

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



**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017
OR**



**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: 1-4364**



Florida

(State or other jurisdiction of incorporation or organization)

59-0739250

(I.R.S. Employer Identification No.)

11690 N.W. 105th Street

Miami, Florida 33178

(Address of principal executive offices, including zip code)

(305) 500-3726

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

The number of shares of Ryder System, Inc. Common Stock (\$0.50 par value per share) outstanding at March 31, 2017, was 53,560,199.

RYDER SYSTEM, INC.
FORM 10-Q QUARTERLY REPORT
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(unaudited)

	Three months ended March 31,	
	2017	2016
	(In thousands, except per share amounts)	
Lease and rental revenues	\$ 767,590	767,754
Services revenue	851,867	759,127
Fuel services revenue	128,706	102,791
Total revenues	1,748,163	1,629,672
Cost of lease and rental	578,762	552,490
Cost of services	714,080	631,714
Cost of fuel services	125,850	98,901
Other operating expenses	31,271	30,151
Selling, general and administrative expenses	201,761	204,403
Non-service retirement benefit costs	7,330	6,810
Used vehicle sales, net	(780)	(19,129)
Interest expense	34,886	37,889
Miscellaneous income, net	(4,953)	(2,265)
	1,688,207	1,540,964
Earnings from continuing operations before income taxes	59,956	88,708
Provision for income taxes	21,677	32,523
Earnings from continuing operations	38,279	56,185
Loss from discontinued operations, net of tax	(130)	(391)
Net earnings	\$ 38,149	55,794
Earnings (loss) per common share — Basic		
Continuing operations	\$ 0.72	1.06
Discontinued operations	—	(0.01)
Net earnings	\$ 0.72	1.05
Earnings (loss) per common share — Diluted		
Continuing operations	\$ 0.71	1.05
Discontinued operations	—	(0.01)
Net earnings	\$ 0.71	1.04
Cash dividends declared per common share	\$ 0.44	0.41

See accompanying notes to consolidated condensed financial statements.

Note: EPS amounts may not be additive due to rounding.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Net earnings	\$ 38,149	55,794
Other comprehensive income:		
Changes in currency translation adjustment and other	15,742	13,684
Amortization of pension and postretirement items	8,109	7,423
Income tax expense related to amortization of pension and postretirement items	(3,045)	(2,708)
Amortization of pension and postretirement items, net of tax	5,064	4,715
Other comprehensive income, net of taxes	20,806	18,399
Comprehensive income	\$ 58,955	74,193

See accompanying notes to consolidated condensed financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(unaudited)

	March 31, 2017	December 31, 2016
	(Dollars in thousands, except per share amount)	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 37,951	58,801
Receivables, net of allowance of \$12,210 and \$14,915, respectively	862,862	831,947
Inventories	67,732	69,529
Prepaid expenses and other current assets	144,795	141,280
Total current assets	1,113,340	1,101,557
Revenue earning equipment, net	8,171,176	8,147,722
Operating property and equipment, net of accumulated depreciation of \$1,144,914 and \$1,128,040, respectively	754,307	745,870
Goodwill	387,096	386,772
Intangible assets, net of accumulated amortization of \$53,022 and \$51,578, respectively	46,905	48,249
Direct financing leases and other assets	500,983	472,284
Total assets	\$ 10,973,807	10,902,454
Liabilities and shareholders' equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 973,115	791,410
Accounts payable	536,225	445,470
Accrued expenses and other current liabilities	468,459	507,189
Total current liabilities	1,977,799	1,744,069
Long-term debt	4,353,110	4,599,864
Other non-current liabilities	852,835	817,565
Deferred income taxes	1,710,267	1,688,681
Total liabilities	8,894,011	8,850,179
Shareholders' equity:		
Preferred stock, no par value per share — authorized, 3,800,917; none outstanding, March 31, 2017 or December 31, 2016	—	—
Common stock, \$0.50 par value per share — authorized, 400,000,000; outstanding, March 31, 2017 — 53,560,199; December 31, 2016 — 53,463,118	26,781	26,732
Additional paid-in capital	1,037,127	1,032,549
Retained earnings	1,829,114	1,827,026
Accumulated other comprehensive loss	(813,226)	(834,032)
Total shareholders' equity	2,079,796	2,052,275
Total liabilities and shareholders' equity	\$ 10,973,807	10,902,454

See accompanying notes to consolidated condensed financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Cash flows from operating activities from continuing operations:		
Net earnings	\$ 38,149	55,794
Less: Loss from discontinued operations, net of tax	(130)	(391)
Earnings from continuing operations	38,279	56,185
Depreciation expense	311,207	287,170
Used vehicle sales, net	(780)	(19,129)
Share-based compensation expense	4,955	4,888
Amortization expense and other non-cash charges, net	8,841	6,248
Non-service retirement benefit costs	7,330	6,810
Deferred income tax expense	18,887	29,319
Changes in operating assets and liabilities:		
Receivables	(27,348)	3,709
Inventories	1,876	(1,558)
Prepaid expenses and other assets	(7,577)	(21,234)
Accounts payable	13,966	49,206
Accrued expenses and other non-current liabilities	(38,287)	(33,612)
Net cash provided by operating activities from continuing operations	331,349	368,002
Cash flows from financing activities from continuing operations:		
Net change in commercial paper borrowings and revolving credit facilities	9,513	98,580
Debt proceeds	477,550	298,254
Debt repaid	(555,671)	(312,400)
Dividends on common stock	(23,907)	(22,482)
Common stock issued	3,992	1,492
Common stock repurchased	(16,846)	—
Debt issuance costs and other items	(846)	(2,932)
Net cash (used in) provided by financing activities	(106,215)	60,512
Cash flows from investing activities from continuing operations:		
Purchases of property and revenue earning equipment	(361,339)	(575,031)
Sales of revenue earning equipment	95,617	119,188
Sales of operating property and equipment	892	1,410
Collections on direct finance leases and other items	16,265	25,610
Changes in restricted cash	1,435	(221)
Net cash used in investing activities	(247,130)	(429,044)
Effect of exchange rate changes on cash	1,501	(3,508)
Decrease in cash and cash equivalents from continuing operations	(20,495)	(4,038)
Decrease in cash and cash equivalents from discontinued operations	(355)	(101)
Decrease in cash and cash equivalents	(20,850)	(4,139)
Cash and cash equivalents at January 1	58,801	60,945
Cash and cash equivalents at March 31	\$ 37,951	56,806

See accompanying notes to consolidated condensed financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. GENERAL

Interim Financial Statements

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts of Ryder System, Inc. (Ryder) and all entities in which Ryder has a controlling voting interest (subsidiaries) and variable interest entities (VIEs) required to be consolidated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with the accounting policies described in our 2016 Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and notes thereto. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included and the disclosures herein are adequate. The operating results for interim periods are unaudited and are not necessarily indicative of the results that can be expected for a full year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Employee Benefits Plans

In March 2017, the FASB issued ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The standard is effective January 1, 2018, with early adoption as of January 1, 2017 permitted. We adopted the standard during the first quarter of 2017, and recorded the other components of net benefit cost within "Non-service retirement benefit costs" in the Consolidated Condensed Statements of Earnings for both the current and prior year periods.

Intangibles - Goodwill and Other

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which requires an entity to perform a one-step quantitative impairment test, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value (not to exceed the total goodwill allocated to that reporting unit). It eliminates Step 2 of the current two-step goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The standard is effective January 1, 2020, with early adoption as of January 1, 2017 permitted. We adopted the standard during the first quarter of 2017 and it did not have a material impact on our consolidated financial position, results of operations and cash flows.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows*, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. In November 2016, the FASB issued additional guidance related to the statement of cash flows, which requires companies to explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The standard is effective January 1, 2018, with early adoption permitted. We will adopt the standard as of January 1, 2018, on a retrospective basis. We do not expect this standard to have a material impact on the presentation of our consolidated cash flows.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. We will adopt the standard effective January 1, 2019, using the modified retrospective transition method. We do not anticipate a material impact upon adoption of the standard on our consolidated financial position, results of operations and cash flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which together with related, subsequently issued guidance, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The adoption of ASU 2014-09 will primarily impact our ChoiceLease product line, which includes a vehicle lease as well as maintenance and other services related to the vehicle. We will generally continue to recognize revenue for the vehicle lease portion of the product line on a straight-line basis. Revenue from the non-lease portion of the product line, primarily maintenance services, will be recognized at the time the maintenance services are performed, which will generally require the deferral of some portion of the customer's lease payments when received, as maintenance services are not performed evenly over the life of a ChoiceLease contract. Under current GAAP, substantially all revenues from our ChoiceLease arrangements are recognized on a straight line basis over the term of the lease. We will adopt the standard on January 1, 2018, using the full retrospective transition method, which will result in a cumulative-effect adjustment to recognize deferred revenue on the opening balance sheet for 2016 and the restatement of the financial statements for all prior periods presented (2016 and 2017). We continue to evaluate the impact of adoption of this standard on our consolidated financial position, results of operations and cash flows.

3. REVENUE EARNING EQUIPMENT

	March 31, 2017			December 31, 2016		
	Cost	Accumulated Depreciation	Net Book Value ⁽¹⁾	Cost	Accumulated Depreciation	Net Book Value ⁽¹⁾
(In thousands)						
Held for use:						
ChoiceLease	\$ 9,664,962	(3,159,228)	6,505,734	\$ 9,486,977	(3,031,937)	6,455,040
Commercial rental	2,492,992	(942,309)	1,550,683	2,499,010	(935,346)	1,563,664
Held for sale	439,022	(324,263)	114,759	494,355	(365,337)	129,018
Total	<u>\$ 12,596,976</u>	<u>(4,425,800)</u>	<u>8,171,176</u>	<u>\$ 12,480,342</u>	<u>(4,332,620)</u>	<u>8,147,722</u>

(1) Revenue earning equipment, net book value includes vehicles acquired under capital leases of \$37 million, less accumulated depreciation of \$17 million, at March 31, 2017, and \$43 million, less accumulated depreciation of \$22 million, at December 31, 2016.

We lease revenue earning equipment to customers for periods typically ranging from three to seven years for trucks and tractors and up to ten years for trailers. The majority of our leases are classified as operating leases. However, some of our revenue earning equipment leases are classified as direct financing leases and, to a lesser extent, sales-type leases. As of March 31, 2017 and December 31, 2016, the net investment in direct financing and sales-type leases was \$404 million and \$409 million, respectively. Our direct financing lease customers operate in a wide variety of industries, and we have no significant customer concentrations in any one industry. We assess credit risk for all of our customers including those who lease equipment under direct financing leases prior to signing a ChoiceLease contract. For those customers who are designated as high risk, we typically require deposits to be paid in advance in order to mitigate our credit risk. Additionally, our receivables are collateralized by the vehicles, which further mitigates our credit risk.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

As of March 31, 2017 and December 31, 2016, the amount of direct financing lease receivables past due was not significant, and there were no impaired receivables. Accordingly, we do not believe there is a material risk of default with respect to the direct financing lease receivables.

Revenue earning equipment held for sale is stated at the lower of carrying amount or fair value less costs to sell. Losses on vehicles held for sale for which carrying values exceeded fair value are recognized at the time they arrive at our used truck sales centers and are presented within "Used vehicle sales, net" in the Consolidated Condensed Statements of Earnings. For revenue earning equipment held for sale, we stratify our fleet by vehicle type (trucks, tractors and trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. For a certain population of our revenue earning equipment held for sale, fair value was determined based upon recent market prices obtained from our own sales experience for sales of each class of similar assets and vehicle condition. These vehicles held for sale were classified within Level 3 of the fair value hierarchy.

The following table presents our assets held for sale that are measured at fair value on a nonrecurring basis and considered a Level 3 fair value measurement:

	March 31,		Total Losses ⁽²⁾	
			Three months ended March 31,	
	2017	2016	2017	2016
(In thousands)				
Assets held for sale:				
Revenue earning equipment ⁽¹⁾ :				
Trucks	\$ 12,228	11,538	\$ 5,800	1,744
Tractors	38,383	39,739	5,183	4,882
Trailers	2,303	3,153	568	662
Total assets at fair value	<u>\$ 52,914</u>	<u>54,430</u>	<u>\$ 11,551</u>	<u>7,288</u>

(1) Assets held for sale in the above table only include the portion of revenue earning equipment held for sale where net book values exceeded fair values and fair value adjustments were recorded. The net book value of assets held for sale not exceeding fair value was \$62 million and \$120 million as of March 31, 2017 and 2016, respectively.

(2) Total losses represent fair value adjustments for all vehicles reclassified to held for sale throughout the period for which fair value was less than carrying value.

For the three months ended March 31, 2017 and 2016, the components of used vehicle sales, net were as follows:

	Three months ended March 31,	
	2017	2016
(In thousands)		
Gains on vehicle sales, net	\$ (12,331)	(26,417)
Losses from fair value adjustments	11,551	7,288
Used vehicle sales, net	<u>\$ (780)</u>	<u>(19,129)</u>

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

4. ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31, 2017			December 31, 2016		
	Accrued Expenses	Non-Current Liabilities	Total	Accrued Expenses	Non-Current Liabilities	Total
(In thousands)						
Salaries and wages	\$ 68,831	—	68,831	\$ 90,913	—	90,913
Deferred compensation	3,548	48,550	52,098	2,992	46,541	49,533
Pension benefits	3,808	455,625	459,433	3,796	451,940	455,736
Other postretirement benefits	1,507	19,365	20,872	1,506	19,459	20,965
Other employee benefits	11,437	2,325	13,762	29,358	5,854	35,212
Insurance obligations ⁽¹⁾	126,520	265,466	391,986	127,470	234,336	361,806
Operating taxes	98,717	—	98,717	92,150	—	92,150
Income taxes	1,784	24,091	25,875	4,197	23,174	27,371
Interest	28,807	—	28,807	27,277	—	27,277
Customer deposits	63,320	4,501	67,821	61,225	4,569	65,794
Deferred revenue	14,758	—	14,758	14,064	—	14,064
Restructuring liabilities ⁽²⁾	4,387	—	4,387	7,278	—	7,278
Other	41,035	32,912	73,947	44,963	31,692	76,655
Total	<u>\$ 468,459</u>	<u>852,835</u>	<u>1,321,294</u>	<u>\$ 507,189</u>	<u>817,565</u>	<u>1,324,754</u>

(1) Insurance obligations are primarily comprised of self-insured claim liabilities.

(2) The reduction in restructuring liabilities from December 31, 2016, principally represents cash payments for employee termination costs. The majority of the balance remaining in restructuring liabilities is expected to be paid by the end of 2017.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

5. DEBT

	Weighted-Average Interest Rate			March 31, 2017	December 31, 2016
	March 31, 2017	December 31, 2016	Maturities	March 31, 2017	December 31, 2016
(In thousands)					
Short-term debt and current portion of long-term debt:					
Short-term debt	1.06%	1.07%		\$ 190,252	177,629
Current portion of long-term debt				782,863	613,781
Total short-term debt and current portion of long-term debt				973,115	791,410
Long-term debt:					
U.S. commercial paper ⁽¹⁾	1.04%	0.87%	2020	349,510	342,480
Global revolving credit facility	—%	2.06%	2020	—	4,703
Unsecured U.S. notes — Medium-term notes ⁽¹⁾	2.72%	2.67%	2017-2025	4,063,395	4,113,421
Unsecured U.S. obligations	2.19%	2.19%	2018	50,000	50,000
Unsecured foreign obligations	1.55%	1.55%	2017-2020	216,624	232,092
Asset-backed U.S. obligations ⁽²⁾	1.80%	1.80%	2017-2022	449,033	459,876
Capital lease obligations	3.20%	3.17%	2017-2023	23,448	24,184
Total before fair market value adjustment				5,152,010	5,226,756
Fair market value adjustment on notes subject to hedging ⁽³⁾				(946)	1,110
Debt issuance costs				(15,091)	(14,221)
				5,135,973	5,213,645
Current portion of long-term debt				(782,863)	(613,781)
Long-term debt				4,353,110	4,599,864
Total debt				\$ 5,326,225	5,391,274

(1) Amounts are net of unamortized original issue discounts of \$7 million at March 31, 2017 and December 31, 2016.

(2) Asset-backed U.S. obligations are related to financing transactions involving revenue earning equipment.

(3) The notional amount of the executed interest rate swaps designated as fair value hedges was \$825 million at March 31, 2017 and December 31, 2016.

We maintain a \$1.2 billion global revolving credit facility with a syndicate of twelve lending institutions led by Bank of America N.A., Bank of Tokyo-Mitsubishi UFJ, Ltd., BNP Paribas, Mizuho Corporate Bank, Ltd., Royal Bank of Canada, Lloyds Bank Plc, U.S. Bank National Association and Wells Fargo Bank, N.A. The facility matures in January 2020. The agreement provides for annual facility fees which range from 7.5 basis points to 25 basis points based on Ryder's long-term credit ratings. The annual facility fee is currently 10 basis points, which applies to the total facility size of \$1.2 billion.

The credit facility is used primarily to finance working capital but can also be used to issue up to \$75 million in letters of credit (there were no letters of credit outstanding against the facility at March 31, 2017). At our option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility contains no provisions limiting its availability in the event of a material adverse change to Ryder's business operations; however, the credit facility does contain standard representations and warranties, events of default, cross-default provisions and certain affirmative and negative covenants.

In order to maintain availability of funding, we must maintain a ratio of debt to consolidated net worth of less than or equal to 300%. Net worth, as defined in the credit facility, represents shareholders' equity excluding any accumulated other comprehensive income or loss associated with our pension and other postretirement plans. The ratio at March 31, 2017 was 197%. At March 31, 2017, there was \$660 million available under the credit facility.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

Our global revolving credit facility enables us to refinance short-term obligations on a long-term basis. Short-term commercial paper obligations not expected to require the use of working capital are classified as long-term as we have both the intent and ability to refinance on a long-term basis. In addition, we have the intent and ability to refinance the current portion of certain long-term debt on a long-term basis. At March 31, 2017, we classified \$350 million of short-term commercial paper and \$50 million of the current portion of long-term debt as long-term debt. At December 31, 2016, we classified \$342 million of short-term commercial paper and \$350 million of the current portion of long-term debt as long-term debt.

In February 2017, we issued \$300 million of unsecured medium-term notes maturing in March 2022. The proceeds from these notes were used to pay off maturing debt and for general corporate purposes. If these notes are downgraded below investment grade following, and as a result of, a change in control, the note holders can require us to repurchase all or a portion of the notes at a purchase price equal to 101% of principal value plus accrued and unpaid interest.

We have a trade receivables purchase and sale program, pursuant to which we sell certain of our domestic trade accounts receivable to a bankruptcy remote, consolidated subsidiary of Ryder, that in turn sells, on a revolving basis, an ownership interest in certain of these accounts receivable to a committed purchaser. The subsidiary is considered a VIE and is consolidated based on our control of the entity's activities. We use this program to provide additional liquidity to fund our operations, particularly when it is cost effective to do so. The costs under the program may vary based on changes in interest rates. The available proceeds that may be received under the program are limited to \$175 million. The program was renewed in October 2016. If no event occurs which causes early termination, the 364-day program will expire on October 23, 2017. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectibility of the collateralized receivables. Sales of receivables under this program are accounted for as secured borrowings based on our continuing involvement in the transferred assets. No amounts were outstanding under the program at March 31, 2017 or December 31, 2016.

At March 31, 2017 and December 31, 2016, we had letters of credit and surety bonds outstanding totaling \$358 million and \$354 million, respectively, which primarily guarantee the payment of insurance claims.

The fair value of total debt (excluding capital lease and asset-backed U.S. obligations) at March 31, 2017 and December 31, 2016 was approximately \$4.91 billion and \$4.97 billion, respectively. For publicly-traded debt, estimates of fair value were based on market prices. For other debt, fair value was estimated based on a model-driven approach using rates currently available to us for debt with similar terms and remaining maturities. The fair value measurements of our publicly-traded debt and other debt were classified within Level 2 of the fair value hierarchy. The carrying amounts reported in the Consolidated Condensed Balance Sheets for "Cash and cash equivalents," "Receivables, net" and "Accounts payable" approximate fair value because of the immediate or short-term maturities of these financial instruments.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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6. DERIVATIVES

From time to time, we enter into interest rate derivatives to manage our fixed and variable interest rate exposure and to better match the repricing of debt instruments to that of our portfolio of assets. We assess the risk that changes in interest rates will have either on the fair value of debt obligations or on the amount of future interest payments by monitoring changes in interest rate exposures and by evaluating hedging opportunities. We regularly monitor interest rate risk attributable to both our outstanding or forecasted debt obligations as well as any offsetting hedge positions. This risk management process involves the use of analytical techniques, including cash flow sensitivity analyses, to estimate the expected impact of changes in interest rates on our future cash flows.

