

RYDER SYSTEM INC  
Form 10-Q  
October 26, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011**

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**

**RYDER SYSTEM, INC.**

*(Exact name of registrant as specified in its charter)*

**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 þ NO ..

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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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

The number of shares of Ryder System, Inc. Common Stock (\$0.50 par value per share) outstanding at September 30, 2011 was 51,125,400.

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**FORM 10-Q QUARTERLY REPORT**  
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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****RYDER SYSTEM, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS**

(unaudited)

	Three months ended September 30, 2010		Nine months ended September 30, 2010	
	2011	2010	2011	2010
	(In thousands, except per share amounts)			
Revenue	\$ 1,570,720	1,316,948	\$ 4,509,440	3,823,009
Operating expense (exclusive of items shown separately)	758,718	624,495	2,191,607	1,813,603
Salaries and employee-related costs	383,932	314,706	1,119,694	929,659
Subcontracted transportation	88,728	67,049	255,003	191,972
Depreciation expense	224,466	209,929	645,261	627,695
Gains on vehicle sales, net	(18,270)	(6,904)	(46,277)	(18,009)
Equipment rental	14,468	16,463	43,430	49,532
Interest expense	32,745	31,897	100,138	96,385
Miscellaneous income, net	(1,722)	(2,685)	(6,459)	(4,525)
Restructuring and other charges, net			768	
	1,483,065	1,254,950	4,303,165	3,686,312
Earnings from continuing operations before income taxes	87,655	61,998	206,275	136,697
Provision for income taxes	30,722	22,324	82,571	53,551
Earnings from continuing operations	56,933	39,674	123,704	83,146
Loss from discontinued operations, net of tax	(409)	(839)	(2,022)	(2,097)
Net earnings	\$ 56,524	38,835	\$ 121,682	81,049
Earnings (loss) per common share - Basic				
Continuing operations	\$ 1.11	0.76	\$ 2.41	1.58
Discontinued operations	(0.01)	(0.02)	(0.04)	(0.04)
Net earnings	\$ 1.10	0.74	\$ 2.37	1.54
Earnings (loss) per common share - Diluted				
Continuing operations	\$ 1.10	0.76	\$ 2.39	1.57
Discontinued operations		(0.02)	(0.04)	(0.04)
Net earnings	\$ 1.10	0.74	\$ 2.35	1.53
Cash dividends declared and paid per common share	\$ 0.29	0.27	\$ 0.83	0.77

*See accompanying notes to consolidated condensed financial statements.*

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**RYDER SYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(unaudited)

	September 30, 2011	December 31, 2010
	(Dollars in thousands, except per share amount)	
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 115,786	213,053
Receivables, net	758,693	615,003
Inventories	64,462	58,701
Prepaid expenses and other current assets	159,465	136,544
<b>Total current assets</b>	<b>1,098,406</b>	<b>1,023,301</b>
Revenue earning equipment, net of accumulated depreciation of \$3,387,027 and \$3,247,400, respectively	4,827,916	4,201,218
Operating property and equipment, net of accumulated depreciation of \$903,984 and \$880,757, respectively	627,344	606,843
Goodwill	379,239	355,842
Intangible assets	86,021	72,269
Direct financing leases and other assets	426,849	392,901
<b>Total assets</b>	<b>\$ 7,445,775</b>	<b>6,652,374</b>
<b>Liabilities and shareholders' equity:</b>		
<b>Current liabilities:</b>		
Short-term debt and current portion of long-term debt	\$ 255,359	420,124
Accounts payable	408,460	294,380
Accrued expenses and other current liabilities	499,080	417,015
<b>Total current liabilities</b>	<b>1,162,899</b>	<b>1,131,519</b>
Long-term debt	2,943,235	2,326,878
Other non-current liabilities	697,401	680,808
Deferred income taxes	1,190,812	1,108,856
<b>Total liabilities</b>	<b>5,994,347</b>	<b>5,248,061</b>
<b>Shareholders' equity:</b>		
Preferred stock of no par value per share authorized, 3,800,917; none outstanding, September 30, 2011 or December 31, 2010		
Common stock of \$0.50 par value per share authorized, 400,000,000; outstanding, September 30, 2011 51,125,400; December 31, 2010 51,174,757	25,563	25,587
Additional paid-in capital	760,302	735,540
Retained earnings	1,062,460	1,019,785
Accumulated other comprehensive loss	(396,897)	(376,599)
<b>Total shareholders' equity</b>	<b>1,451,428</b>	<b>1,404,313</b>

Total liabilities and shareholders' equity	\$ 7,445,775	6,652,374
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*See accompanying notes to consolidated condensed financial statements.*

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

(unaudited)

