows.

Price and Availability of 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 be no assurance that this would continue to be the case in the future.

Con-way may also be adversely affected by the timing and degree of fluctuations and volatility 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 Freight and Con-way Truckload maintain fuel-surcharge programs designed to offset or mitigate the adverse effect of rising fuel prices. Menlo has cost-recovery mechanisms incorporated into most of its customer contracts under which it recognizes fuel-surcharge revenue designed to mitigate the adverse effect of rising fuel prices on the costs for purchased transportation.

Con-way's competitors in the LTL and truckload markets also impose fuel surcharges. Although fuel surcharges are generally based on a published national index, there is no industry-wide standard fuel-surcharge formula. As a result, fuel-surcharge revenue constitutes only part of the overall rate structure. Revenue excluding fuel surcharges (usually referred to as base freight rates) represents the collective pricing elements other than fuel surcharges. Ultimately, the total amount that Con-way Freight and Con-way Truckload can charge for their services is determined by competitive pricing pressures and market factors.

Historically, Con-way Freight's fuel-surcharge program has enabled it to more than offset changes in fuel costs and fuel-related volatility in purchased transportation costs. However, market conditions for fuel can impact Con-way Freight's ability to fully absorb and recover such changes under its fuel-surcharge program over time. Con-way Freight also modifies its fuel-surcharge program from time to time in response to market conditions and industry dynamics. Such modifications can impact the extent of fuel-surcharge revenue collected or the volatility of fuel surcharges imposed under the program. As a result, Con-way Freight may be adversely affected to the extent fuel price changes or pricing volatility impacts Con-way Freight's ability to offset such changes with fuel surcharges under its then-current program or base freight rates.

Con-way Truckload's fuel-surcharge program mitigates the effect of rising fuel prices but does not always result in Con-way Truckload fully recovering increases in its cost of fuel. The extent of recovery may vary depending on the amount of customer-negotiated adjustments and the degree to which Con-way Truckload is not compensated due to empty and out-of-route miles or from engine idling during cold or warm weather.

Con-way would be adversely affected if, due to competitive and market factors, its business units are unable to continue with their fuel-surcharge programs and/or cost-recovery mechanisms. In addition, there can be no assurance that these programs, as currently maintained or as modified in the future, will be sufficiently effective to offset changes in the price of fuel in the future.

Driver Availability and Driver Compensation

Con-way hires drivers primarily for Con-way Freight and Con-way Truckload. Recently, there has been intense competition for qualified drivers in the transportation industry due to a nationwide shortage of drivers. The availability

of qualified drivers may be affected from time to time by changing workforce demographics, competition from other transportation companies and industries for employees, the availability and affordability of driver training schools, changing industry regulations, and the demand for drivers in the labor market. If the industry-wide shortage of qualified drivers continues, Con-way will likely continue to experience difficulty in attracting and retaining enough qualified drivers to fully satisfy customer demands.

As a result of the current highly-competitive labor market for drivers, in 2014 and early 2015, Con-way Freight and Con-way Truckload implemented increases in compensation and benefits for their drivers and may be required to further increase driver compensation and benefits, or face difficulty meeting customer demands, all of which could adversely affect Con-way's profitability. Additionally, a shortage of drivers could result in underutilization of Con-way's truck fleet, lost revenue, increased costs for purchased transportation or increased costs for driver recruitment.

Cyber Threats and Business Interruption

Con-way and its business units rely on shared-service facilities that provide shared administrative and technology services. A sustained interruption in Con-way's systems or operations due to a catastrophic event, such as terrorist activity, earthquake, weather event, or cyber attack, could have a material adverse effect on Con-way's operations and financial results.

Con-way is dependent on its operational and information technology systems to operate its businesses and to provide critical services to its employees and customers. Con-way has outsourced a significant portion of its information technology infrastructure and a portion of its operational, administrative and accounting functions to third-party service providers. Although Con-way and its third-party service providers collectively maintain backup systems and have disaster-recovery processes and procedures, Con-way's operational and information technology systems are susceptible to sustained interruption due to events such as failures during transition to upgraded or replacement technology, power outages, computer viruses, code anomalies, telecommunications failures, user errors, third-party contractual failures and other reasons. They are also susceptible to cyber threats and attacks, such as malware, attacks by computer hackers, denial of service attacks by groups of hackers and other threats. Certain of the outsourced services are also performed in developing countries and, as a result, may be subject to geopolitical and other uncertainty or risk. A sustained interruption to critical networks or to Con-way's operational and information technology systems, including those affecting the Company's computer systems and customer websites, could adversely impact its operations, customer service, reputation, volumes and revenue and could have a material adverse effect on Con-way's operations and financial results. Further, although Con-way and its third-party providers have preventive systems and processes in place to protect against the risk of cyber attacks, data losses and security breaches, these measures cannot fully insulate Con-way from technology disruptions that compromise the confidentiality, integrity, or availability of Company and customer information, which in turn could adversely affect Con-way's operations, customer service and reputation and could have a material adverse effect on Con-way's operations and financial results.

Labor Organization

Con-way believes that maintaining a union-free environment within its business units provides a competitive advantage in the marketplace and allows the Company to most effectively and directly serve the needs of its employees. Without the possible constraints of a union, each Con-way business unit is able to operate with efficiency and flexibility, providing customers with reliable, innovative and cost-competitive services.

In 2014, the International Brotherhood of Teamsters union, or the Teamsters, made organizing attempts at a small number of Con-way Freight locations. The outcomes of those efforts have generally been favorable for the Company, although a very small percentage of Con-way Freight employees have selected Teamsters representation. As of December 31, 2014, the Teamsters union has been certified as the bargaining representative for employees at only one of Con-way Freight's nearly 300 locations. Further unionizing efforts by the Teamsters are likely to continue in 2015, and the Company cannot predict with certainty whether that activity will result in the unionization of any additional Con-way Freight locations. A further unionized workforce could potentially result in reduced operational flexibility and impair Con-way's ability to quickly respond to market conditions with innovative solutions for customers.

Capital Intensity

Con-way Freight and Con-way Truckload make significant investments in revenue equipment, and Con-way Freight also makes significant investments in freight service centers. The amount and timing of capital investments depend on various factors, including anticipated volume levels and the price and availability of appropriate-use property for service centers and newly manufactured tractors, which are subject to restrictive Environmental Protection Agency engine-design requirements. If anticipated service center and/or fleet requirements differ materially from actual usage,

Con-way's capital-intensive business units may have too much or too little capacity. Con-way attempts to mitigate the risk associated with too much or too little revenue equipment capacity by adjusting capital expenditures and by utilizing short-term equipment rentals and sub-contracted operators in order to match capacity with business volumes. Con-way's investments in revenue equipment and freight service centers depend on its ability to generate cash flow from operations and its access to credit, debt and equity capital markets. A decline in the availability of these funding sources could adversely affect Con-way.

With respect to Menlo, implementing warehouse-management services for customers can require a significant commitment of capital in the form of shelving, racking and other warehousing systems. In the event that Menlo is not able to fully amortize the cost of that capital across the term of the related customer agreement, or to the extent that the customer defaults on its obligations under the agreement, Menlo could be forced to take a significant loss on the unrecovered portion of the capital cost.

Asset Impairments

Con-way's assets include significant amounts of goodwill and other long-lived assets. Con-way's regular reviews of the carrying value of its assets have resulted, from time to time, in significant impairment charges. It is possible that Con-way may be required to recognize additional impairment charges in the future, which could adversely affect Con-way's results of operations.

Defined Benefit Plans

Con-way maintains defined benefit plans, including funded qualified pension plans, unfunded non-qualified pension plans, and an unfunded postretirement medical plan. A decline in interest rates and/or lower returns on funded plan assets may cause increases in the expense and funding requirements for Con-way's defined benefit pension plans. Despite past amendments that permanently curtailed benefits under its defined benefit pension plans, Con-way's defined benefit pension plans remain subject to volatility associated with interest rates, returns on plan assets, other actuarial assumptions and funding requirements. In addition to being subject to volatility associated with interest rates, Con-way's expense and obligation under its postretirement medical plan are also subject to actuarial assumptions and trends in health-care costs. As a result, Con-way is unable to predict the effect on the Company's financial statements associated with the defined benefit pension plans and the postretirement medical plan.

Self-Insurance Accruals

Con-way uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of employee medical, vehicular, cargo and workers' compensation claims. Con-way's estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a high degree of variability. Con-way periodically evaluates the level of insurance coverage and adjusts insurance levels based on targeted risk tolerance and premium expense. An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on Con-way.

Con-way has a captive insurance company that participates in a reinsurance pool to reinsure a portion of Con-way's workers' compensation claims. Each company that participates in the pool cedes premiums and claims to the pool and assumes premiums and claims from the pool. The operating results of the captive insurance company are affected by the number and/or severity of claims and the associated premiums paid or received. Con-way's financial condition, results of operations and cash flows could be adversely affected by the risk assumed and ceded by the captive insurance company. In addition, Con-way's captive insurance companies are subject to financial and insurance regulation by a foreign regulatory authority and changes in these applicable regulations could affect Con-way's liquidity and asset allocation with its captive insurance companies.

Con-way expects costs associated with providing benefits under postretirement medical plans and employee medical plans to increase due to health care reform legislation. Changes made to the design of Con-way's medical plans have the potential to mitigate some of the cost impact of the provisions included in the legislation. Ultimately, the cost of providing benefits under medical plans is dependent on a variety of factors, including governmental laws and regulations, health care cost trends, claims experience and health care decisions by plan participants. As a result, Con-way is unable to predict how the cost of providing benefits under medical plans will affect its financial condition, results of operations or cash flows.

Customer Concentration and Contract Terms

Menlo is subject to risk related to customer concentration because of the relative importance of its largest customers and the ability of those customers to negotiate aggressive pricing and other customer-favorable contract terms. Many of its competitors in the logistics industry segment are subject to the same risk. Although Menlo strives to broaden and diversify its customer base, a significant portion of its revenue is derived from a relatively small number of large and sophisticated customers, as more fully discussed in Item 1, "Business." Consequently, a significant loss of business from, or adverse performance by, Menlo's major customers may have a material adverse effect on Con-way's financial

condition, results of operations and cash flows. Similarly, the renegotiation of major customer contracts may also have an adverse effect on Con-way.