As of March 31, 2017, we had interest rate swaps outstanding which are designated as fair value hedges for certain debt obligations, with a total notional value of \$825 million and maturities through 2020. Interest rate swaps are measured at fair value on a recurring basis using Level 2 fair value inputs. The fair value of these interest rate swaps was a liability of \$1 million and an asset of \$1 million as of March 31, 2017 and December 31, 2016, respectively. The amounts are presented in "Other non-current liabilities" and "Direct financing leases and other assets" in our Consolidated Condensed Balance Sheets. Changes in the fair value of our interest rate swaps were offset by changes in the fair value of the hedged debt instruments. Accordingly, there was no ineffectiveness related to the interest rate swaps.

7. SHARE REPURCHASE PROGRAMS

In December 2015, our Board of Directors authorized a share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans (the program). Under the program, management is authorized to repurchase (i) up to 1.5 million shares of common stock, the sum of which will not exceed the number of shares issued to employees under the Company's employee stock plans from December 1, 2015 to December 9, 2017, plus (ii) 0.5 million shares issued to employees that were not repurchased under the Company's previous share repurchase program. The program limits aggregate share repurchases to no more than 2 million shares of Ryder common stock. Share repurchases of common stock are made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management may establish prearranged written plans for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the program, which allow for share repurchases during Ryder's quarterly blackout periods as set forth in the trading plan.

During the three months ended March 31, 2017, we repurchased approximately 221,000 shares for \$17 million. We did not repurchase any shares during the three months ended March 31, 2016.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following summary sets forth the components of accumulated other comprehensive loss, net of tax:

	Currency Translation Adjustments and Other	Net Actuarial Loss ⁽¹⁾	Prior Service (Cost)/ Credit ⁽¹⁾	Accumulated Other Comprehensive Loss
	(In thousands)			
December 31, 2016	\$ (206,610)	(620,292)	(7,130)	(834,032)
Amortization	—	5,011	53	5,064
Other current period change	15,742	—	—	15,742
March 31, 2017	\$ (190,868)	(615,281)	(7,077)	(813,226)

	Currency Translation Adjustments and Other	Net Actuarial Loss ⁽¹⁾	Prior Service Credit ⁽¹⁾	Accumulated Other Comprehensive Loss
	(In thousands)			
December 31, 2015	\$ (136,020)	(576,993)	278	(712,735)
Amortization	—	4,752	(37)	4,715
Other current period change	13,684	—	—	13,684
March 31, 2016	\$ (122,336)	(572,241)	241	(694,336)

(1) These amounts are included in the computation of net pension expense. See Note 11, "Employee Benefit Plans," for further information.

The gain from currency translation adjustments in the three months ended March 31, 2017 of \$15.7 million was primarily due to the strengthening of the British Pound and the Canadian Dollar against the U.S. Dollar. The gain from currency translation adjustments in the three months ended March 31, 2016 of \$13.7 million was due to the strengthening of the Canadian Dollar against the the U.S. Dollar, partially offset by the weakening of the British Pound against the U.S. Dollar.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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9. EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per common share from continuing operations:

	Three months ended March 31,	
	2017	2016
	(In thousands, except per share amounts)	
Earnings per share — Basic:		
Earnings from continuing operations	\$ 38,279	56,185
Less: Earnings allocated to unvested stock	(130)	(166)
Earnings from continuing operations available to common shareholders — Basic	<u>\$ 38,149</u>	<u>56,019</u>
Weighted average common shares outstanding — Basic	<u>52,945</u>	<u>53,076</u>
Earnings from continuing operations per common share — Basic	<u>\$ 0.72</u>	<u>1.06</u>
Earnings per share — Diluted:		
Earnings from continuing operations	\$ 38,279	56,185
Less: Earnings allocated to unvested stock	(130)	(166)
Earnings from continuing operations available to common shareholders — Diluted	<u>\$ 38,149</u>	<u>56,019</u>
Weighted average common shares outstanding — Basic	52,945	53,076
Effect of dilutive equity awards	451	287
Weighted average common shares outstanding — Diluted	<u>53,396</u>	<u>53,363</u>
Earnings from continuing operations per common share — Diluted	<u>\$ 0.71</u>	<u>1.05</u>
Anti-dilutive equity awards not included above	<u>591</u>	<u>1,186</u>

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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10. SHARE-BASED COMPENSATION PLANS

Share-based incentive awards are provided to employees under the terms of various share-based compensation plans (collectively, the “Plans”). The Plans are administered by the Compensation Committee of the Board of Directors and principally include at-the-money stock options, unvested stock and cash awards. Unvested stock awards include grants of market-based, performance-based and time-vested restricted stock rights. Under the terms of our Plans, dividends are not paid unless the stock award vests. Upon vesting, the amount of the dividends paid is equal to the aggregate dividends declared on common shares during the period from the grant date of the award until the date the shares underlying the award are delivered.

The following table provides information on share-based compensation expense and income tax benefits recognized during the periods:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Stock option and stock purchase plans	\$ 1,905	1,873
Unvested stock	3,050	3,015
Share-based compensation expense	4,955	4,888
Income tax benefit	(1,734)	(1,655)
Share-based compensation expense, net of tax	\$ 3,221	3,233

During the three months ended March 31, 2017 and 2016, approximately 462,000 and 513,000 stock options, respectively, were granted under the Plans. These awards generally vest in equal annual installments over a three year period beginning on the date of grant. The stock options have contractual terms of ten years. The fair value of each option award at the date of grant was estimated using a Black-Scholes-Merton option-pricing valuation model. Share-based compensation expense is recognized on a straight-line basis over the vesting period. The weighted-average fair value per option granted during the three months ended March 31, 2017 and 2016 was \$15.71 and \$12.53, respectively.

During the three months ended March 31, 2017 and 2016, approximately 45,000 and 34,000 market-based restricted stock rights were granted, respectively, under the Plans. The awards are segmented into three performance periods of one, two and three years. At the end of each performance period, up to 150% of the award in 2017 and 125% in 2016 may be earned based on Ryder's total shareholder return (TSR) compared to the target TSR of a peer group over the applicable performance period. If earned, employees will receive the grant of stock at the end of the relevant three-year performance period provided they continue to be employed with Ryder, subject to Compensation Committee approval. The fair value of the market-based restricted stock rights was estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. The fair value of the market-based awards was determined on the grant date and considers the likelihood of Ryder achieving the market-based condition. Share-based compensation expense is recognized on a straight-line basis over the vesting period. The weighted-average fair value per market-based restricted stock right granted during the three months ended March 31, 2017 and 2016 was \$73.43 and \$54.10, respectively.

During the three months ended March 31, 2017 and 2016, approximately 142,000 and 58,000 performance-based restricted stock rights (PBRsRs), respectively, were awarded under the Plans. The awards are segmented into three one -year performance periods. For these awards, up to 150% of the awards in 2017 and 125% in 2016 may be earned based on Ryder's one-year adjusted return on capital (ROC) measured against an annual ROC target. If earned, employees will receive the grant of stock three years after the grant date, provided they continue to be employed with Ryder, subject to Compensation Committee approval. For accounting purposes, these awards are not considered granted until the Compensation Committee approves the annual ROC target. During the three months ended March 31, 2017 and 2016, approximately 79,000 and 45,000 PBRsRs, respectively, were considered granted for accounting purposes. The fair value of the PBRsRs is determined and fixed on the grant date based on Ryder's stock price on the date of grant. Share-based compensation expense is recognized on a straight-line basis over the vesting period, based upon the probability that the performance target will be met. The weighted-average fair value per PBRsR granted during the three months ended March 31, 2017 and 2016 was \$76.49 and \$55.32, respectively.

During the three months ended March 31, 2017 and 2016, approximately 85,000 and 111,000 time-vested restricted stock rights, respectively, were granted under the Plans. The time-vested restricted stock rights entitle the holder to shares of common stock when the awards generally vest at the end of the three -year period after the grant date. The fair value of the time-vested awards is determined and fixed based on Ryder's stock price on the date of grant. Share-based compensation expense is

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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recognized on a straight-line basis over the vesting period. The weighted-average fair value per time-vested restricted stock right granted during the three months ended March 31, 2017 and 2016 was \$76.57 and \$55.32 , respectively.

During the three months ended March 31, 2016 , employees received market-based cash awards. The cash awards have the same vesting provisions as the market-based restricted stock rights. The cash awards are accounted for as liability awards under the share-based compensation accounting guidance as the awards are based upon the performance of our common stock and are settled in cash. As a result, the liability is adjusted to reflect fair value at the end of each reporting period. The fair value of the cash awards was estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. Share-based compensation expense is recognized on a straight-line basis over the vesting period. There were no market-based cash awards granted in 2017 .

The following table is a summary of compensation expense recognized for market-based cash awards in addition to the share-based compensation expense reported in the previous table:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Cash awards	\$ 77	151

Total unrecognized pre-tax compensation expense related to all share-based compensation arrangements at March 31, 2017 was \$34.7 million and is expected to be recognized over a weighted-average period of 2.2 years.

11. EMPLOYEE BENEFIT PLANS

Components of net pension expense were as follows:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Pension Benefits		
Company-administered plans:		
Service cost	\$ 3,249	3,400
Interest cost	21,489	22,240
Expected return on plan assets	(22,478)	(23,085)
Amortization of:		
Net actuarial loss	8,450	7,965
Prior service cost	145	—
	10,855	10,520
Union-administered plans	2,502	2,322
Net pension expense	\$ 13,357	12,842
Company-administered plans:		
U.S.	\$ 11,311	11,175
Non-U.S.	(456)	(655)
	10,855	10,520
Union-administered plans	2,502	2,322
Net pension expense	\$ 13,357	12,842

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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During the three months ended March 31, 2017, we contributed \$3.7 million to our pension plans. In 2017, the expected total contributions to our pension plans are approximately \$ 23.7 million. We also maintain other postretirement benefit plans that are not reflected in the above table. The amount of postretirement benefit expense was not material for the three months ended March 31, 2017.

12. OTHER ITEMS IMPACTING COMPARABILITY

During the three months ended March 31, 2017, we determined that certain operating tax expenses related to prior periods had not been recognized in prior period earnings. We recorded a one-time charge of \$2.2 million within "Selling, general and administrative expenses" in our Consolidated Condensed Statement of Earnings as the impact of the adjustment was not material to our consolidated condensed financial statements in any individual prior period, and the cumulative amount is not material to the first quarter 2017 results.

13. OTHER MATTERS

We are a party to various claims, complaints and proceedings arising in the ordinary course of our continuing business operations including, but not limited to, those relating to commercial and employment claims, environmental matters, risk management matters (e.g., vehicle liability, workers' compensation, etc.) and administrative assessments primarily associated with operating taxes. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. We believe that the resolution of these claims, complaints and legal proceedings will not have a material effect on our consolidated condensed financial statements.

Our estimates regarding potential losses and materiality are based on our judgment and assessment of the claims utilizing currently available information. Although we will continue to reassess our reserves and estimates based on future developments, our objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from our current estimates.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information was as follows:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Interest paid	\$ 31,441	34,421
Income taxes paid	3,107	4,750
Changes in accounts payable related to purchases of revenue earning equipment	74,766	(77,486)
Operating and revenue earning equipment acquired under capital leases	1,607	240

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

15. SEGMENT REPORTING

Our operating segments are aggregated into reportable business segments based upon similar economic characteristics, products, services, customers and delivery methods. We report our financial performance in three business segments: (1) FMS, which provides leasing, commercial rental and maintenance of trucks, tractors and trailers to customers principally in the U.S., Canada and the U.K.; (2) DTS, which provides vehicles and drivers as part of a dedicated transportation solution in the U.S.; and (3) SCS, which provides comprehensive supply chain solutions including distribution and transportation services in North America and Asia. Dedicated transportation services provided as part of an integrated, multi-service, supply chain solution to SCS customers are reported in the SCS business segment.

Our primary measurement of segment financial performance, defined as segment "Earnings Before Tax" (EBT) from continuing operations, includes an allocation of Central Support Services (CSS) and excludes non-operating pension costs and the operating tax adjustment discussed in Note 12 "Other Items Impacting Comparability." CSS represents those costs incurred to support all business segments, including human resources, finance, corporate services, public affairs, information technology, health and safety, legal, marketing and corporate communications. The objective of the EBT measurement is to provide clarity on the profitability of each segment and, ultimately, to hold leadership of each segment accountable for their allocated share of CSS costs. Certain costs are considered to be overhead not attributable to any segment and remain unallocated in CSS. Included among the unallocated overhead remaining within CSS are the costs for investor relations, public affairs and certain executive compensation. CSS costs attributable to the business segments are predominantly allocated to FMS, DTS and SCS as follows:

- *Finance, corporate services, and health and safety* — allocated based upon estimated and planned resource utilization;
- *Human resources* — individual costs within this category are allocated under various methods, including allocation based on estimated utilization and number of personnel supported;
- *Information technology* — principally allocated based upon utilization-related metrics such as number of users or minutes of CPU time. Customer-related project costs and expenses are allocated to the business segment responsible for the project; and
- *Other* — represents legal and other centralized costs and expenses including certain share-based incentive compensation costs. Expenses, where allocated, are based primarily on the number of personnel supported.

RYDER SYSTEM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(unaudited)

Our FMS segment leases revenue earning equipment and provides fuel, maintenance and other ancillary services to the DTS and SCS segments. Inter-segment revenue and EBT are accounted for at rates similar to those executed with third parties. EBT related to inter-segment equipment and services billed to DTS and SCS customers (equipment contribution) are included in both FMS and the segment that served the customer and then eliminated (presented as “Eliminations”).

The following tables set forth financial information for each of our segments and provide a reconciliation between segment EBT and earnings from continuing operations before income taxes for the three months ended March 31, 2017 and 2016. Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented.

	FMS	DTS	SCS	Eliminations	Total
	(In thousands)				
For the three months ended March 31, 2017					
Revenue from external customers	\$ 1,018,740	266,674	462,749	—	1,748,163
Inter-segment revenue	113,730	—	—	(113,730)	—
Total revenue	<u>\$ 1,132,470</u>	<u>266,674</u>	<u>462,749</u>	<u>(113,730)</u>	<u>1,748,163</u>
Segment EBT	<u>\$ 52,108</u>	<u>11,279</u>	<u>27,446</u>	<u>(11,216)</u>	<u>79,617</u>
Unallocated CSS					(10,213)
Non-operating pension costs					(7,243)
Other items ⁽¹⁾					(2,205)
Earnings from continuing operations before income taxes					<u>\$ 59,956</u>
Segment capital expenditures paid ⁽²⁾	<u>\$ 344,355</u>	<u>768</u>	<u>10,998</u>	<u>—</u>	<u>356,121</u>
Unallocated CSS capital expenditures paid					5,218
Capital expenditures paid					<u>\$ 361,339</u>
For the three months ended March 31, 2016					
Revenue from external customers	\$ 996,115	244,842	388,715	—	1,629,672
Inter-segment revenue	101,813	—	—	(101,813)	—
Total revenue	<u>\$ 1,097,928</u>	<u>244,842</u>	<u>388,715</u>	<u>(101,813)</u>	<u>1,629,672</u>
Segment EBT	<u>\$ 83,301</u>	<u>14,268</u>	<u>19,796</u>	<u>(11,744)</u>	<u>105,621</u>
Unallocated CSS					(10,045)
Non-operating pension costs					(6,868)
Earnings from continuing operations before income taxes					<u>\$ 88,708</u>
Segment capital expenditures paid ⁽²⁾	<u>\$ 560,285</u>	<u>517</u>	<u>7,323</u>	<u>—</u>	<u>568,125</u>
Unallocated CSS capital expenditures paid					6,906
Capital expenditures paid					<u>\$ 575,031</u>

(1) See Note 12, "Other Items Impacting Comparability," for additional information.

(2) Excludes revenue earning equipment acquired under capital leases.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the unaudited Consolidated Condensed Financial Statements and notes thereto included under Item 1. In addition, reference should be made to our audited Consolidated Financial Statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2016 Annual Report on Form 10-K.

Ryder System, Inc. (Ryder) is a global leader in transportation and supply chain management solutions. We report our financial performance based on three segments: (1) FMS, which provides leasing, commercial rental, and maintenance of trucks, tractors and trailers to customers principally in the U.S., Canada and the U.K.; (2) DTS, which provides vehicles and drivers as part of a dedicated transportation solution in the U.S.; and (3) SCS, which provides comprehensive supply chain solutions including distribution and transportation services in North America and Asia. Dedicated transportation services provided as part of an integrated, multi-service, supply chain solution to SCS customers are reported in the SCS business segment.

We operate in highly competitive markets. Our customers select us based on numerous factors including service quality, price, technology and service offerings. As an alternative to using our services, customers may choose to provide these services for themselves, or may choose to obtain similar or alternative services from other third-party vendors. Our customer base includes enterprises operating in a variety of industries including automotive, industrial, food and beverage service, consumer packaged goods (CPG), transportation and warehousing, technology and healthcare, retail, housing, business and personal services, and paper and publishing.

In 2016, we expanded our full service lease product line to provide lease customers additional flexibility, choice and control in fleet management, and we renamed the lease product to ChoiceLease. Our ChoiceLease product line allows customers to select the level of maintenance they prefer in their leases, from full service or total bumper-to-bumper coverage to on demand or pay-as-you-go maintenance. We also combined and renamed our historical contract maintenance and our contract-related maintenance product offerings to SelectCare. Our SelectCare product line allows customers to select the level of maintenance to keep their fleet running properly, as well as the option to choose where they want their service delivered. Beginning in 2017, FMS is reporting using these new product names.

This MD&A includes certain non-GAAP financial measures. Please refer to the "Non-GAAP Financial Measures" section of this MD&A for information on the non-GAAP measures included in the MD&A, reconciliations to the most comparable GAAP financial measure and the reasons why we believe each measure is useful to investors.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

Operating results were as follows:

	Three months ended March 31,		Change
	2017	2016	2017/2016
(In thousands, except per share amounts)			
Total revenue	\$ 1,748,163	1,629,672	7 %
Operating revenue ⁽¹⁾	1,445,126	1,406,013	3 %
<hr/>			
EBT	\$ 59,956	88,708	(32)%
Comparable EBT ⁽²⁾	69,404	95,576	(27)%
Earnings from continuing operations	38,279	56,185	(32)%
Comparable earnings from continuing operations ⁽²⁾	44,164	60,145	(27)%
Net earnings	38,149	55,794	(32)%
<hr/>			
Earnings per common share (EPS) — Diluted			
Continuing operations	\$ 0.71	1.05	(32)%
Comparable ⁽²⁾	0.82	1.12	(27)%
Net earnings	0.71	1.04	(32)%

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for a reconciliation of total revenue to operating revenue and the reasons why management believes this measure is important to investors.

(2) Non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section for a reconciliation of EBT, net earnings and earnings per diluted common share to the comparable measures and the reasons why management believes these measures are important to investors.

Total revenue and operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 7% and 3% , respectively, in the first quarter of 2017 . Total revenue increased due to higher operating revenue and increased subcontracted transportation passed through to customers, reflecting new business and higher volumes, as well as higher fuel costs passed through to customers. Total revenue growth was partially offset by negative impacts from foreign exchange. Operating revenue increased due to higher ChoiceLease revenue and higher revenue in the SCS and DTS business segments, partially offset by lower commercial rental revenue and, to a lesser extent, negative impacts from foreign exchange. EBT decreased 32% in the first quarter of 2017 , reflecting lower commercial rental and used vehicle sales results in FMS and higher insurance and vehicle maintenance costs in DTS, partially offset by increased volumes and higher pricing in SCS.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

CONSOLIDATED RESULTS

Lease and Rental

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Lease and rental revenues	\$ 767,590	767,754	— %
Cost of lease and rental	578,762	552,490	5 %
Gross margin	188,828	215,264	(12)%
Gross margin %	25%	28%	

Lease and rental revenues represent revenues from our ChoiceLease and commercial rental product offerings within our FMS segment. Revenues were approximately \$768 million in the first quarter of 2017, consistent with the first quarter of 2016. For 2017, higher ChoiceLease revenue, driven by growth in the ChoiceLease fleet and higher prices on replacement vehicles, was offset by lower commercial rental revenue reflecting lower demand and, to a lesser extent, a negative impact from foreign exchange. For the first quarter, foreign exchange negatively impacted revenue growth by 100 basis points.