	Nine months ended September 30,	
	2011	2010
	(In thousands)	
<b>Cash flows from operating activities from continuing operations:</b>		
Net earnings	\$ 121,682	81,049
Less: Loss from discontinued operations, net of tax	(2,022)	(2,097)
Earnings from continuing operations	123,704	83,146
Depreciation expense	645,261	627,695
Gains on vehicle sales, net	(46,277)	(18,009)
Share-based compensation expense	12,637	12,203
Amortization expense and other non-cash charges, net	27,971	27,564
Deferred income tax expense	68,154	21,568
<b>Changes in operating assets and liabilities, net of acquisitions:</b>		
Receivables	(104,520)	(29,367)
Inventories	(4,869)	(3,132)
Prepaid expenses and other assets	(18,725)	(517)
Accounts payable	20,287	9,334
Accrued expenses and other non-current liabilities	58,680	73,677
Net cash provided by operating activities from continuing operations	782,303	804,162
<b>Cash flows from financing activities from continuing operations:</b>		
Net change in commercial paper borrowings	(101,964)	(48,000)
Debt proceeds	966,399	314,511
Debt repaid, including capital lease obligations	(417,955)	(239,560)
Dividends on common stock	(42,689)	(40,603)
Common stock issued	26,213	11,124
Common stock repurchased	(51,425)	(91,926)
Excess tax benefits from share-based compensation	1,575	641
Debt issuance costs	(8,016)	(2,195)
Net cash provided by (used in) financing activities from continuing operations	372,138	(96,008)
<b>Cash flows from investing activities from continuing operations:</b>		
Purchases of property and revenue earning equipment	(1,165,135)	(860,902)
Sales of revenue earning equipment	216,055	159,012
Sales of operating property and equipment	7,869	2,821
Acquisitions	(362,184)	(6,789)
Collections on direct finance leases	46,136	45,941
Changes in restricted cash	2,821	(6,430)
Other, net		1,950
Net cash used in investing activities from continuing operations	(1,254,438)	(664,397)



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Effect of exchange rate changes on cash	<b>3,848</b>	6
(Decrease) increase in cash and cash equivalents from continuing operations	<b>(96,149)</b>	43,763
Cash flows from discontinued operations:		
Operating cash flows	<b>(910)</b>	(6,010)
Financing cash flows	<b>(143)</b>	(2,941)
Investing cash flows		1,624
Effect of exchange rate changes on cash	<b>(65)</b>	(265)
Decrease in cash and cash equivalents from discontinued operations	<b>(1,118)</b>	(7,592)
(Decrease) increase in cash and cash equivalents	<b>(97,267)</b>	36,171
Cash and cash equivalents at January 1	<b>213,053</b>	98,525
Cash and cash equivalents at September 30	<b>\$ 115,786</b>	134,696

*See accompanying notes to consolidated condensed financial statements.*

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY**

(unaudited)

	Preferred Stock Amount	Common Stock Shares	Common Stock Par	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(Dollars in thousands, except per share amount)						
Balance at December 31, 2010	\$	51,174,757	\$ 25,587	735,540	1,019,785	(376,599)	1,404,313
Components of comprehensive income:							
Net earnings					121,682		121,682
Foreign currency translation adjustments						(27,428)	(27,428)
Amortization of pension and postretirement items, net of tax						8,650	8,650
Change in net actuarial loss, net of tax						(1,520)	(1,520)
Total comprehensive income							101,384
Common stock dividends declared and paid \$0.83 per share					(42,689)		(42,689)
Common stock issued under employee stock option and stock purchase plans <sup>(1)</sup>		986,690	493	26,318			26,811
Benefit plan stock purchases <sup>(2)</sup>		(13,076)	(7)	(591)			(598)
Common stock repurchases		(1,022,971)	(510)	(14,597)	(36,318)		(51,425)
Share-based compensation				12,637			12,637
Tax benefits from share-based compensation				995			995
Balance at September 30, 2011	\$	51,125,400	\$ 25,563	760,302	1,062,460	(396,897)	1,451,428

(1) Net of common shares delivered as payment for the exercise price or to satisfy the option holders withholding tax liability upon exercise of options.

(2) Represents open-market transactions of common shares by the trustee of Ryder's deferred compensation plans. See accompanying notes to consolidated condensed financial statements.

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

(unaudited)

**(A) 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 2010 Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements and notes thereto. These financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. 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.

**(B) ACCOUNTING CHANGES**

In September 2009, the Financial Accounting Standards Board (FASB) issued accounting guidance which amends the criteria for allocating a contract s consideration to individual services or products in multiple-deliverable arrangements. The guidance requires that the best estimate of selling price be used when vendor specific objective or third-party evidence for deliverables cannot be determined. This guidance is effective for us for revenue arrangements entered into or materially modified after December 31, 2010. The adoption of this accounting guidance did not have a material impact on our consolidated financial position, results of operations or cash flows.