Menlo is also subject to credit risk associated with its customer concentration. If one or more of its largest customers were to become bankrupt, insolvent or otherwise were unable to pay for services provided, Menlo may incur significant write-offs of accounts receivable or incur lease or asset-impairment charges that may have a material adverse effect on Con-way's financial condition, results of operations or cash flows. Menlo always seeks to reduce risks related to the termination of a customer relationship, for reasons other than the business failure of a customer, by requiring, upon the termination of the contract, that

the customer assume any related lease obligations and/or purchase contract-specific assets purchased by Menlo. Its ability to successfully negotiate for those contract terms with any particular customer is, however, dependent upon many factors.

Additionally, Menlo is subject to risk if contract terms and conditions do not adequately cover Menlo's exposure to increased or unexpected expenses. Changes in customers' business needs or operations may result in Menlo incurring expenses it may not be able to completely recover or offset through contractual pricing terms or contract renegotiations. Also, contract terms and conditions may not sufficiently limit Menlo's exposure to claims from customers or third parties. As a result, increased expenses resulting from these exposures could have an adverse effect on Con-way.

Other Factors

In addition to the risks identified above, Con-way's annual and quarterly operating results may be affected by a number of business, economic, regulatory and competitive factors, including:

- loss of senior management or other key employees who implement Con-way's business strategy;
- the creditworthiness of Con-way's customers and their ability to pay for services rendered;
- any liability resulting from and the costs of defending against litigation and claims related to labor and employment, personal injury, property damage, business practices, environmental liability and other matters;
- the effect of severe winter weather or other weather or disaster-related events; and
- the possibility of defaults under Con-way's $325 million credit agreement and other debt instruments.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Con-way believes that its facilities are suitable and adequate, that they are being appropriately utilized and that they have sufficient capacity to meet current operational needs. Management continuously reviews anticipated requirements for facilities and may acquire additional facilities and/or dispose of existing facilities as appropriate.

Freight

As of December 31, 2014, Con-way Freight operated 297 freight service centers, of which 146 were owned and 151 were leased. The service centers are strategically located to cover the geographic areas served by Con-way Freight and represent physical buildings and real property with dock, office and/or shop space. These facilities do not include meet-and-turn points or zone operations, which generally represent small owned or leased real property with no physical structures. At December 31, 2014, Con-way Freight's owned service centers accounted for 69% of its door capacity. At December 31, 2014, Con-way Freight owned and operated approximately 9,500 tractors and 25,500 trailers, including tractors held under capital lease agreements. The headquarters for Con-way Freight are located at a leased facility in Ann Arbor, Michigan, which is shared with Con-way's executive offices.

Logistics

As of December 31, 2014, Menlo operated 78 warehouses in North America, of which 61 were leased by Menlo and 17 were leased or owned by clients of Menlo. Outside of North America, Menlo operated an additional 81 warehouses, of which 62 were leased by Menlo and 19 were leased or owned by clients. Menlo owns and operates a small fleet of tractors and trailers to support its operations, but primarily utilizes third-party transportation providers for the movement of customer shipments. The headquarters for Menlo are located at a leased facility in San Francisco, California.

Truckload

As of December 31, 2014, Con-way Truckload operated five owned terminals with bulk fuel, tractor and trailer parking, and in some cases, equipment maintenance and washing facilities. In addition, Con-way Truckload also utilizes various drop yards for temporary trailer storage throughout the United States. At December 31, 2014, Con-way Truckload owned and operated approximately 2,600 tractors and 7,800 trailers. The Con-way Truckload headquarters are located at an owned facility in Joplin, Missouri.

Corporate

Other principal properties include Con-way's leased executive offices in Ann Arbor, Michigan and its owned shared-services center in Portland, Oregon. Con-way's trailer manufacturing business owns and operates a facility in

Searcy, Arkansas.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings of Con-way are discussed in Note 11, "Commitments and Contingencies," of Item 8, "Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Executive Officers of Con-way Inc.

The name, age and relevant business experience of Con-way's executive officers as of February 23, 2015, are set forth below.

Name, Age and Positions with the Company	Relevant Business Experience
Douglas W. Stotlar 54, President and Chief Executive Officer	Served as Con-way's President and Chief Executive Officer since April 2005. Prior to this, served as Con-way's Senior Vice President and Con-way Freight's President and Chief Executive Officer since December 2004. Prior to this, served as Con-way Freight's Executive Vice President and Chief Operating Officer since June 2002. Prior to this, served as Con-way Freight's Executive Vice President of Operations since 1999. Prior to this, from 1985 to 1999, served in various capacities with Con-way and Con-way Freight, including as Vice President and General Manager of Con-way's expediting business.
Stephen L. Bruffett 51, Executive Vice President and Chief Financial Officer	Served as Con-way's Executive Vice President and Chief Financial Officer since September 2008. Prior to this, from 1998 to 2008, served in various capacities in finance and accounting, operations, investor relations and sales and marketing with YRC Worldwide, including as Chief Financial Officer.
Robert L. Bianco, Jr. 50, Executive Vice President of Con-way and President of Menlo Worldwide, LLC	Served as Con-way's Executive Vice President and Menlo Worldwide, LLC's President since June 2005. Prior to this, served as Menlo Logistics' President since 2002. Prior to this, from 1992 to 2002, served in various capacities with Menlo Logistics, including as Vice President of Operations since 1997.
Kevin S. Coel 56, Senior Vice President and Corporate Controller	Served as Con-way's Senior Vice President since April 2009 and Corporate Controller since 2000. Prior to this, from 1990 to 2000, served in various capacities in finance and accounting with Con-way.
Joseph M. Dagnese 54, Executive Vice President of Con-way and President of Con-way Truckload Inc.	Served as Con-way's Executive Vice President and Con-way Truckload Inc.'s President since February 2014. Prior to this, from 1995 to 2014, served in various capacities with Menlo Logistics including as Vice President of International since October 2013 and prior to that, as Vice President of Menlo's Automotive and Government Services Group since September 2008.
Stephen K. Krull 50, Executive Vice President, General Counsel and Secretary	Served as Con-way's Executive Vice President, General Counsel and Secretary since April 2011. Prior to this, from 2003 to 2011, served as Senior Vice President, General Counsel and Secretary of Owens Corning. Prior to this, from 1996 to 2003, served in various capacities in legal and corporate communications with Owens Corning.
W. Gregory Lehmkuhl 42, Executive Vice President of Con-way and President of Con-way Freight Inc.	Served as Con-way's Executive Vice President and Con-way Freight Inc.'s President since September 2011. Prior to this, served as Con-way Freight's Executive Vice President of Operations since August 2008. Served previously in various capacities with Menlo Logistics, including as Vice President

	of Menlo's Automotive Industry Group since January 2005.
Leslie P. Lundberg 57, Senior Vice President, Human Resources	Served as Con-way's Senior Vice President, Human Resources since January 2006. Prior to this, served as Executive Director of Compensation, Benefits and Human Resource Information Systems for a division of Sun Microsystems since 2003.
C. Randal Mullett 61, Vice President, Government Relations and Public Affairs	Served as Con-way's Vice President, Government Relations and Public Affairs since September 2007. Prior to this, served as Vice President of Government Relations since January 2005, and before that as Director Government Relations since January 2003. Prior to this, from 1989 to 2003, served in various capacities in operations and sales management with Con-way Freight Inc.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Con-way's common stock is listed for trading on the New York Stock Exchange ("NYSE") under the symbol "CNW." See Note 13, "Quarterly Financial Data," of Item 8, "Financial Statements and Supplementary Data" for the range of common stock prices as reported on the NYSE and for the common stock dividends paid in 2014 and 2013. At January 31, 2015, Con-way had 5,090 common stockholders of record. The following table provides information on shares of common stock repurchased by Con-way during the quarter ended December 31, 2014:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased [1]	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs [1]
October 1, 2014 - October 31, 2014	85,000	$43.51	85,000	$141,693,850
November 1, 2014 - November 30, 2014	90,000	46.11	90,000	137,543,950
December 1, 2014 - December 31, 2014	90,000	48.92	90,000	133,141,150
	265,000	$46.39	265,000	$133,141,150

[1] On July 30, 2014, Con-way announced that its Board of Directors had authorized a program to repurchase up to $150 million of Con-way's common stock in open market purchases or in privately negotiated transactions from time to time in such amounts as management determines.

Performance Graph

The following performance graph compares Con-way's five-year cumulative return (assuming an initial investment of $100 on December 31, 2009 and reinvestment of dividends), with the S&P Midcap 400 Index and Dow Jones US Transportation Average Index.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDERS RETURN

Con-way Inc., S&P Midcap 400 Index, Dow Jones US Transportation Average Index

	Cumulative Total Return					
	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Con-way Inc.	$100.00	$106.07	$85.69	$82.83	$119.49	$149.63
S&P Midcap 400	100.00	126.64	124.45	146.69	195.84	214.97
Dow Jones US Transportation Average	100.00	126.74	126.75	136.31	192.72	241.04

ITEM 6. SELECTED FINANCIAL DATA

The following table includes selected financial and operating data for Con-way as of and for the five years ended December 31, 2014. This information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Data."

Con-way Inc.
Five-Year Financial Summary

(Dollars in thousands, except per share data)	2014	2013	2012	2011	2010
Results of Operations					
Revenue	$5,806,069	$5,473,356	$5,580,247	$5,289,953	$4,952,000
Operating Income [a]	268,450	208,953	228,841	207,928	78,170
Income before Income Tax Provision	210,697	154,365	170,954	148,072	16,557
Income Tax Provision [b]	73,658	55,212	66,408	59,629	12,572
Net Income	137,039	99,153	104,546	88,443	3,985
Weighted-Average Common Shares Outstanding					
Basic	57,390,945	56,511,563	55,837,574	55,388,297	52,507,320
Diluted	58,018,443	57,240,588	56,485,987	56,101,903	53,169,299
Per Common Share					
Basic Earnings	$2.39	$1.75	$1.87	$1.60	$0.08
Diluted Earnings	2.36	1.73	1.85	1.58	0.07
Cash Dividends Declared	0.50	0.40	0.40	0.40	0.40
Market Price					
High	53.53	46.04	38.78	42.38	40.34
Low	37.00	29.12	25.97	20.56	26.15
Financial Condition					
Cash and cash equivalents	$432,759	$484,502	$429,784	$438,010	$421,420
Total assets	3,335,618	3,279,931	3,152,415	3,100,016	2,943,732
Long-term debt and capital leases	729,890	735,340	749,371	770,238	793,950
Other Data at Year End					
Number of shareholders	5,100	5,452	5,803	6,168	6,481
Approximate number of regular full-time employees	30,100	29,500	29,100	27,800	27,900

[a] The comparability of Con-way's consolidated operating income was affected by the following:

- Charge of $16.0 million in 2014 at Con-way Corporate for the settlement of a legacy pension plan.
- Gain of $10.0 million in 2011 at Menlo Logistics ("Menlo") resulting from a purchase-price adjustment to settle a dispute associated with the 2007 acquisition of Chic Logistics.
- Charge of $19.2 million in 2010 for the impairment of goodwill and other intangible assets at Menlo.