Cost of lease and rental represents the direct costs related to lease and rental revenues. These costs consist of depreciation of revenue earning equipment, maintenance costs (primarily repair parts and labor), and other costs such as licenses, insurance and operating taxes. Cost of lease and rental excludes interest costs from vehicle financing. Cost of lease and rental increased 5% in the first quarter, primarily due to higher depreciation and maintenance costs from a larger average lease fleet (3% higher in the first quarter) and accelerated depreciation on vehicles expected to be made available for sale through June 2018 of \$9 million, partially offset by lower depreciation on a smaller average rental fleet (9% lower in the first quarter). Cost of lease and rental also increased by approximately \$1 million in the first quarter of 2017, due to changes in estimated residual values effective January 1, 2017. For the first quarter, foreign exchange also reduced cost of lease and rental by 100 basis points.

Lease and rental gross margin decreased 12% in the first quarter of 2017 to \$188.8 million and gross margin as a percentage of revenue decreased to 25% in the first quarter of 2017. The decrease in gross margin dollars and as a percentage of revenue in the first quarter of 2017 was due to lower commercial rental demand and higher maintenance costs.

Services

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Services revenue	\$ 851,867	759,127	12%
Cost of services	714,080	631,714	13%
Gross margin	137,787	127,413	8%
Gross margin %	16%	17%	

Services revenue represents all the revenues associated with our DTS and SCS segments, as well as SelectCare and fleet support services associated with our FMS segment. Services revenue increased 12% in the first quarter, primarily due to increased volumes, new business and higher pricing in the SCS and DTS segments. Services revenue also benefited from higher fuel prices passed through to our DTS and SCS customers. For the first quarter, foreign exchange negatively impacted revenue growth by 100 basis points.

Cost of services represents the direct costs related to services revenue and is primarily comprised of salaries and employee-related costs, subcontracted transportation (purchased transportation from third parties), fuel, vehicle liability costs and maintenance costs. Cost of services increased 13% in the first quarter of 2017 due to higher volumes and higher fuel costs in SCS and DTS and higher insurance and vehicle maintenance costs in DTS. For the first quarter, foreign exchange reduced cost of services by 100 basis points.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

Services gross margin increased 8% to \$137.8 million and decreased as a percentage of revenue to 16% . The increase in gross margin dollars reflects benefits from increased volumes, new business and higher pricing in our SCS segment, partially offset by higher insurance and vehicle maintenance costs in DTS. The decline in gross margin as a percentage of revenue reflects higher insurance costs and lost business in DTS.

Fuel

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Fuel services revenue	\$ 128,706	102,791	25 %
Cost of fuel services	125,850	98,901	27 %
Gross margin	2,856	3,890	(27)%
Gross margin %	2%	4%	

Fuel services revenue represents fuel services provided to our FMS customers. Fuel services revenue increased 25% in the first quarter due to higher fuel prices passed through to customers.

Cost of fuel services includes the direct costs associated with providing our customers with fuel. These costs include fuel, salaries and employee-related costs of fuel island attendants and depreciation of our fueling facilities and equipment. Cost of fuel services increased 27% in the first quarter as a result of higher fuel prices.

Fuel services gross margin decreased 27% to \$2.9 million and fuel services gross margin as a percentage of revenue decreased to 2% in the first quarter of 2017 . Fuel is largely a pass-through to customers for which we realize minimal changes in margin during periods of steady market fuel prices. However, fuel services margin is impacted by sudden increases or decreases in market fuel prices during a short period of time, as customer pricing for fuel is established based on trailing market fuel costs. Fuel services gross margin in the first quarter of 2017 was adversely impacted by these price change dynamics as compared to the first quarter of 2016 .

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Other operating expenses	\$ 31,271	30,151	4%

Other operating expenses include costs related to our owned and leased facilities within the FMS segment, such as facility depreciation, rent, purchased insurance, utilities and taxes. These facilities are utilized to provide maintenance to our ChoiceLease, rental, and SelectCare customers. Other operating expenses increased to \$31.3 million due to higher utility costs for FMS facilities.

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Selling, general and administrative expenses (SG&A)	\$ 201,761	204,403	(1)%
Percentage of total revenue	12%	13%	

SG&A expenses decreased 1% in the first quarter primarily due to lower compensation-related expenses and foreign exchange. Foreign exchange reduced the growth in SG&A expenses by 100 basis points . SG&A expenses as a percent of total revenue decreased to 12% due to lower compensation-related expenses.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Non-service retirement benefit costs	\$ 7,330	6,810	8%

Non-service retirement benefit costs includes the components of our net periodic benefit cost other than service cost. These components include interest cost, expected return on plan assets, amortization of actuarial loss and prior service cost. Non-service retirement benefit costs increased \$0.5 million from the prior year due to the impact of a lower asset return assumption.

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Used vehicle sales, net	\$ 780	19,129	(96)%

Used vehicle sales, net includes gains from sales of used vehicles as well as the selling costs associated with used vehicles and write-downs of vehicles to fair market values. Gains on used vehicles, net decreased to \$0.8 million in the first quarter of 2017, primarily due to a drop in the market value of trucks and tractors. Global average proceeds per unit in the first quarter decreased from the prior year reflecting a 20% decrease in truck proceeds per unit and a 16% decrease in tractor proceeds per unit.

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Interest expense	\$ 34,886	37,889	(8)%
Effective interest rate	2.6%	2.7%	

Interest expense decreased 8% to \$34.9 million in the first quarter of 2017 reflecting a lower effective interest rate and a lower average outstanding debt. The lower effective interest rate in 2017 reflects the replacement of higher interest rate debt with debt issuances at lower rates. The decrease in average outstanding debt reflects lower planned vehicle capital spending.

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Miscellaneous income, net	\$ 4,953	2,265	119%

Miscellaneous income, net consists of investment income on securities used to fund certain benefit plans, interest income, gains from sales of operating property, foreign currency transaction gains (losses) and other non-operating items. The increase in the first quarter is primarily driven by increased rabbi trust investment income, partially offset by foreign currency transaction losses.

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Provision for income taxes	\$ 21,677	32,523	(33)%
Effective tax rate from continuing operations	36.2%	36.7%	

Provision for income taxes decreased 33% in the first quarter. The decrease in the provision for income taxes reflects lower taxable earnings and a lower effective income tax rate. The decrease in the effective tax rate reflects the reduction of the valuation allowance for foreign deferred income tax assets.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

OPERATING RESULTS BY SEGMENT

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Total Revenue:			
Fleet Management Solutions	\$ 1,132,470	1,097,928	3 %
Dedicated Transportation Solutions	266,674	244,842	9
Supply Chain Solutions	462,749	388,715	19
Eliminations	(113,730)	(101,813)	12
Total	\$ 1,748,163	1,629,672	7 %
Operating Revenue: ⁽¹⁾			
Fleet Management Solutions	\$ 962,216	962,324	— %
Dedicated Transportation Solutions	193,356	190,273	2
Supply Chain Solutions	361,756	322,416	12
Eliminations	(72,202)	(69,000)	5
Total	\$ 1,445,126	1,406,013	3 %
EBT:			
Fleet Management Solutions	\$ 52,108	83,301	(37)%
Dedicated Transportation Solutions	11,279	14,268	(21)
Supply Chain Solutions	27,446	19,796	39
Eliminations	(11,216)	(11,744)	(4)
	79,617	105,621	(25)
Unallocated Central Support Services	(10,213)	(10,045)	2
Non-operating pension costs	(7,243)	(6,868)	5
Other items	(2,205)	—	NM
Earnings from continuing operations before income taxes	\$ 59,956	88,708	(32)%

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for a reconciliation of total revenue to operating revenue, and segment total revenue to segment operating revenue for FMS, DTS and SCS, as well as the reasons why management believes these measures are important to investors.

As part of management's evaluation of segment operating performance, we define the primary measurement of our segment financial performance as "Earnings Before Taxes" (EBT) from continuing operations, which includes an allocation of Central Support Services (CSS), and excludes non-operating pension costs and other items discussed in Note 15, "Segment Reporting," in the Notes to Consolidated Condensed Financial Statements. CSS represents those costs incurred to support all segments, including human resources, finance, corporate services and public affairs, information technology, health and safety, legal, marketing and corporate communications.

The objective of the EBT measurement is to provide clarity on the profitability of each segment and, ultimately, to hold leadership of each segment accountable for their allocated share of CSS costs. Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Certain costs are not attributable to any segment and remain unallocated in CSS, including costs for investor relations, public affairs and certain executive compensation.

Inter-segment revenue and EBT are accounted for at rates similar to those executed with third parties. EBT related to inter-segment equipment and services billed to DTS and SCS customers (equipment contribution) are included in both FMS and the segment that served the customer and then eliminated (presented as "Eliminations" in the table above).

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table sets forth equipment contribution included in EBT for our segments:

	Three months ended March 31,		Change
	2017	2016	2017/2016
(Dollars in thousands)			
Equipment Contribution:			
Dedicated Transportation Solutions	\$ 6,655	7,718	(14)%
Supply Chain Solutions	4,561	4,026	13
Total ⁽¹⁾	<u>\$ 11,216</u>	<u>11,744</u>	<u>(4)%</u>

(1) Total amount is included in FMS EBT.

The decrease in DTS equipment contribution is primarily driven by higher maintenance costs on an older vehicle fleet used in DTS operations. The increase in SCS equipment contribution is primarily driven by higher volumes.

Items excluded from our segment EBT measure and their classification within our Consolidated Condensed Statements of Earnings follow:

Description	Classification	Three months ended March 31,	
		2017	2016
		(In thousands)	
Non-operating pension costs	Non-service retirement benefit costs	\$ (7,243)	(6,868)
Operating tax adjustment ⁽¹⁾	SG&A	(2,205)	—
		<u>\$ (9,448)</u>	<u>(6,868)</u>

(1) See Note 12, "Other Items Impacting Comparability," in the Notes to Consolidated Condensed Financial Statements for a discussion of adjustments.

Fleet Management Solutions

	Three months ended March 31,		Change
	2017	2016	2017/2016
(Dollars in thousands)			
ChoiceLease	\$ 656,312	622,863	5 %
SelectCare	113,609	114,387	(1)
Commercial Rental	174,006	204,837	(15)
Other	18,289	20,237	(10)
Fuel services revenue	170,254	135,604	26
FMS total revenue ⁽¹⁾	<u>\$ 1,132,470</u>	<u>1,097,928</u>	<u>3 %</u>
FMS operating revenue ⁽²⁾	<u>\$ 962,216</u>	<u>962,324</u>	<u>—</u>
FMS EBT	<u>\$ 52,108</u>	<u>83,301</u>	<u>(37)%</u>
FMS EBT as a % of FMS total revenue	<u>4.6%</u>	<u>7.6%</u>	<u>(300) bps</u>
FMS EBT as a % of FMS operating revenue ⁽²⁾	<u>5.4%</u>	<u>8.7%</u>	<u>(330) bps</u>

(1) Includes intercompany fuel sales from FMS to DTS and SCS.

(2) Non-GAAP financial measures. Reconciliations of FMS total revenue to FMS operating revenue, FMS EBT as a % of FMS total revenue to FMS EBT as a % of FMS operating revenue, as well as the reasons why management believes these measures are important to investors are included in the "Non-GAAP Financial Measures" section of this MD&A.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table summarizes the components of the change in FMS revenue on a percentage basis versus the prior year:

	Three months ended March 31, 2017	
	Total	Operating ⁽¹⁾
Organic, including price and volume	1 %	1 %
Fuel	3	—
Foreign exchange	(1)	(1)
Net increase	3 %	— %

(1) Non-GAAP financial measure. A reconciliation of FMS total revenue to FMS operating revenue as well as the reasons why management believes this measure is important to investors is included in the "Non-GAAP Financial Measures" section of this MD&A.

FMS total revenue increased 3% in the first quarter due to higher fuel services revenue, partially offset by negative impacts from foreign exchange. FMS operating revenue in the first quarter was consistent with the prior year as organic growth in the ChoiceLease product line was offset by lower commercial rental revenue and negative impacts from foreign exchange. In the first quarter of 2017, foreign exchange negatively impacted both total and operating revenue growth by 100 basis points.

ChoiceLease revenue increased 5% in the first quarter, reflecting a larger average fleet size and higher prices on replacement vehicles. Foreign exchange negatively impacted ChoiceLease revenue growth by 100 basis points in the first quarter of 2017. We expect favorable ChoiceLease revenue comparisons to continue through the end of the year based on sales activity. Commercial rental revenue decreased 15% in the first quarter due to lower demand. We expect unfavorable commercial rental revenue comparisons through the end of the year based on a weaker demand environment. SelectCare revenue decreased 1% in the first quarter as steady volumes were negatively impacted by foreign exchange.

The following table provides commercial rental statistics on our global fleet:

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Rental revenue from non-lease customers	\$ 106,437	120,702	(12)%
Rental revenue from lease customers ⁽¹⁾	\$ 67,569	84,135	(20)%
Average commercial rental power fleet size — in service ⁽²⁾⁽³⁾	29,540	32,900	(10)%
Commercial rental utilization — power fleet ⁽²⁾	67.2%	70.4%	(320) bps

(1) Represents revenue from rental vehicles provided to our existing ChoiceLease customers, generally in place of a lease vehicle.

(2) Number of units rounded to nearest hundred and calculated using quarterly average unit counts.

(3) Excluding trailers.

FMS EBT decreased 37% in the first quarter of 2017, reflecting lower commercial rental and used vehicle sales results and accelerated depreciation on vehicles expected to be made available for sale through June 2018 of \$9 million, partially offset by lower compensation-related costs including cost savings initiatives. Used vehicle sales results decreased primarily due to lower pricing in the first quarter. Commercial rental results declined from lower demand. Commercial rental utilization declined 320 basis points to 67.2%. ChoiceLease and commercial rental results were negatively impacted by approximately \$1 million of higher depreciation in the first quarter, due to residual value changes implemented January 1, 2017.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

Our global fleet of revenue earning equipment, SelectCare vehicles including vehicles under on-demand maintenance is summarized as follows (number of units rounded to the nearest hundred):

	March 31, 2017	December 31, 2016	March 31, 2016	Change	
				March 2017/Dec. 2016	March 2017/March 2016
End of period vehicle count					
By type:					
Trucks ⁽¹⁾	74,500	73,300	72,900	2 %	2 %
Tractors ⁽²⁾	66,800	67,900	69,000	(2)	(3)
Trailers ^{(3), (4)}	42,800	42,800	42,200	—	1
Other	1,200	1,100	1,300	9	(8)
Total	185,300	185,100	185,400	— %	— %
By ownership:					
Owned	183,900	183,700	183,900	— %	— %
Leased	1,400	1,400	1,500	—	(7)
Total	185,300	185,100	185,400	— %	— %
By product line: ⁽⁴⁾					
ChoiceLease	137,900	136,500	133,300	1 %	3 %
Commercial rental	37,300	37,800	40,100	(1)	(7)
Service vehicles and other	3,400	3,300	3,400	3	—
Active units	178,600	177,600	176,800	1	1
Held for sale	6,700	7,500	8,600	(11)	(22)
Total	185,300	185,100	185,400	— %	— %
Customer vehicles under SelectCare contracts ⁽⁵⁾	50,400	49,000	49,500	3 %	2 %
Total vehicles serviced	235,700	234,100	234,900	1 %	— %
Quarterly average vehicle count					
By product line:					
ChoiceLease	137,100	136,500	132,600	— %	3 %
Commercial rental	37,300	37,800	41,000	(1)	(9)
Service vehicles and other	3,400	3,400	3,400	—	—
Active units	177,800	177,700	177,000	—	—
Held for sale	7,100	7,500	8,500	(5)	(16)
Total	184,900	185,200	185,500	— %	— %
Customer vehicles under SelectCare contracts ⁽⁵⁾	50,100	49,200	48,200	2 %	4 %
Customer vehicles under SelectCare on-demand ⁽⁶⁾	9,300	7,800	7,100	19 %	31 %
Total vehicles serviced	244,300	242,200	240,800	1 %	1 %

(1) Generally comprised of Class 1 through Class 7 type vehicles with a Gross Vehicle Weight (GVW) up to 33,000 pounds.

(2) Generally comprised of over the road on highway tractors and are primarily comprised of Class 8 type vehicles with a GVW of over 33,000 pounds.

(3) Generally comprised of dry, flatbed and refrigerated type trailers.

(4) Includes 4,800 UK trailers (3,000 ChoiceLease and 1,800 commercial rental), 5,300 UK trailers (3,300 ChoiceLease and 2,000 commercial rental) and 5,700 UK trailers (3,700 ChoiceLease and 2,000 commercial rental) as of March 31, 2017, December 31, 2016, and March 31, 2016, respectively.

(5) Excludes customer vehicles under SelectCare on-demand contracts.

(6) Comprised of the number of unique vehicles serviced under on-demand maintenance agreements for the quarterly periods. This does not represent averages for the periods. Vehicles included in the count may have been serviced more than one time during the respective period.

Note: Quarterly amounts were computed using a 6-point average based on monthly information.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table provides a breakdown of our non-revenue earning equipment included in our global fleet count (number of units rounded to nearest hundred):

	March 31, 2017	December 31, 2016	March 31, 2016	Change	
				March 2017/Dec. 2016	March 2017/March 2016
Not yet earning revenue (NYE)	2,700	1,700	2,400	59 %	13 %
No longer earning revenue (NLE):					
Units held for sale	6,700	7,500	8,600	(11)	(22)
Other NLE units	6,200	4,400	4,800	41	29
Total	15,600	13,600	15,800	15 %	(1)%

NYE units represent new vehicles on hand that are being prepared for deployment to a lease customer or into the rental fleet. Preparations include activities such as adding lift gates, paint, decals, cargo area and refrigeration equipment. NYE units increased 13% compared to March 31, 2016, reflecting lease fleet growth and the redeployment of more used vehicles to fulfill lease sales in the prior year. NLE units represent vehicles held for sale and vehicles for which no revenue has been earned in the previous 30 days. Accordingly, these vehicles may be temporarily out of service, being prepared for sale or awaiting redeployment. NLE units decreased 1% compared to March 31, 2016, reflecting lower used vehicle inventories, partially offset by a higher number of units being prepared for sale. We expect NLE levels to decline through the end of the year as a result of lower expected used vehicle inventories and a decline in units being prepared for sale.

Dedicated Transportation Solutions

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
DTS total revenue ⁽¹⁾	\$ 266,674	244,842	9 %
DTS operating revenue ⁽²⁾	\$ 193,356	190,273	2 %
DTS EBT	\$ 11,279	14,268	(21)%
DTS EBT as a % of DTS total revenue	4.2%	5.8%	(160) bps
DTS EBT as a % of DTS operating revenue ⁽²⁾	5.8%	7.5%	(170) bps
<i>Memo:</i>			
Average fleet	8,200	8,000	3 %

⁽¹⁾ Includes intercompany fuel sales from FMS to DTS.

⁽²⁾ Non-GAAP financial measures. Reconciliations of DTS total revenue to DTS operating revenue, DTS EBT as a % of DTS total revenue to DTS EBT as a % of DTS operating revenue, as well as the reasons why management believes these measures are important to investors are included in the "Non-GAAP Financial Measures" section of this MD&A.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table summarizes the components of the change in DTS revenue on a percentage basis versus the prior year:

	Three months ended March 31, 2017	
	Total	Operating ⁽¹⁾
Organic, including price and volume	7%	2%
Fuel	2	—
Net increase	9%	2%

(1) *Non-GAAP financial measure. A reconciliation of DTS total revenue to DTS operating revenue, as well as the reasons why management believes this measure is important to investors is included in the "Non-GAAP Financial Measures" section of this MD&A.*

In the first quarter of 2017, DTS total revenue increased 9% reflecting higher operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) and increased subcontracted transportation resulting from new business, as well as higher fuel costs passed through to customers. DTS operating revenue increased 2% due to higher pricing and increased volumes. We expect DTS total revenue and DTS operating revenue comparisons to remain favorable through the end of the year; however, at a lower growth rate than prior year levels. DTS EBT decreased 21% in the first quarter of 2017, primarily due to higher insurance costs and higher maintenance costs on an older vehicle fleet.