**(C) ACQUISITIONS**

*Hill Hire plc* On June 8, 2011, we acquired all of the common stock of Hill Hire plc (Hill Hire), a U.K. based full service leasing, rental and maintenance company for a purchase price of \$251.5 million, net of cash acquired, all of which has been paid as of September 30, 2011. The acquisition included Hill Hire s fleet of approximately 8,000 full service lease and 5,700 rental vehicles, and approximately 400 contractual customers. The acquired fleet included 9,700 trailers. The combined network operates under the Ryder name, complementing our Fleet Management Solutions (FMS) business segment market coverage in the U.K. Transaction costs related to the Hill Hire acquisition, all of which were included in Operating Expense in the Consolidated Condensed Statement of Earnings, were \$2.2 million for the nine months ended September 30, 2011.

The preliminary purchase price allocations and resulting impact on the September 30, 2011 Consolidated Condensed Balance Sheet relating to the Hill Hire acquisition was as follows:

	(In thousands)
<b>Assets:</b>	
Revenue earning equipment	\$ 200,376
Operating property and equipment	18,780
Customer relationships and other intangibles	9,150
Other assets, primarily accounts receivable	60,143
	<b>288,449</b>
<b>Liabilities, primarily accrued liabilities</b>	<b>(36,954)</b>
<b>Net assets acquired</b>	<b>\$ 251,495</b>

*Total Logistic Control* On December 31, 2010, we acquired all of the common stock of Total Logistic Control (TLC), a leading provider of comprehensive supply chain solutions to food, beverage, and consumer packaged goods manufacturers in the U.S. TLC provides customers a broad suite of end-to-end services, including distribution management, contract packaging services and solutions engineering. This acquisition enhances our Supply Chain Solutions (SCS) capabilities and growth prospects in the areas of packaging and warehousing, including temperature-controlled facilities. The purchase price was \$207.1 million, of which \$3.4 million was paid during the nine months ended

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September 30, 2011. No further payments are due related to this acquisition. During the nine months ended September 30, 2011, the purchase price was reduced by \$1.5 million due to contractual adjustments in acquired deferred taxes and working capital. As of September 30, 2011, goodwill and customer relationship intangibles related to the TLC acquisition were \$133.3 million and \$35.0 million, respectively.

**Pro Forma Information** The operating results of Hill Hire and TLC have been included in the consolidated condensed financial statements from the date of acquisition. The following table provides the unaudited pro forma revenues, net earnings and earnings per common share as if the results of the Hill Hire acquisition had been included in operations commencing January 1, 2010, and the TLC acquisition had been included in operations commencing January 1, 2009. This pro forma information is not necessarily indicative either of the combined results of operations that actually would have been realized had the acquisition been consummated during the periods for which the pro forma information is presented, or of future results.

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

		Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
		(In thousands, except per share amounts)			
Revenue	As reported	\$ 1,570,720	1,316,948	\$ 4,509,440	3,823,009
Revenue	Pro forma	\$ 1,570,720	1,438,920	\$ 4,577,010	4,122,729
Net earnings	As reported	\$ 56,524	38,835	\$ 121,682	81,049
Net earnings	Pro forma	\$ 56,524	44,290	\$ 135,337	95,601
Net earnings per common share:					
Basic	As reported	\$ 1.10	0.74	\$ 2.37	1.54
Basic	Pro forma	\$ 1.10	0.85	\$ 2.64	1.81
Diluted	As reported	\$ 1.10	0.74	\$ 2.35	1.53
Diluted	Proforma	\$ 1.10	0.85	\$ 2.62	1.81

During 2011 we completed several additional acquisitions as discussed below. Pro forma information for these acquisitions is not disclosed because the effect of these acquisitions is not significant.

*B.I.T. Leasing Inc.* On April 1, 2011, we acquired the assets of B.I.T. Leasing, Inc. (BIT), a full service truck leasing and fleet services company located in Hayward, California, for a purchase price of \$13.8 million. Approximately \$13.2 million of the purchase price has been paid as of September 30, 2011. This agreement complements a 2010 acquisition whereby we acquired a portion of BIT's fleet of full service lease and rental vehicles and contractual customers. The combination of both acquisitions included BIT's fleet of approximately 490 full service lease and rental vehicles, 70 contract maintenance vehicles and 130 contractual customers. As of September 30, 2011, goodwill and customer relationship intangibles related to the BIT acquisition were \$1.4 million and \$0.5 million, respectively. The combined network operates under the Ryder name, complementing our FMS business segment market coverage in California.