[b] The comparability of Con-way's income tax provision was affected by a non-deductible goodwill impairment charge at Menlo in 2010.

ITEM 7. 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, inter-regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, multimodal freight brokerage, and trailer manufacturing. For financial reporting purposes, Con-way is divided into three reporting segments: Freight, Logistics and Truckload.

Con-way Freight primarily transports shipments utilizing a network of freight service centers combined with a fleet of company-operated linehaul and pickup-and-delivery tractors and trailers. Menlo Logistics ("Menlo") manages the logistics functions of its customers and primarily utilizes third-party transportation providers for the movement of customer shipments. Con-way Truckload primarily transports shipments using a fleet of company-operated tractors and trailers.

Prior to 2013, the former Other segment consisted of the operating results of Con-way's trailer manufacturer and certain corporate activities for which the related income or expense was not allocated to other reporting segments. Beginning in the first quarter of 2013, inter-segment eliminations were combined with the Other segment and reported as Corporate and Eliminations in order to reconcile the segment results to the consolidated totals. All periods presented reflect this change to the reporting segment structure.

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. Due to Con-way Freight's relatively high fixed-cost structure, sudden or severe changes in shipment volumes can have a negative impact on management's ability to manage costs.

Con-way's primary business units are affected by the timing and degree of fluctuations and volatility in fuel prices and their ability to recover incremental fuel costs through fuel-surcharge programs and/or cost-recovery mechanisms, as more fully discussed in Item 1A, "Risk Factors."

Results of Operations

The overview below provides a high-level summary of Con-way's results of 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.

	Years ended December 31,		
(Dollars in thousands, except per share data)	2014	2013	2012
Revenue	$5,806,069	$5,473,356	$5,580,247
Operating expenses	5,537,619	5,264,403	5,351,406
Operating income	268,450	208,953	228,841
Other income (expense)	(57,753)	(54,588)	(57,887)
Income before income tax provision	210,697	154,365	170,954
Income tax provision	73,658	55,212	66,408
Net income	$137,039	$99,153	$104,546
Diluted earnings per common share	$2.36	$1.73	$1.85
Operating margin	4.6%	3.8%	4.1%

Overview

2014 Compared to 2013

Con-way's consolidated revenue of $5.8 billion in 2014 increased 6.1% from $5.5 billion in 2013 due to increased revenue from Logistics and Freight, partially offset by slightly lower revenue from Truckload. Increased revenue from Logistics was the result of increased transportation- and warehouse-management services. Freight's revenue increased primarily due to an increase in yield. Truckload's revenue decreased primarily due to a decrease in loaded miles and lower fuel-surcharge revenue.

Con-way's consolidated operating income increased 28.5% to $268.5 million in 2014 from $209.0 million in 2013. The increase in operating income was due to higher operating income at all three segments, partially offset by a $16.0 million charge related to the settlement of a legacy pension plan. Higher operating income at Freight benefited from revenue-management and linehaul-optimization initiatives. Higher operating income at Logistics was largely due to revenue growth and improved margins from transportation-management services. Higher operating income at Truckload was the result of decreased operating expenses and increased freight revenue per loaded mile.

Other income (expense) in 2014 was $57.8 million compared to $54.6 million in 2013. Other income (expense) was adversely affected by an increase in foreign currency exchange rate losses from foreign denominated balances at Logistics.

Con-way's effective tax rate in 2014 was 35.0% compared to 35.8% in 2013. The tax provision in 2014 included benefits of $5.4 million related to a change in state tax rates and $3.8 million to recognize the 2014 alternative-fuel credit. The tax provision in 2013 included $7.0 million in benefits to recognize the 2012 and 2013 alternative-fuel credits. The 2012 alternative-fuel credit was not available until legislation was enacted in early 2013. The alternative-fuel credit is not expected to be available for 2015.

2013 Compared to 2012

Con-way's consolidated revenue of $5.5 billion in 2013 decreased 1.9% from $5.6 billion in 2012 due to lower revenue from Logistics, partially offset by higher revenue from Freight and Truckload. Lower revenue from Logistics was the result of decreased transportation-management services, partially offset by increased warehouse-management services. Freight's revenue increased due to an increase in yield, partially offset by a decrease in weight per day. Truckload's revenue increased primarily due to improved revenue per mile, partially offset by a decrease in loaded miles.

Con-way's consolidated operating income decreased to $209.0 million in 2013 from $228.8 million in 2012. The decrease in operating income was due to lower operating income at Logistics and Truckload, partially offset by improved operating income at Freight. Logistics' operating income declined due to higher warehouse-related operating costs for certain warehouse-management contracts. Truckload's operating income decreased due to higher operating

expenses, primarily from increases in depreciation and maintenance.

Other income (expense) in 2013 decreased $3.3 million compared to 2012, reflecting lower interest expense and lower letters-of-credit fees.

Con-way's effective tax rate in 2013 was 35.8% compared to 38.8% in 2012. The lower effective tax rate in 2013 was due primarily to the $7.0 million of tax benefits to recognize 2012 and 2013 alternative-fuel credits. The 2012 alternative-fuel credit was not available until legislation was enacted in early 2013.

Reporting Segment Review

For the discussion and analysis of segment operating results, management utilizes revenue before inter-segment eliminations. Management believes that revenue before inter-segment eliminations, combined with the detailed operating expense information, provides the most meaningful analysis of segment results. Both revenue from external customers and revenue from internal customers are reported in Note 12, "Segment Reporting," of Item 8, "Financial Statements and Supplementary Data."

Freight

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

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Revenue before inter-segment eliminations	$3,632,065	$3,466,100	$3,392,596
Salaries, wages and employee benefits	1,641,018	1,572,021	1,551,742
Purchased transportation	587,002	594,356	585,489
Other operating expenses	501,664	480,649	445,940
Fuel and fuel-related taxes	347,032	363,026	376,323
Depreciation and amortization	150,528	135,310	124,372
Purchased labor	46,828	33,669	22,704
Rents and leases	47,391	49,477	48,755
Maintenance	100,278	91,545	93,402
Total operating expenses	3,421,741	3,320,053	3,248,727
Operating income	$210,324	$146,047	$143,869
Operating margin	5.8 %	4.2 %	4.2 %

	2014 vs. 2013	2013 vs. 2012
Selected Operating Statistics		
Weight per day	+0.6 %	-0.2 %
Revenue per hundredweight ("yield")	+4.5 %	+2.2 %
Shipments per day	-0.9 %	-0.8 %
Weight per shipment	+1.5 %	+0.6 %

2014 Compared to 2013

Freight's revenue in 2014 increased 4.8% compared to 2013 due to a 4.5% increase in yield and a 0.6% increase in weight per day. The 4.5% increase in yield was largely due to increased base freight rates, while the 0.6% increase in weight per day reflects a 1.5% increase in weight per shipment, partially offset by a 0.9% decline in shipments per day. In 2014, higher yields also include the effects of general rate increases that were effective on March 31 and October 27. In 2013, the general rate increase was effective on June 24. These general rate increases apply to customers with pricing governed by Con-way Freight's standard tariff, which accounts for approximately 25% of Freight's business. Competitive and other factors impact the extent to which general rate increases are retained over time.

Excluding fuel surcharges, yield increased 4.7% in 2014 compared to 2013. Fuel-surcharge revenue decreased slightly to 17.2% of revenue in 2014 from 17.3% in 2013. The fuel surcharge is intended to compensate Con-way Freight for the adverse effects of higher fuel costs and fuel-related increases in purchased transportation. Fuel surcharges are only one part of Con-way Freight's overall rate structure, and the total price that Con-way Freight receives from customers for its services is governed by market forces, as more fully discussed in Item 1A, "Risk Factors."

Freight's operating income in 2014 increased 44.0% compared to 2013. Operating income benefited from revenue-management and linehaul-optimization initiatives.

Expenses for salaries, wages and employee benefits increased 4.4% in 2014 compared to 2013 due to increased costs related to salaries and wages (excluding variable compensation), employee benefits and variable compensation. Salaries and wages (excluding variable compensation) increased 3.4% in 2014 largely due to increased miles driven by company drivers and annual salary and wage rate increases. Employee benefits expense increased 4.9% in 2014, reflecting increases in workers' compensation claims and costs for employee medical benefits. Variable-compensation expense increased $9.3 million or 35.3% due to variations in performance relative to variable compensation plan targets. The increase in workers' compensation claims was due to an increase in the number of claims. The increase in costs for employee medical benefits was due to an increase in the cost per claim, partially offset by a decrease in the number of claims. Comparative changes in year-to-date expenses for salaries, wages and employee benefits were also affected by the timing of salary and wage rate increases; in 2014, those increases were effective in July compared to 2013, when the increases were effective in April. In January 2015, Con-way Freight implemented wage rate increases for drivers that included adjustments to ensure Con-way Freight's pay structures are competitive and market based. The overall amount and timing of the increase are also designed to improve Con-way Freight's ability to attract and retain professional drivers in the context of an industry-wide driver shortage. As a result of these adjustments, management expects 2015 expense for driver wages and benefits to increase $60 million over 2014. In recent years, the comparable year-over-year impact of an annual driver wage increase has been approximately half this amount.

Purchased transportation expense decreased 1.2% in 2014 from 2013 due to a decrease in the number of third-party miles, partially offset by a higher cost per mile. The decrease in third-party miles is the result of Con-way Freight's ongoing linehaul-optimization initiative.

Other operating expenses increased 4.4% in 2014 compared to 2013 due to increased costs for cargo claims and higher expenses for information-technology services, partially offset by higher gains from the sale of property and decreased vehicular claims. Cargo loss and damage claims increased due to increases in the cost per claim and the number of claims. The increase in information-technology expenses was primarily due to higher costs for network infrastructure upgrades and electronic onboard technologies. Vehicular claims decreased due to decreases in the cost per claim and the number of claims.

Expenses for fuel and fuel-related taxes decreased 4.4% compared to 2013 primarily due to a lower cost per gallon of diesel fuel and lower fuel consumption as a result of improved miles per gallon.

Depreciation and amortization expense increased 11.2% in 2014 compared to 2013 primarily due to the replacement of older tractors with newer models. Newer models are more costly due in part to the inclusion of more expensive emissions-control and safety technology.