Supply Chain Solutions

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Automotive	\$ 148,348	129,124	15%
Technology and healthcare	62,897	57,438	10
CPG and Retail	114,055	108,602	5
Industrial and other	36,456	27,252	34
Subcontracted transportation	82,479	51,979	59
Fuel ⁽¹⁾	18,514	14,320	29
SCS total revenue	\$ 462,749	388,715	19%
SCS operating revenue ⁽²⁾	\$ 361,756	322,416	12%
SCS EBT	\$ 27,446	19,796	39%
SCS EBT as a % of SCS total revenue	5.9%	5.1%	80 bps
SCS EBT as a % of SCS operating revenue ⁽²⁾	7.6%	6.1%	150 bps
<i>Memo:</i>			
Average fleet	7,700	6,900	12%

(1) *Includes intercompany fuel sales from FMS to SCS.*

(2) *Non-GAAP financial measures. Reconciliations of SCS total revenue to SCS operating revenue, SCS EBT as a % of SCS total revenue to SCS EBT as a % of SCS operating revenue, as well as the reasons why management believes these measures are important to investors are included in the "Non-GAAP Financial Measures" section of this MD&A.*

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table summarizes the components of the change in SCS revenue on a percentage basis versus the prior year:

	Three months ended March 31, 2017	
	Total	Operating ⁽¹⁾
Organic, including price and volume	19 %	13 %
Fuel	1	—
Foreign exchange	(1)	(1)
Net increase	19 %	12 %

(1) Non-GAAP financial measure. A reconciliation of SCS total revenue to SCS operating revenue, as well as the reasons why management believes this measure is important to investors is included in the "Non-GAAP Financial Measures" section of this MD&A.

In the first quarter of 2017, SCS total revenue increased 19% as growth reflects higher operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) and increased subcontracted transportation passed through to customers resulting from new business. SCS operating revenue increased 12% in the first quarter of 2017, primarily due to increased volumes, new business and higher pricing, partially offset by a negative impact from foreign exchange. We expect SCS total revenue and SCS operating revenue comparisons to remain favorable through the end of the year; however, at a lower growth rate. SCS EBT increased 39% in the first quarter of 2017 due to increased volumes and higher pricing.

Central Support Services

	Three months ended March 31,		Change
	2017	2016	2017/2016
	(Dollars in thousands)		
Human resources	\$ 4,160	4,524	(8)%
Finance	14,796	14,774	—
Corporate services and public affairs	2,406	2,455	(2)
Information technology	21,232	19,908	7
Legal and safety	6,537	6,638	(2)
Marketing	3,432	3,710	(7)
Other	6,137	6,726	(9)
Total CSS	58,700	58,735	—
Allocation of CSS to business segments	(48,487)	(48,690)	—
Unallocated CSS	\$ 10,213	10,045	2 %

Total CSS costs were unchanged in the first quarter as higher information technology costs were offset by lower compensation-related costs. Unallocated CSS increased slightly in the first quarter to \$10.2 million.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

The following is a summary of our cash flows from continuing operations:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$ 331,349	368,002
Financing activities	(106,215)	60,512
Investing activities	(247,130)	(429,044)
Effect of exchange rates on cash	1,501	(3,508)
Net change in cash and cash equivalents	\$ (20,495)	(4,038)

Cash provided by operating activities decreased to \$331 million in the three months ended March 31, 2017, compared with \$368 million in 2016, due to lower earnings and higher working capital needs, partially offset by lower pension contributions. Cash used in financing activities was \$106 million in the three months ended March 31, 2017, compared with cash provided from financing activities of \$61 million in 2016, due to lower borrowing needs. Cash used in investing activities decreased to \$247 million in the three months ended March 31, 2017, compared with \$429 million in 2016, primarily due to lower payments for capital expenditures.

The following table shows our free cash flow computation:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Net cash provided by operating activities from continuing operations	\$ 331,349	368,002
Sales of revenue earning equipment ⁽¹⁾	95,617	119,188
Sales of operating property and equipment ⁽¹⁾	892	1,410
Collections on direct finance leases and other items ⁽¹⁾	16,265	25,610
Total cash generated ⁽²⁾	444,123	514,210
Purchases of property and revenue earning equipment ⁽¹⁾	(361,339)	(575,031)
Free cash flow ⁽²⁾	\$ 82,784	(60,821)

Memo:		
Net cash (used in) provided by financing activities	\$ (106,215)	60,512
Net cash used in investing activities	\$ (247,130)	(429,044)

⁽¹⁾ Included in cash flows from investing activities.

⁽²⁾ Non-GAAP financial measures. Reconciliations of net cash provided by operating activities to total cash generated and to free cash flow are set forth in this table. Refer to the "Non-GAAP Financial Measures" section of this MD&A for the reasons why management believes these measures are important to investors.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table provides a summary of capital expenditures:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Revenue earning equipment:		
ChoiceLease	\$ 316,310	441,041
Commercial rental	93,453	33,315
	409,763	474,356
Operating property and equipment	26,342	23,189
Total capital expenditures	436,105	497,545
Changes in accounts payable related to purchases of revenue earning equipment	(74,766)	77,486
Cash paid for purchases of property and revenue earning equipment	\$ 361,339	575,031

Capital expenditures decreased 12% to \$436 million in the three months ended March 31, 2017, reflecting planned lower investments in our lease fleet, partially offset by higher planned investments to refresh our commercial rental fleet. We expect full-year 2017 capital expenditures to be approximately \$2 billion. We expect to fund 2017 capital expenditures primarily with internally generated funds and additional debt financing.

Financing and Other Funding Transactions

We utilize external capital primarily to support working capital needs and growth in our asset-based product lines. The variety of debt financing alternatives typically available to fund our capital needs include commercial paper, long-term and medium-term public and private debt, asset-backed securities, bank term loans, leasing arrangements and bank credit facilities. Our principal sources of financing are issuances of commercial paper and medium-term notes.

Our ability to access unsecured debt in the capital markets is impacted by both our short-term and long-term debt ratings. These ratings are intended to provide guidance to investors in determining the credit risk associated with particular Ryder securities based on current information obtained by the rating agencies from us or from other sources. Lower ratings generally result in higher borrowing costs, as well as reduced access to unsecured capital markets. A significant downgrade of our short-term debt ratings would impair our ability to issue commercial paper and likely require us to rely on alternative funding sources. A significant downgrade would not affect our ability to borrow amounts under our revolving credit facility described below, assuming ongoing compliance with the terms and conditions of the credit facility.

Our debt ratings and rating outlooks at March 31, 2017, were as follows:

	Rating Summary		Outlook
	Short-Term	Long-Term	
Fitch Ratings	F-2	A-	Stable
Standard & Poor's Ratings Services	A-2	BBB+	Stable
Moody's Investors Service	P-2	Baa1	Stable (affirmed February 2017)

Cash and cash equivalents totaled \$38 million as of March 31, 2017. As of March 31, 2017, approximately \$18 million was held outside the U.S. and is available to fund operations and other growth of non-U.S. subsidiaries. If we decide to repatriate cash and cash equivalents held outside the U.S., we may be subject to additional U.S. income taxes and foreign withholding taxes. However, our intent is to permanently reinvest these foreign amounts outside the U.S. and our current plans do not demonstrate a need to repatriate these foreign amounts to fund our U.S. operations.

We believe that our operating cash flows, together with our access to the public unsecured bond market, commercial paper market and other available debt financing, will be adequate to meet our operating, investing and financing needs in the foreseeable future. However, there can be no assurance that unanticipated volatility and disruption in the public unsecured debt market or the commercial paper market would not impair our ability to access these markets on terms commercially acceptable to us or at all. If we cease to have access to public bonds, commercial paper and other sources of unsecured borrowings, we would meet our liquidity needs by drawing upon contractually committed lending agreements and/or by seeking other funding sources.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

As of March 31, 2017 , we had the following amounts available to fund operations under the following facilities:

	(In millions)
Global revolving credit facility	\$660
Trade receivables program	\$175

See Note 5 , " Debt ", in the Notes to Consolidated Condensed Financial Statements for a discussion of these debt facilities.

The following table shows the movements in our debt balance:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Debt balance at January 1	\$ 5,391,274	5,502,627
Cash-related changes in debt:		
Net change in commercial paper borrowings	9,513	98,580
Proceeds from issuance of medium-term notes	299,511	298,254
Proceeds from issuance of other debt instruments	179,191	—
Retirement of medium term notes	(350,000)	(300,000)
Other debt repaid	(205,671)	(12,400)
Debt issuance costs paid	(685)	(622)
	(68,141)	83,812
Non-cash changes in debt:		
Fair value adjustment on notes subject to hedging	(2,056)	12,853
Addition of capital lease obligations	1,558	240
Changes in foreign currency exchange rates and other non-cash items	2,243	(92)
Total changes in debt	(66,396)	96,813
Debt balance at March 31	\$ 5,326,225	5,599,440

In accordance with our funding philosophy, we attempt to match the aggregate average remaining re-pricing life of our debt with the aggregate average remaining re-pricing life of our assets. We utilize both fixed-rate and variable-rate debt to achieve this match and generally target a mix of 20% - 40% variable-rate debt as a percentage of total debt outstanding. The variable-rate portion of our total debt (including notional value of swap agreements) was 30% as of March 31, 2017 and December 31, 2016 .

Refer to Note 5 , " Debt ," in the Notes to Consolidated Condensed Financial Statements for further discussion around the global revolving credit facility, the trade receivables program, the issuance of medium-term notes under our shelf registration statement, asset-backed financing obligations and debt maturities.

Ryder's debt to equity ratios were 256% and 263% as of March 31, 2017 and December 31, 2016 , respectively. The debt to equity ratio represents total debt divided by total equity.

Pension Information

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of certain market interest rates. We review pension assumptions regularly and we may, from time to time, make voluntary contributions to our pension plans, which exceed the amounts required by statute. In 2017 , the expected total contributions to our pension plans are approximately \$ 24 million . During the three months ended March 31, 2017 , we contributed \$3.7 million to our pension plans. Changes in interest rates and the market value of the securities held by the plans during 2017 could materially change, positively or negatively, the funded status of the plans and affect the level of pension expense and contributions in 2017 and beyond. See Note 11 , " Employee Benefit Plans ," in the Notes to Consolidated Condensed Financial Statements for additional information.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

Share Repurchases and Cash Dividends

See Note 7 , “ Share Repurchase Programs ,” in the Notes to Consolidated Condensed Financial Statements for a discussion of share repurchases.

In February 2017 , our Board of Directors declared a quarterly cash dividend of \$0.44 per share of common stock.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 , “ Recent Accounting Pronouncements ,” in the Notes to Consolidated Condensed Financial Statements for a discussion of recent accounting pronouncements.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q includes information extracted from consolidated condensed financial information but not required by generally accepted accounting principles (GAAP) to be presented in the financial statements. Certain elements of this information are considered "non-GAAP financial measures" as defined by SEC rules. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance or liquidity prepared in accordance with GAAP. Also, our non-GAAP financial measures may not be comparable to financial measures used by other companies. We provide a reconciliation of each of these non-GAAP financial measures to the most comparable GAAP measure in this non-GAAP financial measures section. We also provide the reasons why management believes each non-GAAP financial measure is useful to investors in this section.

Specifically, we refer to the following non-GAAP financial measures in this Form 10-Q:

Non-GAAP Financial Measure	Comparable GAAP Measure
<u>Operating Revenue Measures :</u>	
Operating Revenue	Total Revenue
FMS Operating Revenue	FMS Total Revenue
DTS Operating Revenue	DTS Total Revenue
SCS Operating Revenue	SCS Total Revenue
FMS EBT as a % of FMS Operating Revenue	FMS EBT as a % of FMS Total Revenue
DTS EBT as a % of DTS Operating Revenue	DTS EBT as a % of DTS Total Revenue
SCS EBT as a % of SCS Operating Revenue	SCS EBT as a % of SCS Total Revenue
<u>Comparable Earnings Measures :</u>	
Comparable Earnings Before Income Tax	Earnings Before Income Tax
Comparable Earnings	Earnings from Continuing Operations
Comparable EPS	EPS from Continuing Operations
<u>Cash Flow Measures :</u>	
Total Cash Generated and Free Cash Flow	Cash Provided by Operating Activities

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

Set forth in the table below is an explanation of each non-GAAP financial measure and why management believes that presentation of each non-GAAP financial measure provides useful information to investors:

Operating Revenue Measures :	
Operating Revenue	<p>Operating revenue is defined as total revenue for Ryder System, Inc. or each business segment (FMS, DTS and SCS), respectively, excluding any (1) fuel and (2) subcontracted transportation. We believe operating revenue provides useful information to investors as we use it to evaluate the operating performance of our core businesses and as a measure of sales activity at the consolidated level for Ryder System, Inc., as well as for each of our business segments. We also use segment EBT as a percentage of segment operating revenue for each business segment for the same reason. Note: FMS EBT, DTS EBT and SCS EBT, our primary measures of segment performance, are not non-GAAP measures.</p> <p><u>Fuel</u> : We exclude FMS, DTS and SCS fuel from the calculation of our operating revenue measures, as fuel is an ancillary service that we provide our customers, which is impacted by fluctuations in market fuel prices, and the costs are largely a pass-through to our customers, resulting in minimal changes in our profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by rapid changes in market fuel prices during a short period of time, as customer pricing for fuel services is established based on trailing market fuel costs.</p> <p><u>Subcontracted transportation</u> : We also exclude subcontracted transportation from the calculation of our operating revenue measures, as these services are also typically a pass-through to our customers and, therefore, fluctuations result in minimal changes to our profitability. While our DTS and SCS business segments subcontract certain transportation services to third party providers, our FMS business segment does not engage in subcontracted transportation and, therefore, this item is not applicable to FMS.</p>
FMS Operating Revenue	
DTS Operating Revenue	
SCS Operating Revenue	
FMS EBT as a % of FMS Operating Revenue	
DTS EBT as a % of DTS Operating Revenue	
SCS EBT as a % of SCS Operating Revenue	
Comparable Earnings Measures :	
Comparable earnings before income tax (EBT)	<p>Comparable EBT, comparable earnings and comparable EPS are defined, respectively, as GAAP EBT, earnings and EPS, all from continuing operations, excluding (1) non-operating pension costs and (2) any other items that are not representative of our business operations. We believe these comparable earnings measures provide useful information to investors and allow for better year-over-year comparison of operating performance.</p> <p><u>Non-Operating Pension Costs</u> : Our comparable earnings measures exclude non-operating pension costs, which include the amortization of net actuarial loss, interest cost and expected return on plan assets components of pension and postretirement costs. We exclude non-operating pension costs because we consider these to be impacted by financial market performance and outside the operational performance of our business.</p> <p><u>Other Items</u> : Our comparable earnings measures also exclude other items that are not representative of our business operations as detailed in the reconciliation table below page 38. These other items vary from period to period and, in some periods, there may be no such items.</p> <p><u>Calculation of comparable tax rate</u> : The comparable provision for income taxes is computed using the same methodology as the GAAP provision for income taxes. Income tax effects of non-GAAP adjustments are calculated based on the statutory tax rates of the jurisdictions to which the non-GAAP adjustments relate.</p>
Comparable earnings	
Comparable earnings per diluted common share (EPS)	

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

Cash Flow Measures :	
Total Cash Generated	<p>We consider total cash generated and free cash flow to be important measures of comparative operating performance, as our principal sources of operating liquidity are cash from operations and proceeds from the sale of revenue earning equipment.</p> <p><u>Total Cash Generated</u> : Total cash generated is defined as the sum of (1) net cash provided by operating activities, (2) net cash provided by the sale of revenue earning equipment and (3) operating property and equipment, (4) collections on direct finance leases and (5) other cash inflows from investing activities. We believe total cash generated is an important measure of total cash flows generated from our ongoing business activities.</p> <p><u>Free Cash Flow</u> : We refer to the net amount of cash generated from operating activities and investing activities (excluding changes in restricted cash and acquisitions) from continuing operations as “free cash flow”. We calculate free cash flow as the sum of (1) net cash provided by operating activities, (2) net cash provided by the sale of revenue earning equipment and (3) operating property and equipment, (4) collections on direct finance leases and (5) other cash inflows from investing activities, less (6) purchases of property and revenue earning equipment. We believe free cash flow provides investors with an important perspective on the cash available for debt service and for shareholders, after making capital investments required to support ongoing business operations. Our calculation of free cash flow may be different from the calculation used by other companies and, therefore, comparability may be limited.</p>
Free Cash Flow	

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table provides a reconciliation of GAAP earnings before taxes (EBT), earnings, and earnings per diluted share (EPS) from continuing operations to comparable EBT, comparable earnings and comparable EPS from continuing operations, which was not provided within the MD&A discussion.

EBT, earnings and diluted EPS from continuing operations in the three months ended March 31, 2017 and 2016, included certain items we do not consider indicative of our business operations and have been excluded from our comparable EBT, comparable earnings and comparable diluted EPS measures. The following table lists a summary of these items, which are discussed in more detail throughout our MD&A and within the Notes to Consolidated Condensed Financial Statements:

	EBT		Earnings		Diluted EPS	
	2017	2016	2017	2016	2017	2016
Three months ended March 31,	(In thousands, except per share amounts)					
EBT/Earnings/EPS	\$ 59,956	88,708	\$ 38,279	56,185	\$ 0.71	1.05
Non-operating pension costs	7,243	6,868	4,208	3,960	0.08	0.07
Operating tax adjustment	2,205	—	1,677	—	0.03	—
Comparable EBT/Earnings/EPS	<u>\$ 69,404</u>	<u>95,576</u>	<u>\$ 44,164</u>	<u>60,145</u>	<u>\$ 0.82</u>	<u>1.12</u>

The following table provides a reconciliation of the provision for income taxes to the comparable provision for income taxes:

	Three months ended March 31,	
	2017	2016
	(Dollars in thousands)	
Provision for income taxes ⁽¹⁾	\$ (21,677)	(32,523)
Income tax effects of non-GAAP adjustments ⁽¹⁾	(3,563)	(2,908)
Comparable provision for income taxes ⁽¹⁾	<u>\$ (25,240)</u>	<u>(35,431)</u>

⁽¹⁾ The comparable provision for income taxes is computed using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on statutory tax rates of the jurisdictions to which the non-GAAP adjustments related.

The following table provides a numerical reconciliation of net cash provided by operating activities to total cash generated and free cash flow for the three months ended March 31, 2017 and 2016 :

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Net cash provided by operating activities from continuing operations	\$ 331,349	368,002
Sales of revenue earning equipment ⁽¹⁾	95,617	119,188
Sales of operating property and equipment ⁽¹⁾	892	1,410
Collections on direct finance leases and other items ⁽¹⁾	16,265	25,610
Total cash generated ⁽²⁾	<u>444,123</u>	<u>514,210</u>
Purchases of property and revenue earning equipment ⁽¹⁾	<u>(361,339)</u>	<u>(575,031)</u>
Free cash flow ⁽²⁾	<u>\$ 82,784</u>	<u>(60,821)</u>
 Memo:		
Net cash (used in) provided by financing activities	\$ (106,215)	60,512
Net cash used in investing activities	\$ (247,130)	(429,044)

⁽¹⁾ Included in cash flows from investing activities.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table provides a reconciliation of total revenue to operating revenue, which was not provided within the MD&A discussion:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
Total revenue	\$ 1,748,163	1,629,672
Fuel	(175,255)	(140,451)
Subcontracted transportation	(127,782)	(83,208)
Operating revenue	<u>\$ 1,445,126</u>	<u>1,406,013</u>

The following table provides a reconciliation of FMS total revenue to FMS operating revenue, which was not provided within the MD&A discussion:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
FMS total revenue	\$ 1,132,470	1,097,928
Fuel ⁽¹⁾	(170,254)	(135,604)
FMS operating revenue	<u>\$ 962,216</u>	<u>962,324</u>
FMS EBT	<u>\$ 52,108</u>	<u>83,301</u>
FMS EBT as a % of FMS total revenue	<u>4.6%</u>	<u>7.6%</u>
FMS EBT as a % of FMS operating revenue	<u>5.4%</u>	<u>8.7%</u>

⁽¹⁾ Includes intercompany fuel sales from FMS to DTS and SCS.