*The Scully Companies* On January 28, 2011, we acquired the common stock of The Scully Companies, Inc.'s (Scully) FMS business and the assets of Scully's Dedicated Contract Carriage (DCC) business. The acquisition included Scully's fleet of approximately 1,800 full service lease and 300 rental vehicles, and approximately 200 contractual customers. The purchase price was \$91.0 million, of which \$84.6 million has been paid as of September 30, 2011. During 2011, the purchase price was decreased by \$0.2 million due to the settlement of working capital related items. The purchase price included \$14.4 million in contingent consideration to be paid to the seller provided acquired customers are retained for a specified period. During the three months ended September 30, 2011, \$13.4 million of this contingent consideration was paid and the remaining amount is expected to be paid by the end of the year. As of September 30, 2011, the fair value of the contingent consideration has been reflected within Accrued expenses and other current liabilities in our Consolidated Condensed Balance Sheet. See Note (N), Fair Value Measurements, for additional information. As of September 30, 2011, goodwill and customer relationship intangibles related to the Scully acquisition were \$27.5 million and \$11.1 million, respectively. The combined network operates under the Ryder name, complementing our FMS and DCC business segments market coverage in the Western United States.

*Carmenita Leasing, Inc.* On January 10, 2011, we acquired the assets of Carmenita Leasing, Inc. (Carmenita), a full service leasing and rental business located in Santa Fe Springs, California, for a purchase price of \$9.0 million. The acquisition included Carmenita's fleet of approximately 190 full service lease and rental vehicles, and 60 contractual customers. Approximately \$8.8 million of the purchase price has been paid as of September 30, 2011. As of September 30, 2011, goodwill and customer relationship intangibles related to the Carmenita acquisition were \$0.3 million and \$0.3 million, respectively. The combined network operates under the Ryder name, complementing our FMS business segment market coverage in California.

For the three months ended September 30, 2011, all acquisitions had combined revenue and net earnings of \$143.4 million and \$10.9 million, respectively. For the nine months ended September 30, 2011, the acquisitions had combined revenue and net earnings of \$338.8 million and \$18.9 million, respectively.

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The initial recording of revenue earning equipment in each of the 2011 acquisitions was based on preliminary valuation assessments. As new information is obtained about facts and circumstances that existed as of the acquisition date, the valuation of revenue earning equipment may change. During the nine months ended September 30, 2011 and 2010, we paid \$0.7 million and \$6.8 million, respectively, related to other acquisitions completed in prior years.

Table of Contents**RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(D) DISCONTINUED OPERATIONS**

In 2009, we ceased SCS service operations in Brazil, Argentina, Chile and European markets. Accordingly, results of these operations, financial position and cash flows are separately reported as discontinued operations for all periods presented either in the Consolidated Condensed Financial Statements or notes thereto.

Summarized results of discontinued operations were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Pre-tax loss from discontinued operations	\$ (371)	(854)	\$ (2,087)	(2,191)
Income tax (expense) benefit	(38)	15	65	94
Loss from discontinued operations, net of tax	\$ (409)	(839)	\$ (2,022)	(2,097)

Results of discontinued operations in 2011 and 2010 included losses related to adverse legal developments and professional and administrative fees partially offset by insurance and receivable recoveries associated with our discontinued South American operations.

The following is a summary of assets and liabilities of discontinued operations:

	September 30, 2011	December 31, 2010
	(In thousands)	
Total assets, primarily deposits	\$ 4,570	6,346
Total liabilities, primarily contingent accruals	\$ 6,667	7,882

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## RYDER SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(unaudited)

## (E) 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. Awards under the Plans principally include at-the-money stock options, nonvested stock and cash awards. Share-based compensation expense is generally recorded in Salaries and employee-related costs in the Consolidated Condensed Statements of Earnings.

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

	Three months ended September 30, 2011	September 30, 2010	Nine months ended September 30, 2011	September 30, 2010
	(In thousands)			
Stock option and stock purchase plans	\$ 2,370	2,311	\$ 6,974	6,803
Nonvested stock	1,927	1,876	5,663	5,400
Share-based compensation expense	4,297	4,187	12,637	12,203
Income tax benefit	(1,425)	(1,408)	(4,212)	(4,149)
Share-based compensation expense, net of tax	\$ 2,872	2,779	\$ 8,425	8,054

During the nine months ended September 30, 2011 and 2010, approximately 710,000 and 900,000 stock options, respectively, were granted under the Plans. These awards generally vest evenly over a three year period from the date of grant and have contractual terms of seven years. The fair value of each option award at the date of grant was estimated using a Black-Scholes-Merton option-pricing valuation model. The weighted-average fair value per option granted during the nine months ended September 30, 2011 and 2010 was \$12.88 and \$8.93, respectively.