Purchased labor expense increased 39.1% in 2014 compared to 2013 as more of this source of labor was used in freight handling and clerical functions.

Maintenance expense increased 9.5% in 2014 compared to 2013 primarily due to increases in the frequency and cost of maintenance related to tractors.

2013 Compared to 2012

Freight's revenue in 2013 increased 2.2% compared to 2012 due to a 2.2% increase in yield, partially offset by a 0.2% decline in weight per day. The 2.2% increase in yield was largely due to increased base freight rates, while the 0.2% decline in weight per day reflects a 0.8% decline in shipments per day, partially offset by a 0.6% increase in weight per shipment.

Excluding fuel surcharges, yield increased 2.4% in 2013 compared to 2012. Fuel-surcharge revenue decreased to 17.3% of revenue in 2013 from 17.5% in 2012.

Freight's operating income increased by $2.2 million in 2013 compared to 2012 primarily due to an increase in yield. In addition, operating results in 2013 reflect progress made under Freight's lane-based pricing and linehaul optimization initiatives. These initiatives were implemented over the course of 2013; however, the benefits of these initiatives were largely offset by increased costs for cargo, workers' compensation and vehicular claims.

Expenses for salaries, wages and employee benefits increased 1.3% in 2013 compared to 2012 due to a 2.2% increase in salaries and wages (excluding variable compensation), which was partially offset by a $2.9 million or 9.8%

decrease in variable compensation. Benefits expense was relatively flat in 2013 as a decrease in costs for employee medical benefits was offset by an increase in workers' compensation expense. The 2.2% increase in salaries and wages (excluding variable compensation) was largely due to annual salary and wage rate increases. The 9.8% decrease in variable compensation was based primarily on variations in performance relative to variable compensation plan targets. The decrease in costs for employee medical benefits was primarily due to a decrease in the number of claims. The increase in workers' compensation expense was due to an increase in the expense per claim, partially offset by a decrease in the number of claims.

Purchased transportation expense increased 1.5% in 2013 from 2012 due to higher carrier rates and increased third-party miles.

Other operating expenses increased 7.8% in 2013 compared to 2012 due to higher expenses for information-technology services, increased costs for cargo and vehicular claims, and a decline in gains from the sale of property. The increase in information-technology expenses was primarily due to higher costs for information-technology projects (including the initiatives discussed above) and infrastructure. The increase in costs for cargo and vehicular claims resulted from an increase in the cost per claim and the number of claims.

Expenses for fuel and fuel-related taxes decreased 3.5% compared to 2012 primarily due to lower fuel consumption, which reflects improved miles per gallon and fewer miles driven by company drivers, and a lower cost per gallon of diesel fuel. The decline in miles driven by company drivers included the effect of improved linehaul productivity (as measured by average weight per trailer).

Depreciation and amortization expense increased 8.8% in 2013 compared to 2012 primarily due to the replacement of older tractors with newer models. Newer models are more costly due in part to the inclusion of more expensive emissions-control and safety technology.

Purchased labor expense increased 48.3% in 2013 compared to 2012 as more of this source of labor was used in freight-handling functions.

Logistics

The table below compares operating results and operating margins of the Logistics reporting segment. The table summarizes Logistics' revenue and net revenue (revenue less purchased transportation expense).

Transportation-management revenue is attributable to contracts for which Menlo manages the transportation of freight but subcontracts to carriers the actual transportation and delivery of products, which Menlo refers to as purchased transportation. Menlo's management places emphasis on net revenue as a meaningful measure of the relative importance of its principal services since revenue earned on most transportation-management services includes the carriers' charges to Menlo for transporting the shipments.

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Revenue before inter-segment eliminations	$1,717,711	$1,540,399	$1,726,200
Purchased transportation	(968,845)	(858,468)	(1,087,056)
Net revenue	748,866	681,931	639,144
Salaries, wages and employee benefits	293,662	265,837	260,863
Other operating expenses	200,403	198,187	167,478
Fuel and fuel-related taxes	1,235	780	850
Depreciation and amortization	12,368	9,647	9,605
Purchased labor	119,985	104,914	88,092
Rents and leases	90,588	76,243	64,508
Maintenance	3,432	2,856	3,132
Total operating expenses excluding purchased transportation	721,673	658,464	594,528
Operating income	$27,193	$23,467	$44,616
Operating margin on revenue	1.6%	1.5%	2.6%
Operating margin on net revenue	3.6%	3.4%	7.0%

2014 Compared to 2013

In 2014, Logistics' revenue increased 11.5% compared to 2013 due to increases of 10.9% and 12.7% in revenue from transportation- and warehouse-management services, respectively. Increased revenue from transportation-management services was primarily due to new business and improved volumes and growth in services at existing customers, partially offset by a change in the scope of a large customer contract and the conclusion of work under other customer contracts. Increased revenue from warehouse-management services was primarily due to improved volumes and growth in services at existing customers and new business, partially offset by conclusion of work under other customer contracts.

Logistics' net revenue in 2014 increased 9.8% compared to 2013 primarily due to increased revenue from warehouse-management services. Purchased transportation expense in 2014 increased 12.9% compared to 2013 as a result of increased revenue from transportation-management services.

In 2014, operating income increased 15.9% compared to 2013. Increased operating income was largely due to revenue growth and improved margins from transportation-management services.

Salaries, wages and employee benefits increased 10.5% in 2014 compared to 2013 due to a 7.6% increase in salaries and wages, a $10.1 million increase in variable compensation and a 4.3% increase in employee benefits. Salaries and wages (excluding variable compensation) increased in 2014 due to increased headcount in response to growth from new and existing warehouse-management customers. Variable-compensation expense increased as only $1.9 million of expense was recognized in 2013 as the result of low performance relative to variable-compensation plan targets. Employee benefits increased primarily due to increased expense from payroll taxes which reflects an increase in salaries and wages and higher variable pay.

Other operating expenses increased 1.1% in 2014 compared to 2013 primarily due to increased expenses for facilities and increased information-technology service costs, partially offset by a decrease in the provision for uncollectible revenue. Increased expenses for facilities related primarily to the support of new warehouse-management contracts. The increase in information-technology expense was primarily due to higher costs for network infrastructure and end-user computing upgrades. The provision for uncollectible revenue decreased in 2014 due to write offs related to two specific customers that occurred in 2013.

Purchased labor expense increased 14.4% as additional labor was required to support new warehouse-management contracts and growth in warehouse-management services for existing customers.

Expenses for rents and leases increased 18.8% in 2014 compared to 2013 due to an increase in the number of leased warehouse facilities, including facilities to support customer contracts that were at various stages of start-up during 2013.

2013 Compared to 2012

In 2013, Logistics' revenue decreased 10.8% compared to 2012 due to an 18.4% decrease in revenue from transportation-management services, partially offset by a 10.3% increase in revenue from warehouse-management services. In 2013, lower revenue from transportation-management services was primarily due to lower volumes, including the effect of a change in the scope of a large customer contract and the conclusion of work under other customer contracts. These declines were partially offset by increased revenue from warehouse-management services primarily due to new business.

Logistics' net revenue in 2013 increased 6.7% compared to 2012, as increased warehouse-management services revenue was partially offset by declines in net revenue from transportation-management services.

In 2013, Logistics reported operating income of $23.5 million compared to $44.6 million in 2012. Lower operating income was primarily due to increases in other operating expenses, including costs incurred during the start-up phase of certain warehouse-management contracts, increases in costs for purchased labor, and rents and leases. Lower operating income also reflects a decline in transportation-management margins on net revenue. Additionally, Logistics operating margin on net revenue was adversely affected by an increase in the proportion of net revenue earned from warehouse-management services, which generally have a lower margin on net revenue than transportation-management services.

Salaries, wages and employee benefits increased 1.9% in 2013 compared to 2012 due to increased salaries and wages (excluding variable compensation), and benefits expense, partially offset by decreased variable compensation expense.

Salaries and wages (excluding variable compensation expense) increased 7.7% in 2013 due to increased headcount in response to growth from new and existing warehouse-management services customers. Employee benefits expense increased 4.1% in 2013, reflecting increased expenses for various benefits as the result of growth in headcount and increased salaries and wages. Variable-compensation expense decreased $11.6 million or 85.9%, as only $1.9 million of expense was recognized as the result of low performance relative to variable-compensation plan targets.

Other operating expenses increased 18.3% in 2013 compared to 2012 primarily due to higher costs for information-technology projects and infrastructure, and higher expenses for other warehouse-related costs, facilities, and travel. Higher expenses for other warehouse-related costs, facilities, and travel were incurred primarily in support of new warehouse-management

contracts. Additionally, increased other operating expenses include an increase in the provision for uncollectible accounts receivable, primarily related to two specific customers.

Purchased labor expense increased 19.1% as additional labor was required to support new business from warehouse-management services, including contracts in the start-up phase.

Expenses for rents and leases increased 18.2% in 2013 compared to 2012 due to increases in the number of leased warehouse facilities, including facilities to support customer contracts that were at various stages of start-up during 2013.

Truckload

The table below compares operating results, operating margins and the percentage change in selected operating statistics of the Truckload reporting segment. The table summarizes the segment's revenue before inter-segment eliminations, including freight revenue, fuel-surcharge revenue and other non-freight revenue. The table also includes operating income and operating margin excluding fuel-surcharge revenue. Truckload's management believes these measures are relevant to evaluate its on-going operations.

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Freight revenue	$471,137	$475,439	$470,429
Fuel-surcharge revenue	135,121	142,037	145,972
Other revenue	25,253	19,334	19,155
Revenue before inter-segment eliminations	631,511	636,810	635,556
Salaries, wages and employee benefits	205,710	203,528	210,515
Purchased transportation	63,345	46,703	36,397
Other operating expenses	62,745	65,904	64,723
Fuel and fuel-related taxes	150,251	169,041	175,635
Depreciation and amortization	68,382	74,450	69,799
Purchased labor	935	1,101	1,140
Rents and leases	1,422	1,464	1,242
Maintenance	37,476	35,928	31,184
Total operating expenses	590,266	598,119	590,635
Operating income	$41,245	$38,691	$44,921
Operating margin on revenue	6.5 %	6.1 %	7.1 %
Operating margin on revenue excluding fuel-surcharge revenue	8.3 %	7.8 %	9.2 %

	2014 vs. 2013	2013 vs. 2012
Selected Operating Statistics		
Freight revenue per loaded mile	+1.6 %	+1.6 %
Loaded miles	-2.5 %	-0.5 %

2014 Compared to 2013

In 2014, Truckload's revenue decreased 0.8% from 2013, primarily due to a 4.9% decrease in fuel-surcharge revenue and a 0.9% decrease in freight revenue, partially offset by a 30.6% increase in other revenue. Fuel-surcharge revenue decreased primarily due to decreases in loaded miles and cost per gallon of diesel fuel. The decrease in freight revenue reflects a 2.5% decrease in loaded miles, partially offset by a 1.6% increase in revenue per loaded mile. The decrease in loaded miles resulted from lower tractor productivity, which was the result of an industry-wide driver shortage increasing the number of unassigned tractors. Other revenue increased primarily due to additional revenue from detention loads and increased logistics revenue.