The following table provides a reconciliation of DTS total revenue to DTS operating revenue, which was not provided within the MD&A discussion:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
DTS total revenue	\$ 266,674	244,842
Subcontracted transportation	(45,303)	(31,229)
Fuel ⁽¹⁾	(28,015)	(23,340)
DTS operating revenue	<u>\$ 193,356</u>	<u>190,273</u>
DTS EBT	<u>\$ 11,279</u>	<u>14,268</u>
DTS EBT as a % of DTS total revenue	<u>4.2%</u>	<u>5.8%</u>
DTS EBT as a % of DTS operating revenue	<u>5.8%</u>	<u>7.5%</u>

⁽¹⁾ Includes intercompany fuel sales from FMS to DTS.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

The following table provides a reconciliation of SCS total revenue to SCS operating revenue, which was not provided within the MD&A discussion:

	Three months ended March 31,	
	2017	2016
	(In thousands)	
SCS total revenue	\$ 462,749	388,715
Subcontracted transportation	(82,479)	(51,979)
Fuel ⁽¹⁾	(18,514)	(14,320)
SCS operating revenue	<u>\$ 361,756</u>	<u>322,416</u>
SCS EBT	<u>\$ 27,446</u>	<u>19,796</u>
SCS EBT as a % of SCS total revenue	<u>5.9%</u>	<u>5.1%</u>
SCS EBT as a % of SCS operating revenue	<u>7.6%</u>	<u>6.1%</u>

(1) Includes intercompany fuel sales from FMS to SCS.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

FORWARD-LOOKING STATEMENTS

Forward-looking statements (within the meaning of the Federal Private Securities Litigation Reform Act of 1995) are statements that relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. These statements are often preceded by or include the words "believe," "expect," "intend," "estimate," "anticipate," "will," "may," "could," "should" or similar expressions. This Quarterly Report on Form 10-Q contains forward-looking statements including, but not limited to, statements regarding:

- our expectations in our FMS business segment regarding anticipated ChoiceLease and commercial rental revenue and demand;
- our expectations in our DTS and SCS business segments regarding anticipated operating revenue trends and growth rates;
- our expectations of the long-term residual values of revenue earning equipment;
- the anticipated decline in NLE vehicles in inventory through the end of the year;
- our expectations of operating cash flow and capital expenditures through the end of 2017 ;
- the adequacy of our accounting estimates and reserves for pension expense, compensation expense and employee benefit plan obligations, depreciation and residual value guarantees and income taxes;
- the anticipated timing of payment of restructuring liabilities;
- the adequacy of our fair value estimates of employee incentive awards under our share-based compensation plans, publicly traded debt and other debt;
- our beliefs regarding the default risk of our direct financing lease receivables;
- our ability to fund all of our operating, investing and financial needs for the foreseeable future through internally generated funds and outside funding sources;
- the anticipated impact of fuel price fluctuations;
- our expectations as to return on pension plan assets, future pension expense and estimated contributions;
- our expectations regarding the scope, anticipated outcomes and the adequacy of our loss provisions with respect to certain claims, proceedings and lawsuits;
- our expectations about the need to repatriate foreign cash to the U.S.;
- our ability to access commercial paper and other available debt financing in the capital markets;
- our expectations regarding the future use and availability of funding sources; and
- the anticipated impact of recent accounting pronouncements.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

These statements, as well as other forward-looking statements contained in this Quarterly Report, are based on our current plans and expectations and are subject to risks, uncertainties and assumptions. We caution readers that certain important factors could cause actual results and events to differ significantly from those expressed in any forward-looking statements. These risk factors include, but are not limited to, the following:

- **Market Conditions:**
 - Changes in general economic and financial conditions in the U.S. and worldwide leading to decreased demand for our services, lower profit margins, increased levels of bad debt and reduced access to credit
 - Decreases in freight demand which would impact both our transactional and variable-based contractual business
 - Changes in our customers' operations, financial condition or business environment that may limit their need for, or ability to purchase, our services
 - Further decreases in market demand affecting the commercial rental market and used vehicle sales as well as global economic conditions
 - Volatility in customer volumes and shifting customer demand in the industries serviced by our SCS business
 - Changes in current financial, tax or regulatory requirements that could negatively impact the leasing market
- **Competition:**
 - Advances in technology may require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments
 - Competition from other service providers, some of which have greater capital resources or lower capital costs, or from our customers, who may choose to provide services themselves
 - Continued consolidation in the markets in which we operate which may create large competitors with greater financial resources
 - Our inability to maintain current pricing levels due to economic conditions, demand for services, customer acceptance or competition

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

- Profitability:
 - Our inability to obtain adequate profit margins for our services
 - Lower than expected sales volumes or customer retention levels
 - Lower ChoiceLease sales activity
 - Decreases in commercial rental fleet utilization and pricing
 - Lower than expected used vehicle sales pricing levels and fluctuations in the anticipated proportion of retail versus wholesale sales
 - Loss of key customers in our DTS and SCS business segments
 - Our inability to adapt our product offerings to meet changing consumer preferences on a cost-effective basis
 - The inability of our legacy information technology systems to provide timely access to data
 - Sudden changes in fuel prices and fuel shortages
 - Higher prices for vehicles, diesel engines and fuel as a result of new environmental standards
 - Higher than expected maintenance costs and lower than expected benefits associated with our maintenance initiatives
 - Our inability to successfully execute our asset management initiatives, maintain our fleet at normalized levels and right-size our fleet in line with demand
 - Our inability to redeploy vehicles and prepare vehicles for sale in a cost-efficient manner
 - Our key assumptions and pricing structure of our DTS and SCS contracts prove to be invalid
 - Increased unionizing, labor strikes and work stoppages
 - Difficulties in attracting and retaining drivers and technicians due to driver and technician shortages, which may result in higher costs to procure drivers and technicians and higher turnover rates affecting our customers
 - Our inability to manage our cost structure
 - Our inability to limit our exposure for customer claims
 - Unfavorable or unanticipated outcomes in legal proceedings or uncertain positions
 - Business interruptions or expenditures due to severe weather or natural occurrences

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - (Continued)**

- Financing Concerns:
 - Higher borrowing costs and possible decreases in available funding sources caused by an adverse change in our debt ratings
 - Unanticipated interest rate and currency exchange rate fluctuations
 - Negative funding status of our pension plans caused by lower than expected returns on invested assets and unanticipated changes in interest rates
 - Withdrawal liability as a result of our participation in multi-employer plans
 - Instability in U.S. and worldwide credit markets, resulting in higher borrowing costs and/or reduced access to credit
- Accounting Matters:
 - Impact of unusual items resulting from ongoing evaluations of business strategies, asset or expense valuations, acquisitions, divestitures and our organizational structure
 - Reductions in residual values or useful lives of revenue earning equipment
 - Increases in compensation levels, retirement rate and mortality resulting in higher pension expense; regulatory changes affecting pension estimates, accruals and expenses
 - Increases in health care costs resulting in higher insurance costs
 - Changes in accounting rules, assumptions and accruals
 - Impact of actual insurance claim and settlement activity compared to historical loss development factors used to project future development
- Other risks detailed from time to time in our SEC filings including our 2016 annual report on Form 10-K.

New risk factors emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. As a result, no assurance can be given as to our future results or achievements. You should not place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this Quarterly Report. We do not intend, or assume any obligation, to update or revise any forward-looking statements contained in this Quarterly Report, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to Ryder's exposures to market risks since December 31, 2016. Please refer to the 2016 Annual Report on Form 10-K for a complete discussion of Ryder's exposures to market risks.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the first quarter of 2017, we carried out an evaluation, under the supervision and with the participation of management, including Ryder's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Ryder's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the first quarter of 2017, Ryder's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective.

Changes in Internal Controls over Financial Reporting

During the three months ended March 31, 2017, there were no changes in Ryder's internal control over financial reporting that have materially affected or are reasonably likely to materially affect such internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information with respect to purchases we made of our common stock during the three months ended March 31, 2017:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program ⁽²⁾
January 1 through January 31, 2017	1,625	\$ 78.06	—	1,463,702
February 1 through February 28, 2017	243,911	76.09	220,764	1,242,938
March 1 through March 31, 2017	169	74.47	—	1,242,938
Total	245,705	\$ 76.10	220,764	

(1) During the three months ended March 31, 2017, we purchased an aggregate of 24,941 shares of our common stock in employee-related transactions. Employee-related transactions may include: (i) shares of common stock withheld as payment for the exercise price of options exercised or to satisfy the employees' tax withholding liability associated with our share-based compensation programs and (ii) open-market purchases by the trustee of Ryder's deferred compensation plans relating to investments by employees in our stock, one of the investment options available under the plans.

(2) In December 2015, our Board of Directors authorized a new share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans. Under the December 2015 program, management is authorized to repurchase (i) up to 1.5 million shares of common stock, the sum of which will not exceed the number of shares issued to employees under the Company's employee stock plans from December 1, 2015 to December 9, 2017 plus (ii) 0.5 million shares issued to employees that were not purchased under the Company's previous share repurchase program. The December 2015 program limits aggregate share repurchases to no more than 2 million shares of Ryder common stock. Share repurchases of common stock are made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management may establish prearranged written plans for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the December 2015 program, which allow for share repurchases during Ryder's quarterly blackout periods as set forth in the trading plan.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.4(cc)	Form of Terms and Conditions applicable to 2017 annual cash incentive awards granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan
10.4(dd)	Form of Terms and Conditions applicable to non-qualified stock options granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan
10.4(ee)	Form of Terms and Conditions applicable to performance-based restricted stock rights under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan
10.4(ff)	Form of Terms and Conditions applicable to restricted stock rights granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan
10.4(gg)	Form of Terms and Conditions applicable to restricted stock units granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan
12.1	Calculation of Ratio of Earnings to Fixed Charges
31.1	Certification of Robert E. Sanchez pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Art A. Garcia pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32	Certification of Robert E. Sanchez and Art A. Garcia pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RYDER SYSTEM, INC.

(Registrant)

Date: April 25, 2017

By: /s/ Art A. Garcia

Art A. Garcia

Executive Vice President and Chief Financial Officer

(Principal Financial & Accounting Officer)

**ANNUAL CASH INCENTIVE AWARDS
GRANTED UNDER
AMENDED AND RESTATED
RYDER SYSTEM, INC. 2012 EQUITY AND INCENTIVE COMPENSATION PLAN**

2017 TERMS AND CONDITIONS
(162(m) COVERED EMPLOYEE EXECUTIVE AWARDS)

The following terms and conditions apply to the 2017 annual incentive cash awards (the “Awards”) granted to certain individuals by Ryder System, Inc. (the “Company”) under the Ryder System, Inc. Amended and Restated 2012 Equity and Incentive Compensation Plan (the “Plan”), a description of which is set forth in the relevant Guide to the Annual Incentive Compensation Program (the “Guide”) which references these terms and conditions. No individual shall receive an Award unless the Company has notified the individual of the Award and delivered these Terms and Conditions and the Guide to the individual. Certain terms of the Award, including the performance goals and target payout amounts, are also set forth in the Guide and the payout grids titled “Incentive Payout Components by Position” (“Payout Grid”) applicable to the Participant. The Compensation Committee of the Company’s Board of Directors (the “Committee”) shall administer the Awards in accordance with the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or the Guide.

1. **General** . The Award represents the right to receive a cash payment based on the attainment of certain financial performance goals, on the terms and conditions set forth herein, in Schedule A attached hereto, in the Guide and in the Plan, the applicable terms, conditions and other provisions of which are incorporated by reference herein (collectively, the “Award Documents”). It is intended that any Awards granted to “Covered Employees” as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, including any successor provisions and regulations (the “Code”), shall qualify as “performance-based compensation” for purposes of Section 162(m) of the Code.
 - (a) The Award Documents supersede any and all prior oral representations, promises or guarantees relating to short-term incentives or annual bonuses. All provisions of the Award Documents shall apply unless otherwise prohibited by law. In the event there is an express conflict between the provisions of the Plan and those set forth in the Guide or in these terms and conditions, the terms and conditions of the Plan shall govern. Unless otherwise approved by the Committee, individuals who have written agreements which specifically provide for annual incentive compensation other than that which is provided under the Award or who are participants in any other short-term incentive compensation plan of the Company or its subsidiaries and affiliates are not eligible to receive an Award hereunder. The Company may, in its sole discretion, provide discretionary or other bonuses to Company employees, whether or not they receive an Award.
 - (b) The terms and conditions contained herein may be amended by the Committee as permitted by the Plan; none of the terms and conditions of the Award may be amended or waived without the prior approval of the Committee. Any amendment or waiver not approved by the Committee will be void and have no force or effect. Any employee or officer of the Company who authorizes any such amendment or waiver without the prior approval of the Committee will be subject to disciplinary action up to and including forfeiture of an Award and/or termination of employment (unless otherwise prohibited by law). All decisions and determinations made by the Committee relating to the Awards shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under the Plan.
 2. **Financial Performance Goals; Performance Period** . The Awards are intended to reward Participants for the attainment by the Company of certain performance goals during the period beginning on January
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1, 2017 and ending on December 31, 2017 (the "Performance Period"). The amount payable pursuant to this Award shall be calculated in accordance with the attached Schedule A, subject to the additional terms and conditions of this Award and the Plan.

3. **Payment.** Subject to Sections 4 and 5 below and the provisions of the Guide and the Plan, amounts payable with respect to the Award will be payable in cash to the Participant following the determination of the Company's performance, the calculation of the Award pursuant to Schedule A, and approval by the Committee (or the Board, as the case may be) of the payout. Payment shall be made during the 2018 calendar year, but in no event later than March 15, 2018 (the applicable date, the "Payment Date"), provided that, subject to Section 5 below, the Participant is, on the Payment Date, and has been from the first day of the Performance Period through the Payment Date, continuously employed in good standing by the Company or a Subsidiary. No Participant shall have a vested or accrued right to any payment under the Award. For purposes of these terms and conditions, the Participant shall not be deemed to have terminated his or her employment with the Company and its Subsidiaries if he or she is then immediately thereafter employed by the Company or another Subsidiary. Participation in the Plan and receipt of any payments thereunder is expressly conditioned upon the Participant remaining fully compliant with all Company values, principles, agreements, plans, procedures, protocols and policies and all rules contained in the Award Documents. Notwithstanding anything to the contrary set forth herein, to the fullest extent permitted under applicable law, (i) the Company retains the right, in its sole and absolute discretion, to withhold payment and participation from any Participant who violates or has violated any Company value, principle, agreement, plan, procedure, protocol, policy or the rules contained in the Award Documents even if there are no documented performance issues in the Participant's personnel file and (ii) if the Company has any claim against the Participant for money or assets owed that have not been satisfied by the Participant, the amount otherwise payable pursuant to the Award shall be reduced by any such unpaid claims unless otherwise prohibited by law, including without limitation Section 409A of the Code. The calculation of amounts payable pursuant to the Award with respect to Participants outside of the U.S. will be set forth in the Guide.
 4. **New Hire, Promotion or Transfer.** Participants who are newly hired, promoted, or transferred into or out of eligible positions, and those who move from one eligibility level to another, will receive a pro-rata incentive based on the terms in effect for his or her Management Level position, the portion of time spent in each position during the Performance Period, the annual rate of pay and the target incentive award for the eligible position(s).
 5. **Termination of Employment; Temporary Leave.** Except as specifically set forth below, the Award will terminate and no amounts will be paid under the Award following the termination of the Participant's employment.
 - (a) Resignation by the Participant or Termination by the Company or a Subsidiary: Notwithstanding anything herein to the contrary, (i) with respect to Participants who are entitled to severance benefits under the terms and conditions of any individual agreement or under the Company's Executive Severance Plan, any amounts due will be calculated in accordance with such agreement or plan and (ii) with respect to Participants who are not otherwise entitled to severance benefits under the terms of any individual agreement or the Company's Executive Severance Plan, if any, the Award will terminate and no amounts will be paid under the Award, provided that if a Participant's employment is terminated by the Company after October 1, 2017 but before the Payment Date as a result of a reduction in force by the Company, or a location closing or loss of business, as determined by the Committee, in its sole and absolute discretion, the Participant shall be eligible to receive a payment hereunder on the Payment Date, if the Participant would have received a payment under the Award but for his or her termination. Payment made to a terminated employee pursuant to the preceding sentence shall only be made if the Participant has executed and delivered to the Company a release in favor of the Company in form and substance satisfactory to the Company, which has not been revoked, and shall not be made prior to the effective date of such release.
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- i. Notwithstanding the foregoing, if the Participant is terminated by the Company or a Subsidiary prior to the Payment Date and is subsequently re-employed by the Company or a Subsidiary prior to the Payment Date, such Participant shall be eligible to receive a pro-rata payment on the Payment Date based on the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company.
 - ii. In the event that the Participant voluntarily terminates his or her employment with the Company prior to the Payment Date, (x) if the Participant is re-employed by the Company or a Subsidiary within 90 days of the effective date of such termination, but in any event prior to the Payment Date, the Participant shall be eligible to receive a pro-rata payment on the Payment Date based on the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company; or (y) unless otherwise provided for herein, if the Participant is re-employed by the Company or a Subsidiary more than 90 days after the effective date of such resignation, but in any event before the end of the Performance Period, the Participant shall be eligible to receive a pro-rata payment on the Payment Date based on the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company, after the Participant was re-employed.
- (b) Death or Disability (including Disability Retirement): If the Participant's death or Disability occurs after the end of the Performance Period, the Participant (or his or her Beneficiary, in the event of death) shall receive all amounts otherwise payable to him or her under the Award on the Payment Date. If the death or Disability occurs during the Performance Period and the Participant would have received a payment under the Award but for his or her death or Disability, the Participant (or his or her Beneficiary, in the event of death) will be eligible to receive a pro-rata payment on the Payment Date based on the amount otherwise payable to the Participant and the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company.
- (c) Workers' Compensation or Approved Leave of Absence: Except as otherwise set forth herein, a Participant who takes an approved workers' compensation leave or an approved leave of absence during any portion of the Performance Period and is actively employed for at least 180 days during 2017, as determined by the Company, will be eligible to receive a payment on the Payment Date (to the extent the Participant would have received a payment under the Award but for his or her leave of absence), which will be pro-rated based on the number of days during the Performance Period that the Participant is considered to be an active employee, as determined by the Company.
- (d) Military Leave of Absence: A Participant who takes an approved military leave of absence will be eligible to receive a payment on the Payment Date (to the extent the Participant would have received a payment under the Award but for his or her military leave of absence) based on the Participant's full Eligible Base Salary (as defined on Schedule A) regardless of the number of days worked during the Performance Period.
- (e) Retirement: If the Participant's Retirement occurs after December 31, 2017 (the last day worked) and before the Payment Date, the Participant shall receive all amounts due to him or her under the Award on the Payment Date. If the Participant's Retirement occurs on or prior to December 31, 2017 (the last day worked is December 30 or earlier), the Award will terminate and no amounts will be paid under the Award, unless Section 5(a) or 5(b) applies. As used herein, the term "Retirement" means termination of employment for any reason (other than for Cause or by reason of death or Disability) upon or following attainment of age 55 and completion of 10 years of service, or upon or following attainment of age 65 without regard to years of service.
- (f) Proscribed Activity: If, during the Proscribed Period but prior to a Change of Control, the Participant engages in a Proscribed Activity, then the Company shall have the right to reclaim and receive from
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the Participant all cash paid to the Participant pursuant to Section 3 during the one year period immediately prior to, or at any time following, the date of the Participant's termination of employment.