During the nine months ended September 30, 2011 and 2010, approximately 140,000 and 190,000 market-based restricted stock rights, respectively, were granted under the Plans. Employees only receive the grant of stock if Ryder's cumulative average total shareholder return (TSR) at least meets the S&P 500 cumulative average TSR over an applicable three-year period. 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 and fixed on the grant date and considers the likelihood of Ryder achieving the market-based condition. The weighted-average fair value per market-based restricted stock right granted during the nine months ended September 30, 2011 and 2010 was \$25.37 and \$15.50, respectively.

During the nine months ended September 30, 2011 and 2010, approximately 200,000 and 70,000 time-vested restricted stock rights and restricted stock units (RSU), respectively, were granted under the plans. The time-vested restricted stock rights entitle the holder to shares of common stock as the awards vest over a three-year period. The fair value of the time-vested awards is determined and fixed on the date of grant based on Ryder's stock price on the date of grant. The weighted-average fair value per time-vested restricted stock right and RSU granted during the nine months ended September 30, 2011 and 2010 was \$52.78 and \$39.47, respectively.

During the nine months ended September 30, 2011 and 2010, employees who received market-based restricted stock rights also received market-based cash awards. The awards have the same vesting provisions as the market-based restricted stock rights except that Ryder's TSR must at least meet the TSR of the 33rd percentile of the S&P 500. 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.





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## RYDER SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(unaudited)

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

	Three months ended September 30, 2011		Nine months ended September 30, 2010	
	2011	2010	2011	2010
			(In thousands)	
Cash awards	\$396	452	\$1,216	1,224

Total unrecognized pre-tax compensation expense related to all share-based compensation arrangements at September 30, 2011 was \$32.2 million and is expected to be recognized over a weighted-average period of 1.9 years.

## (F) EARNINGS PER SHARE

We compute earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Our nonvested stock are considered participating securities since the share-based awards contain a non-forfeitable right to dividend equivalents irrespective of whether the awards ultimately vest. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average shares outstanding during the period.

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

	Three months ended September 30, 2011		Nine months ended September 30, 2010	
	2011	2010	2011	2010
			(In thousands, except per share amounts)	
<b>Earnings per share Basic:</b>				
Earnings from continuing operations	\$ 56,933	39,674	\$ 123,704	83,146
Less: Distributed and undistributed earnings allocated to nonvested stock	(933)	(576)	(1,981)	(1,146)
Earnings from continuing operations available to common shareholders Basic	\$ 56,000	39,098	\$ 121,723	82,000
<b>Weighted average common shares outstanding Basic</b>				
	50,426	51,409	50,533	52,044
Earnings from continuing operations per common share Basic	\$ 1.11	0.76	\$ 2.41	1.58
<b>Earnings per share Diluted:</b>				
Earnings from continuing operations	\$ 56,933	39,674	\$ 123,704	83,146
Less: Distributed and undistributed earnings allocated to nonvested stock	(928)	(576)	(1,972)	(1,146)
Earnings from continuing operations available to common shareholders Diluted	\$ 56,005	39,098	\$ 121,732	82,000
<b>Weighted average common shares outstanding Diluted</b>				
	50,426	51,409	50,533	52,044
Effect of dilutive options	327	126	389	122

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Weighted average common shares outstanding	Diluted	<b>50,753</b>	51,535	<b>50,922</b>	52,166
Earnings from continuing operations per common share	Diluted	<b>\$ 1.10</b>	0.76	<b>\$ 2.39</b>	1.57
Anti-dilutive options not included above		<b>1,718</b>	1,793	<b>1,462</b>	1,833

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(G) RESTRUCTURING AND OTHER CHARGES**

Restructuring charges, net for the nine months ended September 30, 2011 represented \$0.8 million of employee severance and benefit costs related to workforce reductions and termination costs associated with non-essential equipment contracts assumed in the Scully acquisition. There were no restructuring charges in the third quarter of 2011.

Activity related to restructuring reserves including discontinued operations were as follows:

	December 31, 2010 Balance	Additions	Cash Payments (In thousands)	Foreign Translation Adjustments	September 30, 2011 Balance
Employee severance and benefits	\$ 234	405	316		323
Contract termination costs	3,813	375	1,259	34	2,963
<b>Total</b>	<b>\$ 4,047</b>	<b>780</b>	<b>1,575</b>	<b>34</b>	<b>3,286</b>

At September 30, 2011, the majority of outstanding restructuring obligations are required to be paid over the next two years.