In 2014, Truckload operating income increased 6.6% compared to 2013 as a result of decreased operating expenses and increased freight revenue per loaded mile.

Expenses for salaries, wages and employee benefits increased 1.1% in 2014 compared to 2013 due to a 20.1% increase in employee benefits, partially offset by a 3.3% decrease in salaries and wages (excluding variable compensation). Increased employee benefits reflects higher costs for workers' compensation claims and employee

medical benefits. Salaries and wages (excluding variable-compensation expense) decreased in 2014 largely due to fewer miles driven by company drivers, partially

offset by annual salary and wage rate increases. The increase in workers' compensation claims was due to an increase in the cost per claim, partially offset by a decrease in the number of claims. The increase in costs for employee medical benefits was primarily due to an increase in the cost per claim.

Purchased transportation increased 35.6% in 2014 compared to 2013 due to increased miles driven by the owner-operator fleet, which grew during 2014.

Other operating expenses decreased 4.8% in 2014 compared to 2013 primarily due to increased gains from the sale of retired trailers and tractors.

Expenses for fuel and fuel-related taxes decreased 11.1% in 2014 compared to 2013 due to lower fuel consumption primarily from fewer miles driven by company drivers and lower cost per gallon of diesel fuel.

Depreciation and amortization expense decreased 8.2% in 2014 compared to 2013, reflecting the change in estimated salvage value for certain trailers. This change in estimate is more fully discussed in Note 1, "Principal Accounting Policies," of Item 8, "Financial Statements and Supplementary Data."

2013 Compared to 2012

In 2013, Truckload's revenue increased 0.2% from 2012, primarily due to a 1.1% increase in freight revenue which was partially offset by a 2.7% decrease in fuel-surcharge revenue. The increase in freight revenue reflects a 1.6% increase in revenue per loaded mile, partially offset by a 0.5% decrease in loaded miles. The decrease in loaded miles resulted from lower tractor productivity, partially offset by an increase in the size of the tractor fleet. During 2013, Truckload's tractor fleet grew as a result of an increase in the number of owner-operator units.

In 2013, Truckload operating income decreased 13.9% compared to 2012 as a result of increased operating expenses, primarily from increases in depreciation and maintenance.

Salaries, wages and employee benefits decreased 3.3% primarily due to lower expense for employee benefits. Lower expenses for employee benefits reflect declines in costs for workers' compensation claims and employee medical benefits. Workers' compensation claims expense decreased in 2013 due to a decrease in expense per claim, partially offset by an increase in the number of claims. Employee medical decreased in 2013 due to decreases in the number of claims and expense per claim.

Purchased transportation increased 28.3% in 2013 compared to 2012 due to increased miles driven by Truckload's owner-operator fleet, which grew during the period.

Other operating expenses increased 1.8% in 2013 compared to 2012 primarily due to declines in gains from the sale of tractors.

Expenses for fuel and fuel-related taxes decreased 3.8% in 2013 compared to 2012 primarily due to lower fuel consumption from fewer miles driven by company drivers compared to 2012. Additionally, the cost per gallon of diesel fuel decreased during 2013.

Depreciation and amortization expense increased 6.7% in 2013 compared to 2012, reflecting the higher cost of new tractors. Newer models are more costly due in part to more expensive emission-control and safety technology. This was partially offset by the effect of a change in estimated salvage values for certain trailers as more fully discussed above.

Maintenance expense increased 15.2% in 2013 compared to 2012. Based on axle specifications, newer models of tractors require more frequent tire replacement than older models, which resulted in higher maintenance expense in 2013. Increased maintenance expense also included higher repair costs for trailers as the trailer fleet increases in age, and higher costs to maintain newer tractors with more complex emission-control technology.

Corporate and Eliminations

Corporate and Eliminations consists of the operating results of Con-way's trailer manufacturer, certain corporate activities for which the related income or expense was not allocated to the reporting segments and inter-segment eliminations. Beginning in 2013, costs associated with the defined benefit pension plans are included in Corporate and Eliminations as other corporate costs. The amount of defined benefit pension cost retained in Corporate and Eliminations was $13.5 million and $4.2 million for the years ended December 31, 2014 and 2013, respectively. In 2012, these costs are included in the results of the Freight, Logistics and Truckload reporting segments and total $9.6 million. In 2014, the results for Con-way's other corporate costs include a charge of $16.0 million for the settlement of a legacy pension plan. In 2013, the results for Con-way's corporate properties include a $5.6 million gain from sales of corporate properties. The results from reinsurance activities primarily relate to Con-way's participation in a reinsurance pool, as more fully discussed in Note 1, "Principal Accounting Policies," of Item 8, "Financial Statements and Supplementary Data."

The table below summarizes components of Corporate and Eliminations other than inter-segment revenue eliminations:

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Revenue before inter-segment eliminations			
Trailer manufacturing	$78,237	$78,279	$57,664
Operating income (loss)			
Trailer manufacturing	$(341)	$(37)	$(112)
Reinsurance activities	5,607	1,712	(3,049)
Corporate properties	(1,667)	3,303	(1,363)
Other corporate costs	(13,911)	(4,230)	(41)
	$(10,312)	$748	$(4,565)

Liquidity and Capital Resources

Cash and cash equivalents decreased to $432.8 million at December 31, 2014 from $484.5 million at December 31, 2013, as $263.2 million used in investing activities and $28.4 million used in financing activities exceeded $239.9 million provided by operating activities. Cash provided by operating activities came from net income after non-cash adjustments, partially offset by changes in assets and liabilities. Cash used in investing activities primarily reflects capital expenditures, partially offset by proceeds from sales of property and equipment. Cash used in financing activities primarily reflects the payment of common dividends, payments of capital leases and repurchases of common stock, partially offset by proceeds from exercise of stock options.

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Operating Activities			
Net income	$137,039	$99,153	$104,546
Non-cash adjustments [1]	325,206	326,343	309,182
Changes in assets and liabilities	(222,361)	(77,512)	(102,317)
Net Cash Provided by Operating Activities	239,884	347,984	311,411
Net Cash Used in Investing Activities	(263,187)	(271,939)	(265,845)
Net Cash Used in Financing Activities	(28,440)	(21,327)	(53,792)
Increase (Decrease) in Cash and Cash Equivalents	$(51,743)	$54,718	$(8,226)

[1] "Non-cash adjustments" refer to depreciation, amortization, deferred income taxes, provision for uncollectible accounts and other non-cash income and expenses.

Operating Activities
The most significant items affecting the comparison of Con-way's operating cash flows for the periods presented are summarized below:
2014 Compared to 2013
In 2014, net income and non-cash adjustments collectively provided $36.7 million more operating cash flow compared to 2013. Changes in assets and liabilities used $144.8 million more operating cash flows in 2014 when compared to the prior-year period. Significant comparative changes included employee benefits, receivables, accounts payable, accrued variable compensation and self-insurance accruals.
Employee benefits used $154.5 million in 2014, compared to $82.5 million used in 2013 due primarily to increased funding contributions to the qualified defined benefit pension plans. In 2014, Con-way contributed $142.3 million to its qualified defined benefit pension plans, compared to $55.3 million in 2013. The increased level of funding in 2014 strengthened Con-way's balance sheet while reducing cash funding needs going forward.
Receivables used $83.0 million in 2014, compared to $12.9 million used in 2013. Variations in receivables resulted from changes in average collection periods, which included the impact of extended payment terms for certain customers, and increased revenue from Logistics and Freight.
Accounts payable used $15.4 million in 2014, compared to $26.0 million provided in 2013. Variations in accounts payables is primarily due to the timing of payments to vendors.
Accrued variable compensation provided $23.1 million in 2014, compared to $17.1 million used in 2013. Variations in performance relative to variable-compensation plan targets resulted in higher variable-compensation expense accruals in 2014.
Accruals for self-insurance provided $14.8 million in 2014, compared to $3.7 million used in 2013, due primarily to increases in workers' compensation and employee medical benefits liabilities.
2013 Compared to 2012
In 2013, net income and non-cash adjustments collectively provided $11.8 million more operating cash flow compared to 2012. Changes in assets and liabilities used $24.8 million less operating cash flows in 2013 when compared to the prior-year period. Significant comparative changes included accounts payable, receivables, accrued variable compensation, employee benefits and self-insurance accruals.
Accounts payable and receivables collectively provided $13.1 million in 2013 compared to $7.7 million used in 2012. Variations in accounts payable and receivables included the effect of lower transportation-management volumes at Logistics during 2013.
Accrued variable compensation used $17.1 million in 2013, compared to $1.2 million provided in 2012. Variations in performance relative to variable-compensation plan targets resulted in lower variable-compensation expense accruals in 2013.
Employee benefits used $82.5 million in 2013, compared to $67.3 million used in 2012 primarily due to lower expense accruals for defined benefit pension and long-term disability plans, and increased funding contributions to the qualified defined benefit pension plans. In 2013, Con-way contributed $55.3 million to its qualified defined benefit pension plans, compared to $51.4 million in 2012.
Accruals for self-insurance used $3.7 million in 2013, compared to $18.7 million used in 2012, due primarily to increases in vehicular and cargo claims liabilities.
Investing Activities
The most significant items affecting the comparison of Con-way's investing cash flows for the periods presented are summarized below:
2014 Compared to 2013
Cash used by capital expenditures increased to $289.8 million in 2014 from $281.9 million in 2013. Capital expenditures in both periods related primarily to the acquisition of revenue equipment.
Proceeds from sales of property and equipment increased to $47.2 million in 2014 from $14.2 million in 2013. Variations were primarily due to increased proceeds from the sale of equipment at Truckload and the sale of excess properties at Freight.

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Purchases of marketable securities used $8.3 million in cash during 2014 compared to $3.2 million of cash provided from the sale of marketable securities in 2013. Investments in 2014 related to primarily to the purchase of variable-rate demand notes.