6. **U.S. Federal, State and Local Income Taxes.** The Participant is solely responsible for the satisfaction of all taxes that may arise in connection with the Award. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the Award an amount equal to the federal (including FICA), state, and local income and payroll taxes and other amounts as may be required by law to be withheld with respect to the Award. Notwithstanding the foregoing, the Company may satisfy any tax obligations it may have in any other jurisdiction outside of the U.S. in any manner it deems, in its sole and absolute discretion, to be necessary or appropriate.
 7. **Section 409A.** All payments made under the Award are intended to constitute short-term deferral amounts excludible from the requirements of Section 409A of the Code and shall be administered in accordance with Section 9.17 of the Plan. In the event that the Participant is required to execute a release of claims to receive payment pursuant to the Award and the 60 day period following the Participant's termination of employment spans two calendar years, notwithstanding any provision herein, payment shall not be made until the later calendar year.
 8. **Change of Control .** Notwithstanding anything herein to the contrary, in the event of a Change of Control of the Company during the Performance Period, (i) with respect to Participants who are entitled to Change of Control benefits under the terms of any individual agreement or any severance plan or arrangement, the amount payable pursuant to this Award will be calculated in accordance with such agreement or plan and (ii) with respect to Participants who are not otherwise entitled to Change of Control benefits under the terms of any individual agreement or any severance plan or arrangement, and whose employment is terminated in connection with or as a result of the Change of Control, upon approval by the Committee, the Participant will be entitled to receive a pro-rata payment based on the number of days during the Performance Period that the Participant is considered to be an active employee, as determined by the Company, assuming target performance. This payment shall be made on or before March 15, 2018.
 9. **Sale of Business .** If a business unit is sold during the Performance Period, the Participants that are employees of such business unit will receive a pro-rata payment based on performance on the Payment Date. Such payment will be made over time or in one lump sum, as determined by the Committee, provided that in any event all payments will be made on or before March 15, 2018.
 10. **Statute of Limitations and Conflicts of Laws.** All rights of action by, or on behalf of the Company or by any shareholder against any past, present, or future member of the Board of Directors, officer, or employee of the Company arising out of or in connection with the Award or the Award Documents, must be brought within three years from the date of the act or omission in respect of which such right of action arises. The Awards and the Award Documents shall be governed by the laws of the State of Florida, without giving effect to principles of conflict of laws, and construed accordingly.
 11. **No Employment Right .** Neither the grant of the Award, nor any action taken hereunder, shall be construed as giving any employee or any Participant any right to be retained in the employ of the Company. The Company is under no obligation to grant Awards hereunder. Nothing contained in the Award Documents shall limit or affect in any manner or degree the normal and usual powers of management, exercised by the officers and the Board of Directors or committees thereof, to change the duties or the character of employment of any employee of the Company or to remove the individual from the employment of the Company at any time, all of which rights and powers are expressly reserved.
 12. **No Assignment .** A Participant's rights and interest under the Award may not be assigned or transferred, except as otherwise provided herein, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the Award to make any payment thereunder.
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13. **Unfunded Plan** . Any amounts owed under the Award shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure payment of any amounts payable under the Award.
14. **Recoupment Policy** . This Award is considered “incentive compensation” under the Company’s Recoupment Policy, in effect from time to time. The Award and any amounts payable hereunder shall be subject to all applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company’s Board of Directors from time to time.
15. **Defend Trade Secrets Act Notice** . Participants are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Participant’s attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.
16. **Definitions** . Capitalized terms used above that are not defined below have the meanings set forth in the Plan. For purposes of these Terms and Conditions:
- (a) “Proscribed Activity” means any of the following:
- (i) the Participant’s breach of any written agreement between the Participant and the Company or any of its Subsidiaries, including any agreement relating to nondisclosure, noncompetition, nonsolicitation and/or nondisparagement, to the extent such agreements are enforceable under applicable law;
 - (ii) the Participant’s direct or indirect unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public;
 - (iii) the Participant’s direct or indirect engaging or becoming a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its Subsidiaries which is engaged or proposes to engage in a business competitive directly or indirectly with the business conducted by the Company or its Subsidiaries in any geographic area where such business of the Company or its Subsidiaries is conducted, provided that the Participant’s investment in 1% or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange shall not be treated as a Proscribed Activity;
 - (iv) the Participant’s direct or indirect, either on the Participant’s own account or for any person, firm or company, soliciting, interfering with or inducing, or attempting to induce, any employee of the Company or any of its Subsidiaries to leave his or her employment or to breach his or her employment agreement;
 - (v) the Participant’s direct or indirect taking away, interfering with relations with, diverting or attempting to divert from the Company or any Subsidiary any business with any customer of the Company or any Subsidiary, including (A) any customer
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that has been solicited or serviced by the Company within one year prior to the date of termination of Participant's employment with the Company and (B) any customer with which the Participant has had contact or association, or which was under the supervision of Participant, or the identity of which was learned by the Participant as a result of Participant's employment with the Company;

- (vi) following the Participant's termination of employment, the Participant's making of any remarks disparaging the conduct or character of the Company or any of its Subsidiaries, or their current or former agents, employees, officers, directors, successors or assigns; or
- (vii) the Participant's failure to cooperate with the Company or any Subsidiary, for no additional compensation (other than reimbursement of expenses), in any litigation or administrative proceedings involving any matters with which the Participant was involved during the Participant's employment with the Company or any Subsidiary.

Notwithstanding the foregoing, nothing in these terms and conditions **restricts or prohibits the Participant from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with, a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Participant does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. The Participant is not required to notify the Company that the Participant has engaged in such communications with the Regulators .**

If the Participant primarily provides services in California, subsection (iii) above shall not apply to the Participant and subsection (v) above shall apply to the Participant only to the extent that the Participant uses or discloses confidential information of the Company or any of its Subsidiaries in performing such Proscribed Activity and to the extent permitted by applicable law.

- (b) "Proscribed Period" means the period beginning on the date of termination of Participant's employment and ending on the later of (A) the one year anniversary of such termination date or (B) if the Participant is entitled to severance benefits in the form of salary continuation, the date on which salary continuation is no longer payable to the Participant.
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Schedule A to [EXECUTIVE NAME]'s
2017 Annual Cash Incentive Award
GRANTED UNDER
AMENDED AND RESTATED
RYDER SYSTEM, INC. 2012 EQUITY AND INCENTIVE COMPENSATION PLAN

The following sets forth the method for calculating the payment amount applicable to the Award to which this Schedule A is attached. This Schedule A shall be subject to the Award Documents. Unless otherwise specified in this Schedule A, all defined terms have the meanings set forth in the Award.

- (a) The amount payable pursuant to the Award shall not exceed [X%] of the Company's Pretax Operating Earnings (the "Maximum Payment"), up to Pretax Operating Earnings of \$300 million, for the Performance Period. As soon as practicable after the end of the Performance Period, the Committee will determine the Company's Pretax Operating Earnings, to the extent applicable, in accordance with generally accepted accounting principles ("GAAP"), provided that, the Committee shall exclude, without duplication, the following items from actual results in determining Pretax Operating Earnings: (i) changes in accounting methods; (ii) non-vehicle asset impairments; (iii) non-recurring acquisition expenses and restructuring charges; (iv) multiemployer pension plan withdrawal liability; and (v) unusual or infrequently occurring income or expense, in each case, other than those included in the Company's 2017 business plan.
- (b) Once the Maximum Payment is calculated pursuant to paragraph (a), the Committee shall apply: (i) the performance metrics (the "EPS/OR Metrics"); (ii) the performance targets (the "EPS/OR Targets"); (iii) the weight given to each performance metric; (iv) the threshold, target and maximum payout amounts (expressed as a percentage of the Participant's Eligible Base Salary) payable if the EPS/OR Targets are achieved; and (v) any other requirements or limitations of the Award approved by the Committee, in each case as applicable to the Participant and specified in the Guide and the Payout Grid, to calculate the amount payable pursuant to this Award. The Committee may, in its sole discretion, increase or decrease the amount calculated pursuant to this paragraph (b), provided that such adjusted amount shall not exceed the Maximum Payment.
- (c) Once established, neither the EPS/OR Metrics, the EPS/OR Targets, nor the provisions of paragraph (a) above shall be changed during the Performance Period; provided that, with respect to the EPS/OR Metrics and the EPS/OR Targets, if the Committee determines that external changes or other unanticipated business conditions have materially affected the fairness of the EPS/OR Metrics or EPS/OR Targets, then the appropriate adjustments may be made (either up or down) during the Performance Period.
- (d) For purposes of the Award, Eligible Base Salary means the annual rate of pay for the Performance Period, excluding all other compensation paid to the Participant during the year, including but not limited to bonuses, incentives, commissions, car allowance, employee benefits, relocation expenses, and any imputed income for which the Participant may be eligible (all as more fully described in the Guide).
- (e) For purposes of this Schedule A, "Pretax Operating Earnings" means Comparable Earnings from Continuing Operations Before Income Tax, as reported in the Company's earnings press release for the fiscal year ending December 31, 2017.

**NON-QUALIFIED STOCK OPTIONS
ISSUED UNDER
AMENDED AND RESTATED
RYDER SYSTEM, INC. 2012 EQUITY AND INCENTIVE COMPENSATION PLAN**

2017 TERMS AND CONDITIONS

The following terms and conditions apply to the non-qualified stock option (“Option”) granted by Ryder System, Inc. (the “Company”) under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan (the “Plan”) during the 2017 calendar year, as specified in the Stock Option Award Notification (the “Notification”) for the Option which references these terms and conditions. Certain terms of the Option, including the number of Shares subject to the Option, the exercise price, the vesting schedule and the expiration date, are set forth in the Notification. The terms and conditions contained herein may be amended by the Compensation Committee of the Company’s Board of Directors (the “Committee”) as permitted by the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or in the Notification.

1. **General.** The Option represents the right to purchase Shares on the terms and conditions set forth herein, in the Notification and the Plan, the applicable terms, conditions and other provisions of which are incorporated by reference herein. A copy of the Plan and the documents that constitute the “Prospectus” for the Plan under the Securities Act of 1933 have been made available to the Participant prior to or along with delivery of the Notification. In the event there is an express conflict between the provisions of the Plan and those set forth in these terms and conditions, the terms and conditions of the Plan shall govern.
 2. **Exercisability of Option.** Subject to Sections 4 and 5 below, the Option shall vest and become exercisable pursuant to the vesting schedule set forth in the Notification and shall remain exercisable until the expiration date set forth in the Notification, or such other expiration date designated by the Committee pursuant to Section 7 of the Plan (the “Expiration Date”).
 3. **Exercise Procedures.** The Option, to the extent exercisable, may be exercised by delivering to the Company’s stock administrator, notice of intent to exercise in the manner designated by the stock administrator on behalf of the Company which may vary based on the Participant’s position with the Company. Payment of the aggregate exercise price and applicable withholding taxes shall be made in the manner, consistent with the Plan and these terms and conditions, designated by the stock administrator on behalf of the Company.
 4. **Termination of Option; Forfeiture.** Notwithstanding the vesting and expiration dates set forth in the Notification, the Option will terminate upon or following the termination of the Participant’s employment with the Company and its Subsidiaries as described below. Except as otherwise provided in Section 4(d) and 5(a) below, upon the Participant’s termination of employment for any reason, the unvested portion of the Option will immediately terminate. For purposes of these terms and conditions, a Participant shall not be deemed to have terminated his or her employment with the Company and its Subsidiaries if he or she is then employed by the Company or another Subsidiary without a break in service.
 - (a) Resignation by the Participant or Termination by the Company or a Subsidiary other than for Cause : Except as otherwise provided in this Section 4 or Section 5(b) below, the vested portion of the Option will terminate at 12:01 a.m. on the 91st day following the Participant’s last day of employment (but not later than the Expiration Date), provided that if the Participant dies during such 90 day period, such portion of the Option will terminate no earlier than 12:01 a.m. on the first anniversary of the date of death (but not later than the Expiration Date) and
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provided further that, if, upon such termination, the Participant is entitled to severance benefits in the form of salary continuation, then the vested portion of the Option will terminate at 12:01 a.m. on the 91st day following the date that salary continuation is no longer payable to the Participant (but not later than the Expiration Date).

Notwithstanding the foregoing, if the Participant is terminated by the Company or a Subsidiary without Cause and is subsequently re-employed by the Company or a Subsidiary prior to 12:01 a.m. on the 91st day following the later of (i) the last day of employment or (ii) if applicable, the date that salary continuation is no longer payable to the Participant, but in either case, not later than the Expiration Date, then the vested, but unexercised, portion of the Options will remain exercisable until the Expiration Date, unless terminated earlier pursuant hereto.

In the event that the Participant voluntarily terminates his or her employment with the Company or a Subsidiary and is subsequently re-employed by the Company or a Subsidiary prior to 12:01 a.m. on the 91st day following the Participant's last day of employment (but not later than the Expiration Date), then the vested, but unexercised, portion of the Options will remain exercisable until the Expiration Date, unless terminated earlier pursuant hereto.

- (b) Retirement: If a Participant's employment terminates for any reason (other than for Cause, death or Disability) at a time when he or she is eligible for Retirement, then the vested portion of the Option will terminate upon the Expiration Date.
 - (c) Termination due to Death: If a Participant's employment terminates on account of the Participant's death, the vested portion of the Option will expire upon the Expiration Date. Following the Participant's death, the right to exercise such vested portion will pass to the Participant's Beneficiary.
 - (d) Termination due to Disability: If a Participant's employment terminates on account of the Participant's Disability, the unvested portion of the Option that would otherwise have become vested during the three years following Disability will continue to vest as scheduled (without regard to subsequent status changes). The vested portion of the Option, including the portion that becomes vested pursuant to the preceding sentence, will expire upon the Expiration Date.
 - (e) Termination for Cause: Notwithstanding the foregoing provisions of this Section 4, the entire Option, including the vested portion, will terminate immediately upon the Participant's termination of employment for Cause. To the extent the Participant exercised any portion of the Option during the one year period immediately prior to the date of such termination of employment for Cause, the Company shall have the right to reclaim and receive from the Participant all Shares delivered to the Participant upon such exercise, or to the extent the Participant has transferred such Shares, the after-tax equivalent value thereof (as of the date the Shares were transferred by the Participant) in cash, and in each case upon receipt thereof, the Company shall return the exercise price paid by the Participant.
 - (f) Proscribed Activity: If, during the Proscribed Period but prior to a Change of Control, the Participant engages in a Proscribed Activity, then any portion of the Option still outstanding shall terminate and the Company shall have the right to reclaim and receive from the Participant all Shares delivered to the Participant upon the exercise of the Option during the one year period immediately prior to, or at any time following, the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the after-tax equivalent value thereof (as of the date the Shares were transferred by the Participant) in cash, and in each case upon receipt thereof, the Company shall return the exercise price paid by the Participant.
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5. ***Change of Control.***

- (a) **Treatment of the Option** : In the event of a Change of Control, the Committee may take such actions with respect to the Option as it deems appropriate pursuant to the Plan; provided that if the Option continues in effect after a Change of Control and the Participant's employment is terminated by the Company without Cause, the Participant terminates employment for Good Reason, or the Participant's employment is terminated on account of death, Disability or Retirement, in each case, upon or within 24 months following the Change of Control, any unvested portion of the Option shall become fully vested upon such termination of employment.
- (b) **Option Termination** : Notwithstanding anything contained herein to the contrary and except as otherwise determined by the Committee prior to a Change of Control in accordance with Section 7 or 8 of the Plan, in the event of a Change of Control, any portion of the Option which is vested as of the Change of Control or becomes vested upon or following the Change of Control (whether pursuant to this Section 5 or otherwise) shall remain outstanding until the Expiration Date, but subject to earlier termination under the circumstances described in Sections 4(e) and (f) above.
- (c) **Termination of Employment Prior to a Change of Control** : For purposes of this Section 5, the term Option shall refer only to those Options that are outstanding at the time of the Change of Control and not to any unvested Options that have terminated pursuant to Section 4 above, provided that, if (i) the Participant's employment was terminated by the Company other than for Cause or Disability during the 12 month period prior to the Change of Control, (ii) during such 12 month period, the Participant does not engage in a Proscribed Activity, and (iii) the Committee determines, in its sole and absolute discretion, that the decision related to such termination was made in contemplation of the Change of Control, within 30 days following the Change of Control, with respect to any portion of the Option which the Participant forfeited upon the Participant's termination of employment, the Participant shall receive a lump sum cash payment per Share equal to the excess, if any, of the Fair Market Value of a Share on the date that the Change of Control occurs, over the exercise price per Share subject to the Option. In addition, in the event that a Participant's employment terminates on account of Disability prior to a Change of Control, any portion of the Option which is unvested and outstanding as of the Change of Control and would otherwise vest during the three years following Disability in accordance with Section 4(d) above shall become fully vested upon the Change of Control.

6. ***U.S. Federal, State and Local Income Withholding.*** The Participant is solely responsible for the satisfaction of all taxes that may arise in connection with the Option, and the Option may not be exercised unless the Participant makes arrangements satisfactory to the Company to ensure that its withholding tax obligations will be satisfied. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the Option, including by withholding Shares otherwise issuable upon the exercise of the Option, an amount equal to the federal (including FICA), state and local income and payroll taxes and other amounts as may be required by law to be withheld with respect to the Option. Notwithstanding the foregoing, the Company may satisfy any tax obligations it may have in any other jurisdiction outside the U.S. in any manner it deems, in its sole and absolute discretion, to be necessary or appropriate.

7. ***Definitions .***

- (a) "Proscribed Activity" means any of the following:
 - (i) the Participant's breach or violation of (A) any written agreement between the Participant and the Company or any of its Subsidiaries, including any agreement relating to nondisclosure, noncompetition, nonsolicitation and/or nondisparagement,
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to the extent such agreements are enforceable under applicable law, or (B) any legal obligation it may have to the Company;

- (ii) the Participant's direct or indirect unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public;
- (iii) the Participant's direct or indirect engaging or becoming a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its Subsidiaries which is engaged or proposes to engage in a business competitive directly or indirectly with the business conducted by the Company or its Subsidiaries in any geographic area where such business of the Company or its Subsidiaries is conducted, provided that the Participant's investment in 1% or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange shall not be treated as a Proscribed Activity;
- (iv) the Participant's direct or indirect, either on the Participant's own account or for any person, firm or company, soliciting, interfering with or inducing, or attempting to induce, any employee of the Company or any of its Subsidiaries to leave his or her employment or to breach his or her employment agreement;
- (v) the Participant's direct or indirect taking away, interfering with relations with, diverting or attempting to divert from the Company or any Subsidiary any business with any customer of the Company or any Subsidiary, including (A) any customer that has been solicited or serviced by the Company within one year prior to the date of termination of the Participant's employment with the Company and (B) any customer with which the Participant has had contact or association, or which was under the supervision of the Participant, or the identity of which was learned by the Participant as a result of the Participant's employment with the Company;
- (vi) following the Participant's termination of employment, the Participant's making of any remarks disparaging the conduct or character of the Company or any of its Subsidiaries, or their current or former agents, employees, officers, directors, successors or assigns; or
- (vii) the Participant's failure to cooperate with the Company or any Subsidiary, for no additional compensation (other than reimbursement of expenses), in any litigation or administrative proceedings involving any matters with which the Participant was involved during the Participant's employment with the Company or any Subsidiary.

Notwithstanding the foregoing, nothing in these terms and conditions restricts or prohibits the Participant from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with, a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Participant does not need the prior authorization of the Company to engage

in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. The Participant is not required to notify the Company that the Participant has engaged in such communications with the Regulators.

If the Participant primarily provides services in California, subsection (iii) above shall not apply to the Participant and subsection (v) above shall apply to the Participant only to the extent that the Participant uses or discloses confidential information of the Company or any of its Subsidiaries in performing such Proscribed Activity and to the extent permitted by applicable law.

- (b) “Proscribed Period” means the period beginning on the date of termination of the Participant’s employment and ending on the later of (A) the one year anniversary of such termination date or (B) if the Participant is entitled to severance benefits in the form of salary continuation, the date on which salary continuation is no longer payable to the Participant.
- (c) “Retirement” means termination of employment for any reason (other than for Cause or by reason of death or Disability) upon or following attainment of age 55 and completion of 10 years of service, or upon or following attainment of age 65 without regard to years of service; provided that, Retirement shall not be deemed to occur unless such termination of service constitutes a separation from service, as defined by Section 409A of the Code.

- 8. **Company Policies.** The Option and any Shares or cash delivered pursuant to the Option shall be subject to all applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company’s Board of Directors from time to time.
- 9. **Other Benefits .** No amount accrued or paid under this Award shall be deemed compensation for purposes of computing a Participant’s benefits under any retirement plan of the Company or its Subsidiaries, nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the Participant’s level of compensation.
- 10. **Defend Trade Secrets Act Notice .** Participants are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Participant’s attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

**PERFORMANCE-BASED RESTRICTED STOCK RIGHTS (TSR and ROC)
ISSUED UNDER
AMENDED AND RESTATED
RYDER SYSTEM, INC. 2012 EQUITY AND INCENTIVE COMPENSATION PLAN**

2017 TERMS AND CONDITIONS

The following terms and conditions apply to the 2017 performance-based restricted stock rights (the “PBRsRs”) granted by Ryder System, Inc. (the “Company”) under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan (the “Plan”), as specified in the Performance-Based Restricted Stock Right Award Notification (the “Notification”) which references these terms and conditions. Certain terms of the PBRsRs, including the number of Shares underlying the PBRsRs, are set forth in the Notification. The Compensation Committee of the Company’s Board of Directors (the “Committee”) shall administer the PBRsRs in accordance with the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or in the Notification.

1. **General** . Each PBRsR represents the right to receive one Share on a future date based upon the attainment of certain financial performance goals and continued employment, on the terms and conditions set forth herein, in the Notification and in the Plan, the applicable terms, conditions and other provisions of which are incorporated by reference herein (collectively, the “Award Documents”). A copy of the Plan and the documents that constitute the “Prospectus” for the Plan under the Securities Act of 1933 have been made available to the Participant prior to or along with delivery of the Notification. In the event there is an express conflict between the provisions of the Plan and those set forth in any other Award Document, the terms and conditions of the Plan shall govern. It is intended that the PBRsRs qualify as “performance-based compensation” for purposes of Section 162(m) of the Code.

The terms and conditions contained herein may be amended by the Committee as permitted by the Plan; none of the terms and conditions of the PBRsRs may be amended or waived without the prior approval of the Committee. Any amendment or waiver not approved by the Committee will be void and have no force or effect. Any employee or officer of the Company who authorizes any such amendment or waiver without the prior approval of the Committee will be subject to disciplinary action up to and including forfeiture of his or her PBRsRs and/or termination of employment (unless otherwise prohibited by law). All decisions and determinations made by the Committee relating to the PBRsRs shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under the Plan.