**(H) DIRECT FINANCING LEASE RECEIVABLES**

We lease revenue earning equipment to customers for periods 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. The net investment in direct financing and sales-type leases consisted of:

	September 30, 2011 (In thousands)	December 31, 2010
Total minimum lease payments receivable	\$ 543,423	548,419
Less: Executory costs	(160,005)	(171,076)
Minimum lease payments receivable	383,418	377,343
Less: Allowance for uncollectibles	(767)	(784)
Net minimum lease payments receivable	382,651	376,559
Unguaranteed residuals	61,301	57,898
Less: Unearned income	(94,048)	(96,522)
Net investment in direct financing and sales-type leases	349,904	337,935
Current portion	(66,506)	(63,304)
Non-current portion	\$ 283,398	274,631

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. Credit risk is assessed

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using an internally developed model which incorporates credit scores from third party providers and our own custom risk ratings and is updated on a monthly basis. The external credit scores are developed based on the customer's historical payment patterns and an overall assessment of the likelihood of delinquent payments. Our internal ratings are weighted based on the industry that the customer operates, company size, years in business, and other credit-related indicators (i.e. profitability, cash flow, liquidity, tangible net worth, etc.). Any one of the following factors may result in a customer being classified as high risk: i) the customer has a history of late payments; ii) the customer has open lawsuits, liens or judgments; iii) the customer has been in business less than 3 years; and iv) the customer operates in an industry with low barriers to entry. 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 vehicle's fair value, which further mitigates our credit risk.

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(unaudited)

The following table presents the credit risk profile by creditworthiness category of our direct financing lease receivables:

	September 30, 2011	December 31, 2010
	(In thousands)	
Very low risk to low risk	<b>\$ 119,433</b>	91,993
Moderate risk	<b>201,873</b>	218,547
Moderately high risk to high risk	<b>62,112</b>	66,803
	<b>\$ 383,418</b>	377,343

The following table is a rollforward of the allowance for credit losses on direct financing lease receivables for the nine months ended September 30, 2011:

	(In thousands)
Balance at December 31, 2010	\$ 784
<b>Charged to earnings</b>	<b>318</b>
<b>Deductions</b>	<b>(335)</b>
<b>Balance at September 30, 2011</b>	<b>\$ 767</b>

As of September 30, 2011, the amount of direct financing lease receivables which were 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 as of September 30, 2011.

**(I) REVENUE EARNING EQUIPMENT**

	September 30, 2011			December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value <sup>(1)</sup>	Cost	Accumulated Depreciation	Net Book Value <sup>(1)</sup>
	(In thousands)					
Held for use:						
Full service lease	<b>\$ 5,917,192</b>	<b>(2,527,808)</b>	<b>3,389,384</b>	5,639,410	(2,408,126)	3,231,284
Commercial rental	<b>2,053,111</b>	<b>(685,436)</b>	<b>1,367,675</b>	1,549,094	(647,764)	901,330
Held for sale	<b>244,640</b>	<b>(173,783)</b>	<b>70,857</b>	260,114	(191,510)	68,604
<b>Total</b>	<b>\$ 8,214,943</b>	<b>(3,387,027)</b>	<b>4,827,916</b>	7,448,618	(3,247,400)	4,201,218

(1) Revenue earning equipment, net includes vehicles acquired under capital leases of \$24.7 million, less accumulated depreciation of \$15.2 million, at September 30, 2011, and \$29.2 million, less accumulated depreciation of \$18.5 million, at December 31, 2010.

At the end of 2010, we completed our annual review of residual values and useful lives of revenue earning equipment. Based on the results of our analysis, we adjusted the estimated residual values of certain classes of revenue earning equipment effective January 1, 2011. The change in estimated residual values increased pre-tax earnings for the three and nine months ended September 30, 2011 by approximately \$1.4 million and

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\$4.1 million, respectively. In the three and nine months ended September 30, 2011, we recognized \$0.1 million and \$0.2 million, respectively, of accelerated depreciation for select vehicles that were expected to be sold by the end of 2011. In the three and nine months ended September 30, 2010, we recognized \$1.5 million and \$5.0 million, respectively, of accelerated depreciation for select vehicles that were expected to be sold by the end of 2010.

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(J) GOODWILL**

The carrying amount of goodwill attributable to each reportable business segment with changes therein was as follows:

	Fleet Management Solutions	Supply Chain Solutions	Dedicated Contract Carriage	Total
	(In thousands)			
Balance at January 1, 2011:				
Goodwill	\$ 202,941	177,222	4,900	385,063
Accumulated impairment losses	(10,322)	(18,899)		(29,221)
	192,619	158,323	4,900	355,842
<b>Acquisitions</b>	<b>14,356</b>		<b>14,853</b>	<b>29,209</b>
<b>Purchase accounting adjustments</b>		<b>(5,042)</b>		<b>(5,042)</b>
<b>Foreign currency translation adjustment</b>	<b>(337)</b>	<b>(433)</b>		<b>(770)</b>
<b>Balance at September 30, 2011:</b>				
<b>Goodwill</b>	<b>216,960</b>	<b>171,747</b>	<b>19,753</b>	<b>408,460</b>
<b>Accumulated impairment losses</b>	<b>(10,322)</b>	<b>(18,899)</b>		<b>(29,221)</b>
	<b>\$ 206,638</b>	<b>152,848</b>	<b>19,753</b>	<b>379,239</b>

Purchase accounting adjustments related primarily to changes in deferred tax liabilities and evaluations of the physical and market condition of operating property and equipment. We did not recast the December 31, 2010 balance sheet as the adjustments are not material.