2013 Compared to 2012

Cash used by capital expenditures decreased to $281.9 million in 2013 from $293.1 million in 2012 primarily due to increased capital expenditures in 2012 to update Con-way Freight's fleet of tractor equipment. Cash provided from the proceeds of property and equipment decreased to $14.2 million in 2013 from $20.8 million in 2012 primarily due to fewer sales of excess properties in 2013.

Proceeds from marketable securities declined to $3.2 million in 2013 from $15.4 million in 2012 due to decreased investing activity.

Financing Activities

The most significant items affecting the comparison of Con-way's financing cash flows for the periods presented are summarized below:

2014 Compared to 2013

Cash provided by the exercise of stock options increased to $33.9 million in 2014 from $20.8 million in 2013 primarily due to increases in proceeds per share exercised and the number of shares exercised.

Payment of common dividends used $28.7 million in 2014 compared to $22.6 million used in 2013. Dividends paid increased due to an increase in the dividends declared per common share for the third and fourth quarters of 2014.

In June 2014, Con-way's Board of Directors authorized the repurchase of up to $150 million of Con-way's common stock in open market or privately negotiated transactions from time to time in such amounts as management determines. In 2014, Con-way used $15.8 million of cash to repurchase shares of Con-way common stock.

2013 Compared to 2012

Cash provided by the exercise of stock options increased to $20.8 million in 2013, compared to $3.6 million in 2012 primarily due to increases in proceeds per share exercised and the number of shares exercised.

Con-way used $16.1 million in 2013 for the payment of capital leases, compared to $29.0 million used in 2012. Payments in 2012 included the early payment of certain capital leases that were scheduled to mature in December 2013.

Contractual Cash Obligations

The table below summarizes contractual cash obligations for Con-way as of December 31, 2014. Some of the amounts in the table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, and other factors. Because of these estimates and assumptions, the actual future payments may vary from those reflected in the table. Certain long-term liabilities, including self-insurance accruals, and other liabilities and deferred credits, are reported in Con-way's consolidated balance sheets but not reflected in the table below due to the absence of stated due dates.

		Payments Due by Period			
(Dollars in thousands)	Total	2015	2016-2017	2018-2019	2020 & Thereafter
Long-term debt	$1,225,367	$50,927	$102,384	$480,606	$591,450
Capital leases	26,326	15,223	7,194	3,909	—
Operating leases	336,424	93,412	119,603	58,666	64,743
Service contracts	237,999	77,347	114,614	46,038	—
Employee benefit plans	104,671	9,537	20,010	21,473	53,651
Total	1,930,787	246,446	363,805	610,692	709,844

As presented above, contractual obligations on long-term debt and capital leases represent principal and interest payments.

Contractual obligations for operating leases represent the payments under the lease arrangements and are not included in Con-way's consolidated balance sheets.

Con-way has agreements with third-party service providers who provide certain information-technology, administrative and accounting services. The payments under the terms of the agreements are subject to change

depending on the quantities and

types of services consumed. As presented above, the payments reflect amounts based on projections of services expected to be consumed. The contracts also contain provisions that allow Con-way to terminate the contract at any time; however, Con-way would be required to pay fees if termination is for causes other than the failure of the service providers to perform.

The employee benefit plan-related cash obligations in the table represent estimated payments under Con-way's non-qualified defined benefit pension plans and postretirement medical plan through December 31, 2024. Expected benefit payments for Con-way's qualified defined benefit pension plans are not included in the table, as these benefits will be satisfied by the use of plan assets. Con-way estimates that it will make $30 million of contributions to its qualified defined benefit pension plans in 2015; however, the contribution amount could change based on variations in interest rates, asset returns, Pension Protection Act ("PPA") requirements and other factors.

Letters of credit outstanding under Con-way's credit facilities, as described below under "Capital Resources and Liquidity Outlook," are generally required as collateral to support self-insurance programs and do not represent additional liabilities as the underlying self-insurance accruals are already included in Con-way's consolidated balance sheets.

For further discussion, see Note 5, "Debt and Other Financing Arrangements," Note 6, "Leases," Note 7, "Income Taxes," and Note 9, "Employee Benefit Plans," of Item 8, "Financial Statements and Supplementary Data."

Capital Resources and Liquidity Outlook

Con-way's capital requirements relate primarily to the acquisition of revenue equipment to support growth and/or replacement of older equipment with newer equipment. In funding these capital expenditures and meeting working-capital requirements, Con-way may utilize various sources of liquidity and capital, including cash and cash equivalents, cash flow from operations, credit facilities and access to capital markets. Con-way may also manage its liquidity requirements and cash-flow generation by varying the timing and amount of capital expenditures.

As more fully discussed in Note 5, "Debt and Other Financing Arrangements," of Item 8, "Financial Statements and Supplementary Data," Con-way has a $325 million unsecured revolving credit facility. At December 31, 2014, no cash borrowings were outstanding under the credit facility; however, $106.9 million of letters of credit were outstanding, leaving $218.1 million of available capacity for additional letters of credit or cash borrowings. At December 31, 2014, Con-way was in compliance with the revolving credit facility's financial covenants and expects to remain in compliance.

Con-way had other uncommitted unsecured credit facilities totaling $49.9 million at December 31, 2014, which are available to support short-term borrowings, letters of credit, bank guarantees and overdraft facilities. At December 31, 2014, $1.7 million of cash borrowings and $21.0 million of other credit commitments were outstanding leaving $27.2 million of available capacity.

In 2015, Con-way anticipates capital and software expenditures of approximately $300 million, net of asset dispositions, primarily for the acquisition of tractor equipment. Con-way's actual 2015 capital expenditures may differ from the estimated amount depending on factors such as availability and timing of delivery of equipment.

At December 31, 2014, Con-way's senior unsecured debt was rated as investment grade by Standard and Poor's (BBB-), Fitch Ratings (BBB-) and Moody's (Baa3). Standard and Poor's, Fitch Ratings, and Moody's assigned an outlook of "stable."

Con-way believes that its working-capital requirements and capital-expenditure plans in 2015 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.

As detailed in Note 7, "Income Taxes," of Item 8, "Financial Statements and Supplementary Data," the cumulative undistributed earnings of Con-way's foreign subsidiaries were $32.4 million at December 31, 2014, which if remitted, are subject to withholding and U.S. taxes. Of Con-way's $432.8 million in cash and cash equivalents at December 31, 2014, $44.4 million was related to its foreign subsidiaries. Con-way currently does not expect to rely on these foreign cash and cash-equivalent balances as a source of liquidity or capital to fund its domestic operations.

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. Con-way believes that the accounting policies that are most judgmental and material to the financial statements are those related to the following:

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

Defined Benefit Pension Plans

In the periods presented, certain employees of Con-way and its subsidiaries in the U.S. were covered under several retirement benefit plans, including several qualified and non-qualified defined benefit pension plans.

Significant assumptions

The net periodic benefit expense (income) and the projected benefit obligation for Con-way's defined benefit pension plans depend upon a number of assumptions and factors, the most significant being the discount rate used to measure the present value of pension obligations and the expected rate of return on plan assets for the funded qualified plans. Con-way assesses its plan assumptions for the discount rate, expected rate of return on plan assets, and other significant assumptions on a periodic basis, but concludes on those assumptions at the actuarial plan measurement date.

Discount Rate

In determining the appropriate discount rate, Con-way is assisted by actuaries who utilize a yield-curve model based on a universe of high-grade corporate bonds (rated Aa or better by Moody's rating service). The model determines a single equivalent discount rate by applying the yield curve to Con-way's expected future benefit payments. The discount rate used in determining net periodic benefit expense (income) for the periods presented and for 2015 are as follows:

	2015	2014	2013	2012
Discount rate on plan obligations	4.20%	5.05%	4.25%	4.65%

Rate of Return on Plan Assets

For its qualified defined benefit pension plans, Con-way sets the expected return on plan assets using current market expectations and historical returns. The expected return on plan assets is based on estimates of long-term expected returns and considers the plans' anticipated asset allocation over the course of the next year. The expected return includes the effect of actively managing the plan assets, and is net of fees and expenses. The plan assets are managed pursuant to a long-term allocation strategy that seeks to mitigate the plans' funded status volatility by increasing the plans' investment in fixed-income investments over time. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities of the plans. As a result of the higher concentration in fixed-income securities, the expected return on plan assets has declined over time as follows:

	2015	2014	2013	2012
Expected long-term rate of return on plan assets	5.15%	6.53%	7.10%	7.65%

Significant assumption sensitivity

The decrease in the discount rate from 5.05% at December 31, 2013 to 4.20% at December 31, 2014 resulted in a $203.6 million increase in the benefit obligation for Con-way's defined benefit pension plans. The sensitivity analysis below shows the

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effect on net periodic benefit expense (income) and the projected benefit obligation from a 25 basis point change in the assumed discount rate:

(Dollars in thousands)	25 Basis Point Increase	25 Basis Point Decrease
Discount rate		
Effect on 2014 net periodic benefit expense (income)	$(598)	$565
Effect on December 31, 2014 projected benefit obligation	(66,080)	69,956

The funded status of Con-way's defined benefit pension plans is less sensitive to a 25 basis point change in the assumed discount rate, given that the fixed-income investments held by some of these plans would also experience a corresponding change in value.

For the year ended December 31, 2014, Con-way's expected return on plan assets was $93.1 million compared to the actual return on plan assets of $211.3 million. The sensitivity analysis below shows the effect on net periodic benefit expense (income) from a 25 basis point change in the expected return on plan assets:

(Dollars in thousands)	25 Basis Point Increase	25 Basis Point Decrease
Expected return on plan assets		
Effect on 2014 net periodic benefit expense (income)	$(3,573)	$3,573

Actuarial gains and losses

Changes in the discount rate and/or differences between the expected and actual rate of return on plan assets may result in unrecognized actuarial gains or losses. For Con-way's defined benefit pension plans, accumulated unrecognized actuarial losses increased to $560.1 million at December 31, 2014 from $441.2 million at December 31, 2013. $57.0 million of the increase in unrecognized actuarial loss resulted from the adoption of updated mortality assumptions used to estimate life expectancies of plan participants. The portion of the unrecognized actuarial gain/loss that exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year is amortized and recognized as income/expense over the estimated average remaining life expectancy of plan participants.

Effect on operating results

The effect of the defined benefit pension plans on Con-way's operating results consist primarily of the net effect of the interest cost on plan obligations for the qualified and non-qualified defined benefit pension plans, the expected return on plan assets for the funded qualified defined benefit pension plans and the amortization of gains or losses. Con-way estimates that the defined benefit pension plans will result in annual expense of $4.2 million in 2015. For its defined benefit pension plans, Con-way recognized annual expense of $13.5 million in 2014, $4.2 million in 2013 and $9.6 million in 2012. In 2014, the defined benefit pension expense includes a charge of $16.0 million for the settlement of a legacy pension plan.