2. **Financial Performance Goals** .

Fifty percent (50%) of the number of PBRsRs subject to an Award as set forth in the Notification (the “Target PBRsRs”) will accrue based on the Company’s Return on Capital and fifty percent (50%) of the Target PBRsRs will accrue based on the Company’s TSR Rank (as defined in this Section 2, in each case as further described herein).

Return on Capital

With respect to each ROC Performance Period, the Company’s ROC, as finally determined by the Committee pursuant to this Section 2, will be measured annually against a Maximum ROC, Target ROC and Threshold ROC, and the right to one-third of the ROC PBRsR Award will accrue for each ROC Performance Period (referred to as the ROC Accrued PBRsR for the ROC Performance Period), based on the following schedule:

<u>Company's ROC</u>	<u>ROC Accrual Percentage</u>
Maximum ROC	150%
Target ROC	100%
Threshold ROC	25%
Below Threshold ROC	0%

For purposes of the schedule above, by March 31 of each ROC Performance Period, the Committee will determine the Maximum ROC, Target ROC and Threshold ROC for such ROC Performance Period. If the Company's ROC falls between the measuring points on the foregoing schedule, the ROC Accrual Percentage for such ROC Performance Period will be determined proportionally between the measuring points. Any fractional PBRSR resulting from the vesting of the PBRSRs shall be rounded down to the nearest whole number.

As soon as practicable after the end of the applicable ROC Performance Period, the Committee will determine the attainment of the applicable performance goals, to the extent applicable, in accordance with generally accepted accounting principles ("GAAP"), provided that the Committee may exclude or include certain items from actual results in determining performance including (i) changes in accounting principle, standard or policy; (ii) changes in law or regulation; (iii) asset impairments; (iv) restructuring charges; (v) discontinued operations; and (vi) non-operational or non-recurring items, in each case, other than those included in the Target ROC for the relevant ROC Performance Period, consistent with the requirements of "performance-based compensation" under Section 162(m) of the Code, as applicable.

TSR Rank

At the end of each TSR Performance Period, the Company TSR and the Total Shareholder Return of the companies included in the Comparator Group for that TSR Performance Period will be ranked from highest to lowest, with the Company's rank being defined as the "Company's TSR Rank". The right to one-third of the TSR PBRSR Award will accrue for each TSR Performance Period (referred to as the TSR Accrued PBRSR for the TSR Performance Period), based on the following schedule:

<u>Company's TSR Rank</u>	<u>TSR Accrual Percentage</u>
1 - 4	150%
5	145%
6	140%
7	135%
8	130%
9	125%
10	120%
11	115%
12	110%
13	105%
14	100%
15	90%
16	80%
17	70%
18	60%
19	50%
20	40%
21	30%
22 - 27	0%

If any company in the Comparator Group does not have a stock price that is quoted on a national securities exchange during the last ten (10) trading days of the applicable TSR Performance Period, such company will be deleted from the Comparator Group effective at the beginning of such TSR Performance Period. Notwithstanding the foregoing, if any company(ies) in the Comparator Group file for bankruptcy, become insolvent or dissolve prior to the end of the applicable TSR Performance Period, such company(ies) will be deemed to be ranked last among all companies in the Comparator Group. If the number of companies in the Comparator Group changes, the Committee will, if deemed necessary, adjust the TSR Accrual Percentages forth above, consistent with the methodology used to determine the TSR Accrual Percentages set forth above.

Any fractional PBRSR resulting from the vesting of the PBRSRs shall be rounded down to the nearest whole number.

3. ***Delivery of Shares*** . Provided that the Participant remained continuously employed through the end of the Three-Year Performance Period (but subject to Sections 4 and 5 below), the number of Shares equal to the number of Accrued PBRSRs, net of the number of Shares necessary to satisfy applicable withholding taxes, will be transferred to an account held in the name of the Participant by the Company's independent stock plan administrator and the Participant will receive notice of such transfer together with all relevant account details. Such transfer will occur as soon as practicable after the Committee has determined the Company's ROC Accrual Percentage for the Third ROC Performance Period and the Company's TSR Accrual Percentage for the Third TSR Performance Period, provided that in no event shall the transfer be made after March 15, 2019.
 4. ***Termination of the PBRSRs; Forfeiture.*** The PBRSRs will be cancelled upon the termination of the Participant's employment with the Company and its Subsidiaries as described below.
 - (a) Resignation by the Participant or Termination by the Company or a Subsidiary : Except as provided in subsection (b) or Section 5 below, upon any termination of a Participant's employment with the Company and its Subsidiaries prior to the end of the Three-Year Performance Period, all outstanding PBRSRs, whether or not accrued, will be forfeited and the Participant will not have any right to delivery of Shares. In addition, even if a Participant remains employed through the end of the Three-Year Performance Period, if the Participant's employment is subsequently terminated by the Company or a Subsidiary for Cause, the right to any undelivered Shares shall be forfeited, and the Company shall have the right to reclaim and receive from the Participant any Shares delivered to the Participant pursuant to Section 3 within the one year period before the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the equivalent after-tax value thereof (as of the date the Shares were transferred by the Participant) in cash.
 - (b) Termination by reason of Death, Disability or Retirement : Except as otherwise provided in Section 5 below, if a Participant's employment terminates due to death, Disability or Retirement prior to the end of the Three-Year Performance Period, the Participant (or his or her Beneficiary, in the event of death) will be entitled to receive a pro-rata number of Shares that would have been delivered pursuant to Section 3, had the Participant remained employed through the end of the Three-Year Performance Period, based on the number of days during the Three-Year Performance Period that the Participant is considered to be an active employee as determined by the Company, payable at the time and manner specified in Section 3 above.
 - (c) Proscribed Activity : If, during the Proscribed Period but prior to a Change of Control, the Participant engages in a Proscribed Activity, then the Company shall have the right to reclaim and receive from the Participant all Shares delivered to the Participant pursuant to Section 3 during the one year period immediately prior to, or at any time following, the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the after-
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tax equivalent value thereof (as of the date the Shares were transferred by the Participant) in cash.

5. ***Change of Control*** . Notwithstanding anything contained herein to the contrary, in the event of a Change of Control during the Three-Year Performance Period, unless otherwise determined by the Committee prior to the Change of Control, each Participant shall be entitled to delivery of a number of Shares equal to the COC Share Amount (as defined below) (such Shares, the COC Shares); provided that, except as set forth in subsections (c) and (d) below, the Participant remains actively employed through the last day of the Three-Year Performance Period. Except as set forth in subsections (c) and (d) below, the COC Shares shall be delivered at the time and manner specified in Section 3 above.
- (a) Calculation of the COC Share Amount . The COC Share Amount shall be equal to the sum of (i), (ii), (iii) and (iv) below:
- i. with respect to each completed ROC Performance Period and TSR Performance Period at the time of the Change of Control, the sum of the ROC Accrued PBRsRs and the TSR Accrued PBRsRs for the applicable Performance Periods;
 - ii. with respect to the ROC Performance Period in which the Change of Control occurs, the greater of the ROC Accrued PBRsRs for such ROC Performance Period (measured as though the last day of the applicable ROC Performance Period was the date immediately preceding the date of the Change of Control) or one-third of the ROC PBRsR Award;
 - iii. with respect to each TSR Performance Period in which the Change of Control occurs, the greater of the TSR Accrued PBRsRs for such TSR Performance Period (measured as though the last day of the applicable TSR Performance Period was the date immediately preceding the date of the Change of Control) or one-third of the TSR PBRsR Award; and
 - iv. with respect to each ROC Performance Period which has not commenced as of the date of the Change of Control, one-third of the ROC PBRsR Award.
- (b) Form of Payment . The Committee may determine that the COC Shares shall be (i) converted to and payable in units with respect to shares or other equity interests of the acquiring company or its parent or (ii) payable in cash based on the Fair Market Value of the COC Shares as of the Change of Control.
- (c) Termination without Cause or for Good Reason . If the Participant's employment is terminated by the Company without Cause or the Participant terminates employment for Good Reason, prior to the end of the Three-Year Performance Period and upon or within 24 months following a Change of Control, the COC Shares shall be delivered in a lump sum within 60 days following the Participant's employment termination date, subject to Section 9.17 of the Plan; provided that such Change of Control constitutes a change "in ownership" or "effective control" or a change in the "ownership of a substantial portion of the assets" of the Company under Section 409A of the Code and the rulings and regulations issued thereunder (any such transaction, a "409A Compliant COC"). In the event that such Change of Control does not constitute a 409A Compliant COC (any such transaction, a "Non-409A Compliant COC"), the COC Shares will be delivered to the Participant at the time and manner specified in Section 3 above.
- (d) Termination due to Death, Disability or Retirement . If a Participant's employment terminates due to death, Disability or Retirement prior to the end of the Three-Year Performance Period and upon or within 24 months following a Change of Control, the Participant (or his or her Beneficiary, in the event of death) will be entitled to receive the COC Shares, which shall be delivered in a lump sum within 60 days following the Participant's employment termination
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date, subject to Section 9.17 of the Plan; provided that, the COC Shares will be delivered to the Participant at the time and manner specified in Section 3 above if the Change of Control is a Non-409A Compliant COC. If such termination occurs more than 24 months following a Change of Control, the COC Payment Amount will be pro-rated, based on the number of days during the Three-Year Performance Period that the Participant is considered to be an active employee, as determined by the Company, and will be paid at the time and manner specified in Section 3 above.

- (e) Termination Prior to a Change of Control. To the extent (i) a Participant's employment was terminated by the Company other than for Cause or Disability within the 12 months prior to the date on which the Change of Control occurred, (ii) during such 12 month period the Participant did not engage in a Proscribed Activity, and (iii) the Committee determines, in its sole and absolute discretion, that the decision related to such termination was made in contemplation of the Change of Control, then upon the Change of Control, the Participant will become entitled to a cash payment equal to the product of: the Fair Market Value of a Share on the date of the Change of Control and the COC Share Amount. In the event of a 409A Compliant COC, such cash payment will be made in a lump sum within 60 days following the date on which the Change of Control occurs. In the event of a Non-409A Compliant COC, the cash payment will be paid to the Participant at the time and manner specified in Section 3 above.
 - 6. ***Rights as a Shareholder; Dividend Equivalent Rights.*** The Participant will not have the rights of a shareholder of the Company with respect to Shares subject to the PBRs until such Shares are actually delivered to the Participant. At the time Shares are delivered to the Participant pursuant to Section 3 or Section 5, as applicable, the Company will make a cash payment equal to the product of (i) the number of Accrued PBRs or the COC Share Amount, if applicable, and (ii) the aggregate dividends paid on a Share during the Three-Year Performance Period.
 - 7. ***U.S. Federal, State and Local Income Taxes.*** The Participant is solely responsible for the satisfaction of all taxes that may arise in connection with the PBRs. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the PBRs, including by withholding Shares otherwise issuable upon settlement of the PBRs (as determined by the Company in its sole discretion), an amount equal to the federal (including FICA), state and local income and payroll taxes and other amounts as may be required by law to be withheld with respect to the PBRs. The Company intends to satisfy this withholding obligation by reducing the number of Shares and/or cash to be delivered to the Participant under this Agreement in an amount sufficient to satisfy the withholding obligations due (based on the Fair Market Value of the Shares for the related PBRs). Notwithstanding the foregoing, the Company may satisfy any tax obligations it may have in any other jurisdiction outside of the U.S. in any manner it deems, in its sole and absolute discretion, to be necessary or appropriate.
 - 8. ***Section 409A.*** The PBRs are intended to comply with Section 409A of the Code or an exemption, and delivery of Shares and other payments pursuant to the PBRs may only be made upon an event and in a manner permitted by Section 409A, to the extent applicable. The PBRs shall be administered consistent with Section 9.17 of the Plan.
 - 9. ***Statute of Limitations and Conflicts of Laws.*** All rights of action by, or on behalf of the Company or by any shareholder against any past, present, or future member of the Board of Directors, officer, or employee of the Company arising out of or in connection with the PBRs or the Award Documents, must be brought within three years from the date of the act or omission in respect of which such right of action arises. The PBRs and the Award Documents shall be governed by the laws of the State of Florida, without giving effect to principles of conflict of laws, and construed accordingly.
 - 10. ***No Employment Right***. Neither the grant of the PBRs nor any action taken hereunder shall be construed as giving any employee or any Participant any right to be retained in the employ of the Company. The
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Company is under no obligation to grant PBRsRs hereunder. Nothing contained in the Award Documents shall limit or affect in any manner or degree the normal and usual powers of management, exercised by the officers and the Board of Directors or committees thereof, to change the duties or the character of employment of any employee of the Company or to remove the individual from the employment of the Company at any time, all of which rights and powers are expressly reserved.

11. **No Assignment** . A Participant's rights and interest under the PBRsRs may not be assigned or transferred, except as otherwise provided herein, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the PBRsRs or the Award Documents.
 12. **Unfunded Plan** . Any Shares or other amounts owed under the PBRsRs shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure delivery or payment of any earned amounts.
 13. **Recoupment Policy** . Any amounts paid under the PBRsRs are considered "incentive compensation" under the Company's Recoupment Policy, in effect from time to time. The PBRsRs and any Shares or cash paid pursuant to the PBRsRs shall be subject to all applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company's Board of Directors from time to time.
 14. **Definitions** .
 - (a) "Accrued PBRsRs" means the sum of (i) the ROC Accrued PBRsRs for all ROC Performance Periods and (ii) the TSR Accrued PBRsRs for all TSR Performance Periods.
 - (b) "Company TSR" means the Company's Total Shareholder Return for a TSR Performance Period.
 - (c) "Company's Return on Capital" or "Company ROC" means the Company's tax adjusted earnings from continuing operations, excluding interest, as a percentage of the sum of the Company's average (i) debt, (ii) off-balance sheet debt and (iii) shareholders' equity.
 - (d) "Comparator Group" means the companies listed on Exhibit A hereto.
 - (e) "First ROC Performance Period" means the period from January 1, 2017 through December 31, 2017.
 - (f) "First TSR Performance Period" means the period from January 1, 2017 through December 31, 2017.
 - (g) "Performance Period" means an ROC Performance Period or a TSR Performance Period, as applicable.
 - (h) "Proscribed Activity" means any of the following:
 - (i) the Participant's breach of any written agreement between the Participant and the Company or any of its Subsidiaries, including any agreement relating to nondisclosure, noncompetition, nonsolicitation and/or nondisparagement, to the extent such agreements are enforceable under applicable law;
 - (ii) the Participant's direct or indirect unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements,
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suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public;

- (iii) the Participant's direct or indirect engaging or becoming a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its Subsidiaries which is engaged or proposes to engage in a business competitive directly or indirectly with the business conducted by the Company or its Subsidiaries in any geographic area where such business of the Company or its Subsidiaries is conducted, provided that the Participant's investment in 1% or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange shall not be treated as a Proscribed Activity;
- (iv) the Participant's direct or indirect, either on the Participant's own account or for any person, firm or company, soliciting, interfering with or inducing, or attempting to induce, any employee of the Company or any of its Subsidiaries to leave his or her employment or to breach his or her employment agreement;
- (v) the Participant's direct or indirect taking away, interfering with relations with, diverting or attempting to divert from the Company or any Subsidiary any business with any customer of the Company or any Subsidiary, including (A) any customer that has been solicited or serviced by the Company within one year prior to the date of termination of Participant's employment with the Company and (B) any customer with which the Participant has had contact or association, or which was under the supervision of Participant, or the identity of which was learned by the Participant as a result of Participant's employment with the Company;
- (vi) following the Participant's termination of employment, the Participant's making of any remarks disparaging the conduct or character of the Company or any of its Subsidiaries, or their current or former agents, employees, officers, directors, successors or assigns; or
- (vii) the Participant's failure to cooperate with the Company or any Subsidiary, for no additional compensation (other than reimbursement of expenses), in any litigation or administrative proceedings involving any matters with which the Participant was involved during the Participant's employment with the Company or any Subsidiary.

Notwithstanding the foregoing, nothing in these terms and conditions **restricts or prohibits the Participant from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with, a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Participant does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. The Participant is not required to notify the Company that the Participant has engaged in such communications with the Regulators.**

If the Participant primarily provides services in California, subsection (iii) above shall not

apply to the Participant and subsection (v) above shall apply to the Participant only to the extent that the Participant uses or discloses confidential information of the Company or any of its Subsidiaries in performing such Proscribed Activity and to the extent permitted by applicable law.

- (i) “Proscribed Period” means the period beginning on the date of termination of Participant’s employment and ending on the later of (i) the one year anniversary of such termination date or (ii) if the Participant is entitled to severance benefits in the form of salary continuation, the date on which salary continuation is no longer payable to the Participant.
 - (j) “Retirement” means termination of employment for any reason (other than for Cause or by reason of death or Disability) upon or following attainment of age 55 and completion of 10 years of service, or upon or following attainment of age 65 without regard to years of service; provided that, Retirement shall not be deemed to occur unless such termination of service constitutes a separation from service, as defined by Section 409A of the Code.
 - (k) “ROC Accrual Percentage” means the percentage of the PBRsRs that accrues at the end of each ROC Performance Period pursuant to Section 2 based on the Company's ROC.
 - (l) “ROC Accrued PBRsRs” means, for each ROC Performance Period, the ROC Accrual Percentage for each ROC Performance Period times one-third of the ROC PBRsR Award.
 - (m) “ROC PBRsR Award” means fifty percent (50%) of the number of PBRsRs awarded as specified in the Notification.
 - (n) “ROC Performance Period” means the First ROC Performance Period, the Second ROC Performance Period, or the Third ROC Performance Period, as applicable.
 - (o) “Rolling Total Shareholder Return” means, for each of the ten (10) consecutive trading days immediately preceding the first day of the applicable TSR Performance Period, the percentage change from (i) the closing stock price on such trading date to (ii) the closing stock price on the corresponding trading date in the last ten (10) consecutive trading days of the applicable TSR Performance Period, assuming reinvestment of dividends on the ex-dividend date.
 - (p) “Second ROC Performance Period” means the period from January 1, 2018 through December 31, 2018.
 - (q) “Second TSR Performance Period” means the period from January 1, 2017 through December 31, 2018.
 - (r) “Third ROC Performance Period” means the period from January 1, 2019 through December 31, 2019.
 - (s) “Third TSR Performance Period” means the period from January 1, 2017 through December 31, 2019.
 - (t) “Three-Year Performance Period” means the period from January 1, 2017 through December 31, 2019.
 - (u) “Total Shareholder Return” means, for each TSR Performance Period, the sum of the ten (10) Rolling Total Shareholder Return calculations for the applicable TSR Performance Period, divided by ten (10).
 - (v) “TSR Accrual Percentage” means the percentage of the PBRsRs that accrues at the end of each TSR Performance Period pursuant to Section 2 based on the Company’s TSR Rank.
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- (w) “TSR Accrued PBRsRs” means, for each TSR Performance Period, the TSR Accrual Percentage for each TSR Performance Period times one-third of the TSR PBRsR Award.
- (x) “TSR PBRsR Award” means fifty percent (50%) of the number of PBRsRs awarded as specified in the Notification.
- (y) “TSR Performance Period” means the First TSR Performance Period, the Second TSR Performance Period, or the Third TSR Performance Period, as applicable.

15. **Other Benefits** . No amount accrued or paid under the PBRsRs shall be deemed compensation for purposes of computing a Participant’s benefits under any retirement plan of the Company or its Subsidiaries, nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the Participant’s level of compensation.

16. **Defend Trade Secrets Act Notice** . Participants are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Participant’s attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

Exhibit A

AMERCO
ArcBest Corp
Avis Budget Group Inc
Celadon Group Inc
CH Robinson Worldwide Inc
CSX Corp
Expeditors International of Washington Inc
FedEx Corp
Forward Air Corp
GATX Corp
Hertz Global Holdings Inc
JB Hunt Transport Services Inc
HUB Group Inc
Knight Transportation Inc
Landstar System Inc
Navistar International Corp
Old Dominion Freight Line Inc
PACCAR Inc
Rush Enterprises Inc
Saia Inc
Swift Transportation Co
Trinity Industries Inc
Triton International Ltd/Bermuda
United Parcel Service Inc
Universal Logistics Holdings Inc
Werner Enterprises Inc

**RESTRICTED STOCK RIGHTS
ISSUED UNDER
AMENDED AND RESTATED
RYDER SYSTEM, INC. 2012 EQUITY AND INCENTIVE COMPENSATION PLAN**

2017 TERMS AND CONDITIONS

The following terms and conditions apply to the Restricted Stock Rights (the “RSRs”) granted in 2017 by Ryder System, Inc. (the “Company”) under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan (the “Plan”), as specified in the Restricted Stock Rights Award Notification (the “Notification”) for the RSRs which references these terms and conditions. Certain terms of the RSRs, including the number of Shares underlying the RSRs, are set forth in the Notification. The Compensation Committee of the Company’s Board of Directors (the “Committee”) shall administer the RSRs in accordance with the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or in the Notification.