We assess goodwill for impairment on April 1<sup>st</sup> of each year or more often if deemed necessary. On April 1, 2011, we completed our annual goodwill impairment test and determined there was no impairment.

**(K) ACCRUED EXPENSES AND OTHER LIABILITIES**

	September 30, 2011			December 31, 2010		
	Accrued Expenses	Non-Current Liabilities	Total	Accrued Expenses	Non-Current Liabilities	Total
	(In thousands)					
Salaries and wages	\$ 103,278		103,278	81,037		81,037
Deferred compensation	1,260	18,761	20,021	1,965	21,258	23,223
Pension benefits	2,952	345,073	348,025	2,984	333,074	336,058
Other postretirement benefits	3,375	43,012	46,387	3,382	43,787	47,169
Employee benefits	9,841		9,841	2,251		2,251
Insurance obligations, primarily self-insurance	121,402	154,218	275,620	110,697	148,639	259,336
Residual value guarantees	2,837	1,555	4,392	2,301	2,196	4,497
Accrued rent	3,244	10,482	13,726	2,397	16,787	19,184
Deferred vehicle gains	461	990	1,451	473	1,374	1,847
Environmental liabilities	4,650	9,614	14,264	5,145	8,908	14,053
Asset retirement obligations	5,599	12,442	18,041	3,868	12,319	16,187



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Operating taxes	<b>105,109</b>		<b>105,109</b>	73,095		73,095
Income taxes	<b>791</b>	<b>76,728</b>	<b>77,519</b>	2,559	73,849	76,408
Interest	<b>25,592</b>		<b>25,592</b>	30,478		30,478
Deposits, mainly from customers	<b>36,897</b>	<b>12,769</b>	<b>49,666</b>	31,755	7,538	39,293
Deferred revenue	<b>19,648</b>	<b>1,726</b>	<b>21,374</b>	15,956	4,646	20,602
Acquisition holdbacks	<b>7,667</b>		<b>7,667</b>	6,177		6,177
Other	<b>44,477</b>	<b>10,031</b>	<b>54,508</b>	40,495	6,433	46,928
<b>Total</b>	<b>\$ 499,080</b>	<b>697,401</b>	<b>1,196,481</b>	417,015	680,808	1,097,823

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**RYDER SYSTEM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

(L) INCOME TAXES

**Uncertain Tax Positions**

We are subject to tax audits in numerous jurisdictions in the U.S. and foreign countries. Tax audits by their very nature are often complex and can require several years to complete. In the normal course of business, we are subject to challenges from the Internal Revenue Service (IRS) and other tax authorities regarding amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions. As part of our calculation of the provision for income taxes on earnings, we recognize the tax benefit from uncertain tax positions that are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Such calculations require management to make estimates and judgments with respect to the ultimate outcome of a tax audit. Actual results could vary materially from these estimates.

The following is a summary of tax years that are no longer subject to examination:

*Federal* audits of our U.S. federal income tax returns are closed through fiscal year 2007.

*State* for the majority of states, we are no longer subject to tax examinations by tax authorities for tax years before 2008.

*Foreign* we are no longer subject to foreign tax examinations by tax authorities for tax years before 2003 in Canada, 2001 in Brazil, 2006 in Mexico and 2008 in the U.K., which are our major foreign tax jurisdictions.

At September 30, 2011 and December 31, 2010, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state positions) was \$62.7 million and \$61.2 million, respectively. Unrecognized tax benefits related to federal, state and foreign tax positions may decrease by \$2.4 million by September 30, 2012, if audits are completed or tax years close.

**Like-Kind Exchange Program**

We have a like-kind exchange program for certain of our revenue earning equipment operating in the U.S. Pursuant to the program, we dispose of vehicles and acquire replacement vehicles in a form whereby tax gains on disposal of eligible vehicles are deferred. To qualify for like-kind exchange treatment, we exchange through a qualified intermediary eligible vehicles being disposed of with vehicles being acquired, allowing us to generally carryover the tax basis of the vehicles sold ( like-kind exchanges ). The program results in a material deferral of federal and state income taxes. As part of the program, the proceeds from the sale of eligible vehicles are restricted for the acquisition of replacement vehicles and other specified applications. Due to the structure utilized to facilitate the like-kind exchanges, the qualified intermediary that holds the proceeds from the sales of eligible vehicles and the entity that holds the vehicles to be acquired under the program are required to be consolidated in the accompanying Consolidated Condensed Financial Statements in accordance with U.S. GAAP. At September 30, 2011 and December 31, 2010, these consolidated entities had total assets, primarily revenue earning equipment, and total liabilities, primarily accounts payable, of \$82.7 million and \$49.5 million, respectively.