Funding

In determining the amount and timing of its pension contributions, Con-way considers its cash position, the funded status as measured by the PPA and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. Con-way made contributions of $142.3 million and $55.3 million to its qualified defined benefit pension plans in 2014 and 2013, respectively. Con-way estimates that it will make $30 million of contributions to its qualified defined benefit pension plans in 2015. The level of Con-way's annual contributions to its qualified pension plans is subject to change based on variations in interest rates, asset returns, PPA requirements and other factors.

Goodwill

Goodwill is recorded as the excess of the acquired entity's purchase price over the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed. Con-way tests for impairment of goodwill annually (with a measurement date of November 30) or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Each quarter, Con-way considers events that may trigger an impairment of goodwill, including such factors as changes in the total company market value compared to underlying book value, and significant adverse changes that may impact reporting segments or

underlying reporting units. A reporting unit for goodwill impairment purposes may be a component of a reporting segment that independently generates revenue and has discrete financial information that is regularly reviewed by management.

Con-way considers multiple valuation methods to determine the fair value of a reporting unit. These methods include the use of public-company multiples, precedent transactions and discounted cash flow models, and may vary depending on the availability of information. In any of the valuation methods, assumptions used to determine the fair value of reporting units may significantly impact the result. The key assumptions used in discounted cash flow models are cash flow projections involving forecasted revenue and expenses, capital expenditures, working capital changes, and the discount rate and the terminal growth rate applied to projected cash flows. Cash flow projections are developed from Con-way's annual planning process. The discount rate equals the estimated weighted-average cost of capital of the reporting unit from a market-participant perspective. Terminal growth rates are based on inflation assumptions adjusted for factors that may impact future growth such as industry-specific expectations. These estimates and assumptions may be incomplete or inaccurate because of unanticipated events and circumstances. As a result, changes in assumptions and estimates related to goodwill could have a material effect on Con-way's valuation result, and accordingly, its financial condition or results of operations.

Con-way Truckload had $329.8 million of goodwill at December 31, 2014. For the valuation of Con-way Truckload, Con-way applied three methods: public-company multiples, discounted cash flow, and precedent transaction models. In the assessment of Con-way Truckload's goodwill, the fair value of the reporting unit exceeded its carrying value by 22% or approximately $135 million. A 100 basis point change in the assumed discount rate would result in a $12 million change in fair value. A 10% change in estimated operating income for each of the next five years would result in a $24 million change in fair value. Changes in forecasted operating results and other assumptions could materially affect the estimated fair value of Con-way Truckload and may result in impairment charges in the future.

Income Taxes

In establishing its deferred income tax assets and liabilities, Con-way makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Con-way periodically evaluates the need for a valuation allowance to reduce deferred tax assets to realizable amounts. The likelihood of a material change in Con-way's expected realization of these assets is dependent on future taxable income, future capital gains, its ability to use tax loss and credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax-planning strategies in the various relevant jurisdictions.

Con-way assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those positions where it is more likely than not that a tax benefit will be sustained, Con-way has recorded the largest amount of tax benefit with a greater-than-50-percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions that do not meet the more-likely-than-not criteria, no tax benefit has been recognized in the financial statements.

Property, Plant and Equipment and Other Long-Lived Assets

In accounting for property, plant and equipment, Con-way makes estimates about the expected useful lives and the expected residual values of these assets, and the potential for impairment based on the fair values of the assets and the cash flows generated by these assets.

The depreciation of property, plant and equipment over their estimated useful lives and the determination of any salvage values require management to make judgments about future events. Con-way periodically evaluates whether changes to estimated useful lives or salvage values are necessary to ensure these estimates accurately reflect the economic use of the assets. Con-way's periodic evaluation may result in changes in the estimated lives and/or salvage values used to depreciate its assets, which can affect the amount of periodic depreciation expense recognized and, ultimately, the gain or loss on the disposal of the asset. In response to conditions in the used-trailer market, Con-way Truckload increased the estimated salvage values for certain of its trailers in the fourth quarter of 2013. This change decreased depreciation expense by $6.2 million and $1.3 million in 2014 and 2013, respectively.

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets that are to be held and used, an impairment charge is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, a charge is recognized for the difference between the carrying value and the fair value. Fair values are determined using quoted market values, discounted cash flows or external appraisals, as applicable. Assets held for

disposal are carried at the lower of carrying value or estimated net realizable value.

Each quarter, Con-way considers events that may trigger an impairment of long-lived assets. Indicators of impairment that Con-way considers include such factors as a significant decrease in market value of the long-lived asset, a significant change in the extent or manner in which the long-lived asset is being used, and current-period losses combined with a history of losses or a projection of continuing losses associated with the use of the long-lived asset.

Revenue Recognition

Con-way Freight recognizes revenue between reporting periods based on relative transit time in each period and recognizes expense as incurred. Con-way Truckload recognizes revenue and related direct costs when the shipment is delivered. Menlo recognizes revenue based on the service outputs provided to the customer.

Critical revenue-related policies and estimates for Con-way Freight and Con-way Truckload include those related to revenue adjustments and uncollectible accounts receivable. Critical revenue-related policies and estimates for Menlo include those related to uncollectible accounts receivable, measuring the service outputs provided to customers, and gross- or net-basis revenue recognition. Con-way believes that its revenue recognition policies are appropriate and that its use of revenue-related estimates and judgments provide a reasonable approximation of the actual revenue earned.

Estimated revenue adjustments

Generally, the pricing assessed by companies in the transportation industry is subject to subsequent adjustment due to several factors, including weight and freight-classification verifications and pricing discounts. Revenue adjustments are estimated based largely on historical experience.

Uncollectible accounts receivable

Con-way Freight and Con-way Truckload report accounts receivable at net realizable value and provide an allowance for uncollectible accounts when losses are probable. Estimates for uncollectible accounts are based on various judgments and assumptions, including revenue levels, historical loss experience, economic conditions and the aging of outstanding accounts receivable.

Menlo, based on the size and nature of its client base, performs a periodic evaluation of its customers' creditworthiness and accounts receivable portfolio and recognizes expense from uncollectible accounts when losses are both probable and reasonably estimable.

Service outputs

For certain customer contracts, Menlo makes estimates when measuring the service outputs provided to the customer, including services provided under performance-based incentive arrangements. The contingent portion of the revenue in these performance-based incentive arrangements is not considered fixed or determinable until the performance criteria have been met.

Gross or net-basis revenue recognition

Determining whether revenue should be reported on a gross or net basis is based on an assessment of whether Menlo is acting as the principal or the agent in the transaction and involves judgment based on the terms of the arrangement.

Self-Insurance Accruals

Con-way uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, vehicular, cargo and workers' compensation claims. The long-term portion of self-insurance accruals relates primarily to workers' compensation and vehicular claims that are expected to be payable over several years. Con-way periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense.

The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported. Con-way believes its actuarial methods are appropriate for measuring these highly judgmental self-insurance accruals. However, based on the magnitude of claims and the length of time from incurrence of the claims to ultimate settlement, the use of any estimation method is sensitive to the assumptions and factors described above. Accordingly, changes in these assumptions and factors can materially affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

New Accounting Standards

Refer to Note 1, "Principal Accounting Policies," of Item 8, "Financial Statements and Supplementary Data" 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, revenue, capital and software expenditures, 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 regarding the payment of future dividends;
- any statements as to the adequacy of reserves;
- any statements regarding the outcome of any legal, administrative and other claims and proceedings that may be brought by or against Con-way;
- any statements regarding future economic conditions or performance;
- 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." Any forward-looking statements speak only as of the date the statement is made and are subject to change. Con-way does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

ITEM 7A. 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. For the periods presented, Con-way held no material derivative financial instruments.

Interest Rates

Con-way invests in cash-equivalent investments and marketable securities that earn investment income. For the periods presented, the amount of investment income earned on Con-way's investments was not material.

Based on the fixed interest rates and maturities of its long-term debt, fluctuations in market interest rates would not significantly affect Con-way's operating results or cash flows.

As discussed more fully above in "Critical Accounting Policies and Estimates," the amounts recognized as pension expense and the accrued pension liability for Con-way's defined benefit pension plans depend upon a number of assumptions and factors, including the discount rate used to measure the present value of the pension obligations.

Fuel

Con-way is exposed to the effects of changes in the price and availability of diesel fuel, as more fully discussed in Item 1A, "Risk Factors." For the periods presented, Con-way used no material derivative financial instruments to manage the risk associated with changes in the price of diesel fuel.

Foreign Currency

The assets and liabilities of Con-way's foreign subsidiaries are denominated in foreign currencies, which create exposure to changes in foreign currency exchange rates. However, the market risk related to foreign currency exchange rates is not material to Con-way's financial condition, results of operations or cash flows. For the periods presented, Con-way used no material derivative financial instruments to manage foreign currency risk.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Con-way Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of Con-way Inc. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related statements of consolidated income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting in Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Con-way Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Portland, Oregon
February 23, 2015

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
Con-way Inc.
Consolidated Balance Sheets

	December 31,	
(Dollars in thousands)	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$432,759	$484,502
Marketable securities	8,285	—
Trade accounts receivable, net	649,086	575,013
Other accounts receivable	70,305	51,063
Operating supplies, at lower of average cost or market	23,664	23,910
Prepaid expenses and other current assets	63,344	57,961
Deferred income taxes	13,957	15,332
Total Current Assets	1,261,400	1,207,781
Property, Plant and Equipment		
Land	192,490	193,364
Buildings and leasehold improvements	856,037	856,038
Revenue equipment	1,902,358	1,857,737
Other equipment	362,341	353,205
	3,313,226	3,260,344
Accumulated depreciation	(1,659,015)	(1,603,511)
Net Property, Plant and Equipment	1,654,211	1,656,833
Other Assets		
Deferred charges and other assets	31,826	32,200
Capitalized software, net	26,208	21,488
Employee benefits	18,110	15,018
Intangible assets, net	6,284	8,640
Goodwill	337,579	337,971
	420,007	415,317
Total Assets	$3,335,618	$3,279,931

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Con-way Inc.
Consolidated Balance Sheets