1. **General.** Each RSR represents the right to receive one Share on a future date, on the terms and conditions set forth herein, in the Notification and the Plan, the applicable terms, conditions and other provisions of which are incorporated by reference herein (collectively, the “Award Documents”). A copy of the Plan and the documents that constitute the “Prospectus” for the Plan under the Securities Act of 1933 have been made available to the Participant prior to or along with delivery of the Notification. In the event there is an express conflict between the provisions of the Plan and those set forth in any other Award Document, the terms and conditions of the Plan shall govern.

The terms and conditions contained herein may be amended by the Committee as permitted by the Plan; none of the terms and conditions of the RSRs may be amended or waived without the prior approval of the Committee. Any amendment or waiver not approved by the Committee will be void and have no force or effect. Any employee or officer of the Company who authorizes any such amendment or waiver without the prior approval of the Committee will be subject to disciplinary action up to and including forfeiture of his or her RSRs and/or termination of employment (unless otherwise prohibited by law). All decisions and determinations made by the Committee relating to the RSRs shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under the Plan.

2. **Delivery of Shares.** Subject to Sections 3 and 4 below, the RSRs will vest pursuant to the vesting schedule set forth in the Notification, provided the Participant is, on the relevant vesting date, and has been from the date of grant of the RSRs to the relevant vesting date, continuously employed by the Company or one of its Subsidiaries. For purposes of these terms and conditions, the Participant shall not be deemed to have terminated his or her employment with the Company and its Subsidiaries if he or she is then employed by the Company or another Subsidiary without a break in service.

Upon vesting, the Shares subject to the vested RSRs will be transferred to an account held in the name of the Participant by the Company’s independent stock plan administrator and the Participant will receive notice of such transfer together with all relevant account details.

3. **Termination of RSRs; Forfeiture.** The RSRs will be cancelled upon or following the termination of the Participant’s employment with the Company and its Subsidiaries as described below.
 - (a) **Resignation by the Participant or Termination by the Company or a Subsidiary:** Except as otherwise provided in subsection (b) or Section 4 below, all outstanding RSRs will be forfeited and the Participant will not have any right to delivery of Shares that did not vest prior to such termination. If the Participant’s employment is terminated by the Company or a Subsidiary

for Cause, then the Company shall have the right to reclaim and receive from the Participant any Shares delivered to the Participant pursuant to Section 2 within the one year period before the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the equivalent after-tax value thereof (as of the date the Shares were transferred by the Participant) in cash.

- (b) Termination by Reason of Death, Disability or Retirement : Except as otherwise provided in Section 4 below, a prorated portion of the RSRs shall vest, calculated as follows: (A) the total number of RSRs awarded, multiplied by a fraction (and rounded down to the nearest whole Share), the numerator of which shall be the number of days from the date of grant of the RSRs to the date of death, Disability or Retirement, as the case may be, and the denominator of which shall be the number of days from the date of grant of the RSRs to the last scheduled vesting date for the RSRs set forth in the Notification, less (B) the number of RSRs already vested at the time of the Participant's death, Disability or Retirement, as the case may be. Shares equal to the prorated number of RSRs that so vest will be delivered to the Participant (or his or her Beneficiary, in the event of death) within 60 days following the date of death, Disability or Retirement, as the case may be, subject to Section 9.17 of the Plan.
- (c) Proscribed Activity : If, during the Proscribed Period but prior to a Change of Control, the Participant engages in a Proscribed Activity, then the Company shall have the right to reclaim and receive from the Participant all Shares delivered to the Participant pursuant to Section 2 during the one year period immediately prior to, or at any time following, the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the after-tax equivalent value thereof (as of the date the Shares were transferred by the Participant) in cash.

4. **Change of Control** . In the event of a Change of Control, the RSRs shall become payable as described in this Section 4, provided that the Committee may take such other actions with respect to the RSRs as it deems appropriate pursuant to Section 7 and 8 of the Plan.

- (a) Form of Payment : The Committee may determine that the unvested RSRs will be (i) converted to and payable in units with respect to shares or other equity interests of the acquiring company or its parent or (ii) payable in cash based on the Fair Market Value of the RSRs as of the date of the Change of Control.
 - (b) Continued Employment : If the Participant continues in employment with the Company or one of its Subsidiaries through each applicable vesting date following the Change of Control, the RSRs will vest pursuant to the vesting schedule set forth in the Notification.
 - (c) Termination without Cause, for Good Reason or on Account of Death, Disability or Retirement . If the Participant's employment is terminated by the Company without Cause, the Participant terminates employment for Good Reason, or the Participant's employment terminates on account of death, Disability or Retirement, in each case, upon or within 24 months following a Change of Control and prior to the last vesting date set forth in the Notification, any unvested RSRs shall become fully vested upon such termination of employment and shall be paid within 60 days following the date of such termination, subject to Section 9.17 of the Plan.
 - (d) Termination Prior to a Change of Control : To the extent (i) a Participant's employment was terminated by the Company other than for Cause or Disability within the 12 months prior to the date on which the Change of Control occurred, (ii) during such 12 month period the Participant did not engage in a Proscribed Activity, and (iii) the Committee determines, in its sole and absolute discretion, that the decision related to such termination was made in contemplation of the Change of Control, then upon the Change of Control, the Participant will become entitled to a cash payment equal to the product of: the Fair Market Value of a Share on the date of the Change of Control and the number of Shares to which the Participant
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would otherwise have been entitled if the Participant's employment had continued until the date of the Change of Control and the Participant's employment had been terminated as described in subsection (c) above as of such date. In the event that the Change of Control constitutes a change "in ownership" or "effective control" or a change in the "ownership of a substantial portion of the assets" of the Company under Section 409A of the Code and the rulings and regulations issued thereunder (any such transaction, a "409A Compliant COC"), such cash payment will be made in a lump sum within 60 days following the date on which the Change of Control occurs. In the event such Change of Control does not constitute a 409A Compliant COC (any such transaction, a "Non-409A Compliant COC"), the cash payment will be distributed to the Participant on the first anniversary of the Participant's separation from service.

5. ***Rights as a Shareholder; Dividend Equivalent Rights.*** The Participant will not have the rights of a shareholder of the Company with respect to Shares subject to the RSRs until such Shares are actually delivered to the Participant. If and when Shares are delivered to the Participant pursuant to Section 2, 3 or 4, as applicable, the Company will make a cash payment equal to the product of (i) the number of Shares delivered, and (ii) the aggregate dividends paid on a Share during the period from the date of grant of the award until the date the Shares are delivered.
 6. ***U.S. Federal, State and Local Income Taxes.*** The Participant is solely responsible for the satisfaction of all taxes generally that may arise in connection with the RSRs. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the RSRs, including by withholding Shares otherwise issuable upon settlement of the RSRs an amount equal to the federal (including FICA), state and local income and payroll taxes required by law to be withheld with respect to the RSRs. The Company intends to satisfy this withholding obligation by reducing the number of Shares and/or cash that are to be delivered to the Participant under this Agreement in an amount sufficient to satisfy the withholding obligations due (based on the Fair Market Value of the Shares for the related RSRs). Notwithstanding the foregoing, the Company may satisfy any tax obligations it may have in any jurisdiction outside the U.S. in any manner it deems, in its sole and absolute discretion, to be necessary or appropriate.
 7. ***Section 409A.*** The RSRs are intended to comply with Section 409A of the Code or an exemption, and delivery of Shares and other payments pursuant to the RSRs may only be made upon an event and in a manner permitted by Section 409A, to the extent applicable. The RSRs shall be administered consistent with Section 9.17 of the Plan.
 8. ***Statute of Limitations and Conflicts of Laws .*** All rights of action by, or on behalf of the Company or by any shareholder against any past, present, or future member of the Board of Directors, officer, or employee of the Company arising out of or in connection with the RSRs or the Award Documents, must be brought within three years from the date of the act or omission in respect of which such right of action arises. The RSRs and the Award Documents shall be governed by the laws of the State of Florida, without giving effect to principles of conflict of laws, and construed accordingly.
 9. ***No Employment Right .*** Neither the grant of the RSRs nor any action taken hereunder shall be construed as giving any employee or any Participant any right to be retained in the employ of the Company. The Company is under no obligation to grant RSRs hereunder. Nothing contained in the Award Documents shall limit or affect in any manner or degree the normal and usual powers of management, exercised by the officers and the Board of Directors or committees thereof, to change the duties or the character of employment of any employee of the Company or to remove the individual from the employment of the Company at any time, all of which rights and powers are expressly reserved.
 10. ***No Assignment .*** A Participant's rights and interest under the RSRs may not be assigned or transferred, except as otherwise provided herein, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the RSRs or
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the Award Documents.

11. **Unfunded Plan** . Any shares or other amounts owed under the RSRs shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure delivery or payment of any earned amounts.
 12. **Company Policies**. The RSRs and any cash or Shares delivered pursuant to the RSRs shall be subject to all applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company's Board of Directors from time to time.
 13. **Definitions** .
 - (a) "Proscribed Activity" means any of the following:
 - (i) the Participant's breach of any written agreement between the Participant and the Company or any of its Subsidiaries, including any agreement relating to nondisclosure, noncompetition, nonsolicitation and/or nondisparagement, to the extent such agreements are enforceable under applicable law;
 - (ii) the Participant's direct or indirect unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public;
 - (iii) the Participant's direct or indirect engaging or becoming a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its Subsidiaries which is engaged or proposes to engage in a business competitive directly or indirectly with the business conducted by the Company or its Subsidiaries in any geographic area where such business of the Company or its Subsidiaries is conducted, provided that the Participant's investment in 1% or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange shall not be treated as a Proscribed Activity;
 - (iv) the Participant's direct or indirect, either on the Participant's own account or for any person, firm or company, soliciting, interfering with or inducing, or attempting to induce, any employee of the Company or any of its Subsidiaries to leave his or her employment or to breach his or her employment agreement;
 - (v) the Participant's direct or indirect taking away, interfering with relations with, diverting or attempting to divert from the Company or any Subsidiary any business with any customer of the Company or any Subsidiary, including (A) any customer that has been solicited or serviced by the Company within one year prior to the date of termination of Participant's employment with the Company and (B) any customer with which the Participant has had contact or association, or which was under the supervision of Participant, or the identity of which was learned by the Participant as a result of Participant's employment with the Company;
 - (vi) following the Participant's termination of employment, the Participant's making of any remarks disparaging the conduct or character of the Company or any of its Subsidiaries, or their current or former agents, employees, officers, directors, successors or assigns; or
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- (vii) the Participant's failure to cooperate with the Company or any Subsidiary, for no additional compensation (other than reimbursement of expenses), in any litigation or administrative proceedings involving any matters with which the Participant was involved during the Participant's employment with the Company or any Subsidiary.

Notwithstanding the foregoing, nothing in these terms and conditions restricts or prohibits the Participant from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with, a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Participant does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators. The Participant is not required to notify the Company that the Participant has engaged in such communications with the Regulators.

If the Participant primarily provides services in California, subsection (iii) above shall not apply to the Participant and subsection (v) above shall apply to the Participant only to the extent that the Participant uses or discloses confidential information of the Company or any of its Subsidiaries in performing such Proscribed Activity and to the extent permitted by applicable law.

- (b) "Proscribed Period" means the period beginning on the date of termination of Participant's employment and ending on the later of (A) the one year anniversary of such termination date or (B) if the Participant is entitled to severance benefits in the form of salary continuation, the date on which salary continuation is no longer payable to the Participant.
- (c) "Retirement" means termination of employment for any reason (other than for Cause or by reason of death or Disability) upon or following attainment of age 55 and completion of 10 years of service, or upon or following attainment of age 65 without regard to years of service; provided that, Retirement shall not be deemed to occur unless such termination of service constitutes a separation from service, as defined by Section 409A of the Code.

- 14. **Other Benefits** . No amount accrued or paid under the RSRs shall be deemed compensation for purposes of computing a Participant's benefits under any retirement plan of the Company or its Subsidiaries, nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the Participant's level of compensation.
- 15. **Defend Trade Secrets Act Notice** . Participants are hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Participant's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

**RESTRICTED STOCK UNITS
FOR
NON-EMPLOYEE DIRECTORS
ISSUED UNDER
AMENDED AND RESTATED
RYDER SYSTEM, INC. 2012 EQUITY AND INCENTIVE COMPENSATION PLAN**

2017 TERMS AND CONDITIONS

The following terms and conditions apply to the Restricted Stock Units (the “RSUs”) granted in 2017 by Ryder System, Inc. (the “Company”) to the Company’s Non-Employee Directors, under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan (the “Plan”), as specified in the Restricted Stock Units Award Notification Letter (the “Notification Letter”), to which these terms and conditions are appended. Certain terms of the RSUs, including the number of RSUs granted and the vesting date(s), are set forth in the Notification Letter. The terms and conditions contained herein may be amended by the Committee as permitted by the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or in the Notification Letter.

1. **General** . Each RSU represents the right to receive one Share on a future date on the terms and conditions set forth herein, in the Notification Letter and in the Plan, the applicable terms, conditions and other provisions of which are incorporated by reference herein (collectively, the “Award Documents”). A copy of the Plan and the documents that constitute the “Prospectus” for the Plan under the Securities Act of 1933, have been delivered to the Participant prior to or along with delivery of the Notification Letter. In the event there is an express conflict between the provisions of the Plan and those set forth in any Award Document, the terms and conditions of the Plan shall govern.
 2. **Number of RSUs** . Each Non-Employee Director who is serving as such immediately following the 2017 annual meeting of shareholders of the Company (an “Annual Meeting”), shall receive an award of RSUs immediately following each such Annual Meeting for a number of Shares equal to (i) \$135,000 divided by (ii) the Fair Market Value of one Share on the day of such Annual Meeting. If a Non-Employee Director begins his or her service on the Board after an Annual Meeting but prior to December 31, 2017, on the date on which such Non-Employee Director’s service begins (“Service Date”), the Non-Employee Director shall receive an award of RSUs for a number of Shares equal to the product of (i) a quotient the numerator of which is \$125,000 and the denominator of which is the Fair Market Value of one Share on the Service Date, times (ii) a quotient, the numerator of which is the total number of days between the Service Date and December 31, 2017 and the denominator of which is 365.
 3. **Vesting of RSUs** .
 - (a) If the Non-Employee Director has completed one year of service on the Board as of the date of grant of the RSUs, the RSUs shall be fully vested as of the date of grant.
 - (b) If the Non-Employee Director has not completed at least one year of service on the Board as of the date of grant of the RSUs, the RSUs shall become fully vested on the date on which the Non-Employee Director completes one year of service on the Board. If the Non-Employee Director’s service on the Board ceases before the Non-Employee Director completes one year of service, upon such cessation of service, the RSUs will be forfeited, and the Non-Employee Director will not have any right to delivery of Shares hereunder. Notwithstanding the foregoing, the RSUs shall become fully vested upon the Non-Employee Director’s cessation
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of service on the Board if (i) the Non-Employee Director's service is terminated by the Company without Cause following a Change of Control or (ii) the Non-Employee Director's service terminates on account of Disability or death. For purposes of the Award Documents, Disability shall mean (i) a determination by the Board that the Non-Employee Director is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or (ii) a determination by the Social Security Administration that the Non-Employee Director is totally disabled.

4. ***Timing of Delivery of Shares*** . Actual delivery of the Shares relating to RSUs will occur (or, if installment payments are elected pursuant to Section 5 below, commence) upon or as soon as practicable following, cessation of the Non-Employee Director's service on the Board; provided that, such cessation of service constitutes a "separation from service" under Section 409A of the Code.

Notwithstanding the foregoing, in the event that a Change of Control occurs that constitutes a change "in ownership" or "effective control" or a change in the "ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code (such transaction, a "409A Compliant COC"), all of the Shares subject to RSUs then outstanding, which are fully vested, will be delivered to the Non-Employee Director upon the occurrence of such Change of Control. In the event that such Change of Control does not constitute a 409A Compliant COC (any such transaction, a "Non-409A Compliant COC"), to the extent that the RSUs are fully vested, each RSU will be converted into a right to receive a cash payment equal to the Fair Market Value of a Share on the date on which the Change of Control occurs. Such cash payment will be distributed to the Non-Employee Director in accordance with the otherwise applicable distribution schedule set forth in the Award Documents.

5. ***Form of Delivery of Shares*** . Subject in all cases to Section 409A of the Code and Section 9.17 of the Plan, with respect to each award of RSUs, a Non-Employee Director may irrevocably elect, by December 31 of the calendar year immediately preceding the calendar year in which the services to which the RSUs relate are performed (or, in the case of newly elected or appointed Non-Employee Directors, by the end of the day immediately preceding his appointment or election) (such date, the "Election Date"), to receive delivery of the Shares in either one lump sum, or in annual installments over a period not less than 2 years or greater than 10 years, provided that a Non-Employee Director who fails to make an irrevocable election with respect to any award by 5:00 pm on the Election Date shall be deemed to have irrevocably elected to receive delivery of the Shares subject to such award in a lump sum. Notwithstanding the foregoing, Shares deliverable by reason of a Change of Control pursuant to Section 4 shall be delivered in a lump sum .
 6. ***Rights as a Shareholder; Dividend Equivalent Rights***. A holder of RSUs will not have the rights of a shareholder of the Company with respect to Shares subject to the RSUs until such Shares are actually delivered. However, with respect to all RSUs held by the Non-Employee Director, once per year the Company will credit the Non-Employee Director with dividend equivalents in respect of dividends declared on Shares during the prior year, in the form of additional RSUs based on the Fair Market Value of the Shares on the dividend payment date, and such additional RSUs will be paid on the same date and subject to the same terms and conditions as applicable to the RSUs on which they were credited.
 7. ***Statute of Limitations and Conflicts of Laws*** . All rights of action by, or on behalf of the Company or by any shareholder against any past, present, or future member of the Board, officer, or employee of the Company arising out of or in connection with the RSUs or the Award Documents, must be brought within three years from the date of the act or omission in respect of which such right of action arises. The RSUs and the Award Documents shall be governed by the laws of the State of Florida, without giving effect to principles of conflict of laws, and construed accordingly.
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8. **No Assignment** . A Participant's rights and interest under the RSUs may not be assigned or transferred, except as otherwise provided herein, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the RSUs or the Award Documents.
9. **Unfunded Plan** . Any Shares or other amounts owed under the RSUs shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure delivery or payment of any earned amounts.
10. **Section 409A**. The RSUs are intended to comply with Section 409A of the Code, and delivery of Shares and other payments pursuant to the RSUs may only be made upon an event and in a manner permitted by Section 409A, to the extent applicable. The RSUs shall be administered consistent with Section 9.17 of the Plan.
11. **Company Policies**. The RSUs and any cash or Shares delivered pursuant to the RSUs shall be subject to all applicable policies that may be implemented by the Company's Board of Directors from time to time, including the Company's share ownership guidelines as in effect from time to time.

EXHIBIT 12.1**Ryder System, Inc. and Subsidiaries
Ratio of Earnings to Fixed Charges
Continuing Operations
(Dollars in thousands)**

	For the three months ended March 31, 2017	
EARNINGS:		
Earnings before income taxes	\$	59,956
Fixed charges		45,715
Add: Amortization of capitalized interest		148
Less: Interest capitalized		—
Earnings available for fixed charges (A)	\$	105,819
FIXED CHARGES:		
Interest and other financial charges	\$	34,886
Portion of rents representing interest expense		10,829
Total fixed charges (B)	\$	45,715
RATIO OF EARNINGS TO FIXED CHARGES (A) / (B)		2.31x

EXHIBIT 31.1

CERTIFICATION

I, Robert E. Sanchez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ryder System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2017

/s/ Robert E. Sanchez

Robert E. Sanchez
Chairman and Chief Executive Officer

EXHIBIT 31.2
CERTIFICATION

I, Art A. Garcia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ryder System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2017

/s/ Art A. Garcia

Art A. Garcia
Executive Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION

In connection with the Quarterly Report of Ryder System, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Robert E. Sanchez, President and Chief Executive Officer of the Company, and Art A. Garcia, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert E. Sanchez

Robert E. Sanchez
Chairman and Chief Executive Officer
April 25, 2017

/s/ Art A. Garcia

Art A. Garcia
Executive Vice President and Chief Financial Officer
April 25, 2017