(Dollars in thousands, except per share data)	December 31, 2014	2013
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$349,995	$390,537
Accrued liabilities	257,943	229,078
Self-insurance accruals	117,783	105,063
Short-term borrowings	1,736	1,588
Current maturities of long-term debt and capital leases	14,663	19,685
Total Current Liabilities	742,120	745,951
Long-Term Liabilities		
Long-term debt	719,303	719,155
Long-term obligations under capital leases	10,587	16,185
Self-insurance accruals	151,257	142,307
Employee benefits	239,368	240,171
Other liabilities and deferred credits	34,356	39,524
Deferred income taxes	242,789	237,949
Total Liabilities	2,139,780	2,141,242
Commitments and Contingencies (Notes 5, 6, 7 and 11)		
Shareholders' Equity		
Common stock, $0.625 par value; authorized 100,000,000 shares; issued 65,782,041 and 64,592,756 shares, respectively	41,101	40,349
Additional paid-in capital, common stock	706,756	653,487
Retained earnings	1,151,791	1,043,472
Cost of repurchased common stock (8,112,141 and 7,669,889 shares, respectively)	(349,401)	(329,088)
Accumulated other comprehensive loss	(354,409)	(269,531)
Total Shareholders' Equity	1,195,838	1,138,689
Total Liabilities and Shareholders' Equity	$3,335,618	$3,279,931

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Con-way Inc.
Statements of Consolidated Income

	Years ended December 31,		
(Dollars in thousands, except per share data)	2014	2013	2012
Revenue	$5,806,069	$5,473,356	$5,580,247
Costs and Expenses			
Salaries, wages and employee benefits	2,261,304	2,143,036	2,125,104
Purchased transportation	1,437,418	1,323,005	1,531,319
Other operating expenses	649,154	634,107	567,810
Fuel and fuel-related taxes	498,604	532,958	553,301
Depreciation and amortization	242,658	230,751	216,215
Purchased labor	174,061	148,165	113,619
Rents and leases	139,428	129,325	115,954
Maintenance	134,992	123,056	128,084
	5,537,619	5,264,403	5,351,406
Operating Income	268,450	208,953	228,841
Other Income (Expense)			
Investment income	686	621	831
Interest expense	(53,456)	(53,339)	(54,777)
Miscellaneous, net	(4,983)	(1,870)	(3,941)
	(57,753)	(54,588)	(57,887)
Income before Income Tax Provision	210,697	154,365	170,954
Income Tax Provision	73,658	55,212	66,408
Net Income	$137,039	$99,153	$104,546
Weighted-Average Common Shares Outstanding			
Basic	57,390,945	56,511,563	55,837,574
Diluted	58,018,443	57,240,588	56,485,987
Earnings per Common Share			
Basic	$2.39	$1.75	$1.87
Diluted	$2.36	$1.73	$1.85
Cash Dividends Declared per Common Share	$0.50	$0.40	$0.40

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Con-way Inc.
Statements of Consolidated Comprehensive Income

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Net Income	$137,039	$99,153	$104,546
Other Comprehensive Income (Loss):			
Foreign currency translation adjustment	(2,731)	871	481
Unrealized gain on available-for-sale security, net of deferred tax of $0, $0, and $145, respectively	—	—	226
Employee benefit plans			
Actuarial gain (loss), net of deferred tax of $59,850, $103,308, and $1,903, respectively	(96,329)	161,631	(2,977)
Net actuarial loss included in net periodic benefit expense or income, net of deferred tax of $9,432, $7,562, and $7,969, respectively	14,940	11,827	12,465
Prior-service cost or credit, net of deferred tax of $0, $7,505 and $17,577, respectively	—	11,738	(27,493)
Amortization of prior service cost or credit included in net periodic benefit expense or income, net of deferred tax of $481, $552 and $465, respectively	(758)	863	(727)
	(82,147)	186,059	(18,732)
Total Other Comprehensive Income (Loss)	(84,878)	186,930	(18,025)
Comprehensive Income	$52,161	$286,083	$86,521

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Con-way Inc.
Statements of Consolidated Cash Flows

	Years ended December 31,		
(Dollars in thousands)	2014	2013	2012
Cash and Cash Equivalents, Beginning of Period	$484,502	$429,784	$438,010
Operating Activities			
Net income	137,039	99,153	104,546
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, net of accretion	242,507	229,236	215,202
Non-cash compensation and employee benefits	34,040	38,496	33,180
Increase in deferred income taxes	55,946	57,423	63,091
Provision for uncollectible accounts	2,869	6,908	6,358
Gain from sales of property, equipment and investment, net	(10,156)	(5,720)	(8,649)
Changes in assets and liabilities:			
Receivables	(82,990)	(12,869)	7,076
Prepaid expenses	(517)	21	(1,312)
Accounts payable	(15,401)	25,972	(14,824)
Accrued variable compensation	23,125	(17,140)	1,201
Accrued liabilities, excluding accrued variable compensation and employee benefits	10,687	11,572	1,988
Self-insurance accruals	14,797	(3,661)	(18,654)
Accrued income taxes	(15,716)	(4,846)	(2,316)
Employee benefits	(154,501)	(82,507)	(67,291)
Other	(1,845)	5,946	(8,185)
Net Cash Provided by Operating Activities	239,884	347,984	311,411
Investing Activities			
Capital expenditures	(289,776)	(281,943)	(293,135)
Software expenditures	(12,364)	(7,398)	(8,963)
Proceeds from sales of property and equipment	47,238	14,202	20,840
Purchases of marketable securities	(8,285)	—	(8,200)
Proceeds from sales of marketable securities	—	3,200	23,613
Net Cash Used in Investing Activities	(263,187)	(271,939)	(265,845)
Financing Activities			
Payment of capital leases	(21,098)	(16,068)	(29,015)
Net proceeds from (repayments of) short-term borrowings	147	(5,383)	(7,621)
Payment of debt issuance costs	—	(543)	—
Proceeds from exercise of stock options	33,902	20,777	3,560
Excess tax benefit from share-based compensation	3,128	2,510	1,641
Payments of common dividends	(28,720)	(22,620)	(22,357)
Repurchases of common stock	(15,799)	—	—
Net Cash Used in Financing Activities	(28,440)	(21,327)	(53,792)
Increase (Decrease) in Cash and Cash Equivalents	(51,743)	54,718	(8,226)
Cash and Cash Equivalents, End of Period	$432,759	$484,502	$429,784
Supplemental Disclosure			
Cash paid (refunded) for income taxes, net	$30,597	$(21)	$6,163
Cash paid for interest, net of amounts capitalized	$52,491	$52,809	$53,806
Non-cash Investing and Financing Activities			

Property, plant and equipment acquired through partial non-monetary exchanges	$17,597	$27,711	$34,759
Property, plant and equipment acquired through capital lease	$10,483	$5,575	$—
Property, plant and equipment acquired through increase in current liabilities	$6,756	$32,336	$14,034
Repurchases of common stock included in current liabilities	$984	$—	$—

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Con-way Inc.
Statements of Consolidated Shareholders' Equity

(Dollars in thousands, except per share data)	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Repurchased Common Stock	Accumulated Other Comprehensive Loss
Balance, December 31, 2011	63,065,931	$39,394	$595,992	$884,758	$ (322,454)	$ (438,436)
Net income	—	—	—	104,546	—	—
Other comprehensive income (loss):						
Foreign currency translation adjustment	—	—	—	—	—	481
Employee benefit plans, net of deferred tax of $11,976	—	—	—	—	—	(18,732)
Unrealized gain on available-for-sale security, net of deferred tax of $145	—	—	—	—	—	226
Exercise of stock options, including tax of $165	150,213	94	3,631	—	—	—
Share-based compensation, including tax of $986	349,309	213	14,711	(8)	(3,674)	—
Common dividends declared ($.40 per share)	—	—	—	(22,357)	—	—
Balance, December 31, 2012	63,565,453	$39,701	$614,334	$966,939	$ (326,128)	$ (456,461)
Net income	—	—	—	99,153	—	—
Other comprehensive income:						
Foreign currency translation adjustment	—	—	—	—	—	871
Employee benefit plans, net of deferred tax of $118,927	—	—	—	—	—	186,059
Exercise of stock options, including tax of $1,531	760,495	475	21,833	—	—	—
Share-based compensation, including tax of $200	266,808	173	17,320	—	(2,960)	—
Common dividends declared ($.40 per share)	—	—	—	(22,620)	—	—
Balance, December 31, 2013	64,592,756	$40,349	$653,487	$1,043,472	$ (329,088)	$ (269,531)
Net income	—	—	—	137,039	—	—
Other comprehensive loss:						
Foreign currency translation adjustment	—	—	—	—	—	(2,731)
Employee benefit plans, net of deferred tax of $50,899	—	—	—	—	—	(82,147)
Exercise of stock options, including tax of $862	926,454	579	34,185	—	—	—
Share-based compensation, including tax of $809	262,831	173	19,084	—	(3,530)	—
Common stock repurchased	—	—	—	—	(16,783)	—
Common dividends declared ($.50 per share)	—	—	—	(28,720)	—	—

Balance, December 31, 2014	65,782,041	$41,101	$706,756	$1,151,791	$ (349,401)	$ (354,409)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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Con-way Inc.
Notes to Consolidated Financial Statements
1. Principal Accounting Policies
Organization
Con-way Inc. and its consolidated subsidiaries ("Con-way" or the "Company") provide 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, inter-regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, multimodal freight brokerage, and trailer manufacturing. As more fully discussed in Note 12, "Segment Reporting," for financial reporting purposes, Con-way is divided into three reporting segments: Freight, Logistics and Truckload.
Principles of Consolidation
The consolidated financial statements include the accounts of Con-way and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.
Estimates
Management makes estimates and assumptions when preparing the financial statements in conformity with accounting principles generally accepted in the U.S. These estimates and assumptions affect the amounts reported in the accompanying financial statements and notes. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. Such estimates relate to revenue-related adjustments, impairment of goodwill and long-lived assets, amortization and depreciation, income taxes, self-insurance accruals, pension plan and postretirement obligations, contingencies, and assets and liabilities recognized in connection with acquisitions, restructurings and dispositions.
Con-way evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Estimates and assumptions are adjusted when facts and circumstances dictate. Volatility in financial markets and changing levels of economic activity increase the uncertainty inherent in such estimates and assumptions. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.
Recognition of Revenue
Con-way Freight recognizes revenue between reporting periods based on relative transit time in each period and recognizes expense as incurred. Estimates for future billing adjustments to revenue, including those related to weight and freight-classification verification and pricing discounts, are recognized at the time of shipment. Con-way Truckload recognizes revenue and related direct costs when the shipment is delivered. Menlo Logistics ("Menlo") recognizes revenue based on the service outputs provided to the customer.
Menlo records revenue on a gross basis, without deducting third-party purchased transportation costs, on transactions for which it acts as a p