**Tax Law Changes**

On July 19, 2011, the U.K. enacted legislation which lowered the statutory rate from 27% to 26% effective April 1, 2011, and from 26% to 25% effective April 1, 2012. The impact of this change did not have a significant impact to earnings for the three or nine months ended September 30, 2011.

On May 25, 2011, the State of Michigan enacted changes to its tax system, which included a repeal of the Michigan Business Tax and replaced it with a corporate income tax. The impact of this change resulted in a non-cash charge to deferred income taxes and a decrease to earnings for the

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nine months ended September 30, 2011 of \$5.4 million.

On January 13, 2011, the State of Illinois enacted changes to its tax system, which included an increase to the corporate income tax rate from 4.8% to 7.0%. The impact of this change resulted in a non-cash charge to deferred income taxes and a decrease to earnings for the nine months ended September 30, 2011 of \$1.2 million.

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## RYDER SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(unaudited)

**Effective Tax Rate**

Our effective income tax rate from continuing operations for the third quarter of 2011 was 35.0% compared with 36.0% in the same period of the prior year. The decrease in our effective tax rate was mainly due to a higher proportionate amount of earnings in lower rate jurisdictions as well as tax benefits from acquisition-related transaction costs incurred in 2010.

Our effective income tax rate from continuing operations for the nine months ended September 30, 2011 was 40.0% compared with 39.2% in the same period of the prior year. Our provision for income taxes and effective income tax rate were negatively impacted by tax law changes in the States of Michigan and Illinois. The increase in our effective tax rate was partially offset by a higher proportionate amount of earnings in lower rate jurisdictions and lower contingent tax accruals.

## (M) DEBT

	Weighted-Average Interest Rate		Maturities	September 30,	December 31,
	September 30, 2011	December 31, 2010		September 30, 2011	December 31, 2010
(In thousands)					
Short-term debt and current portion of long-term debt:					
Short-term debt	1.38%	4.56%	2011-2012	\$ 5,047	42,968
Current portion of long-term debt, including capital leases				250,312	377,156
Total short-term debt and current portion of long-term debt				255,359	420,124
Long-term debt:					
U.S. commercial paper <sup>(1)</sup>	0.35%	0.42%	2016	266,961	367,880
Unsecured U.S. notes Medium-term notes <sup>(1)</sup>	4.47%	5.28%	2011-2025	2,484,241	2,158,647
Unsecured U.S. obligations, principally bank term loans	1.57%	1.54%	2012-2016	106,900	105,600
Unsecured foreign obligations	2.57%	5.14%	2012-2016	300,032	45,109
Capital lease obligations	7.81%	7.86%	2011-2017	10,721	11,369
Total before fair market value adjustment				3,168,855	2,688,605
Fair market value adjustment on notes subject to hedging <sup>(2)</sup>				24,692	15,429
				3,193,547	2,704,034
Current portion of long-term debt, including capital leases				(250,312)	(377,156)
Long-term debt				2,943,235	2,326,878
Total debt				\$ 3,198,594	2,747,002

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(1) *We had unamortized original issue discounts of \$9.8 million and \$10.5 million at September 30, 2011 and December 31, 2010, respectively.*

(2) *The notional amount of executed interest rate swaps designated as fair value hedges was \$550 million and \$250 million at September 30, 2011 and December 31, 2010, respectively.*

In June 2011, we executed a new \$900 million 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, Royal Bank of Scotland Plc, U.S. Bank National Association and Wells Fargo Bank, N.A. This facility replaced an \$875 million credit facility that was scheduled to mature in April 2012. The new global credit facility matures in June 2016 and is used primarily to finance working capital and provide support for the issuance of unsecured commercial paper in the U.S. and Canada. This facility 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 September 30, 2011). At our option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The agreement provides for annual facility fees, which range from 10.0 basis points to 32.5 basis points, and are based on Ryder's long-term credit ratings. The current annual facility fee is 15.0 basis points, which applies to the total facility size of \$900 million. 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 tangible net worth, of less than or equal to 300%. Tangible net worth, as defined in the credit facility, includes

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**RYDER SYSTEM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

50% of our deferred federal income tax liability and excludes the book value of our intangibles. The ratio at September 30, 2011 was 214%. At September 30, 2011, \$631.1 million was available under the credit facility, net of the support for commercial paper borrowings.

Our global revolving credit facility permits us to refinance short-term commercial paper obligations on a long-term basis. Settlement of 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. At September 30, 2011 and December 31, 2010, we classified \$267.0 million and \$367.9 million, respectively, of short-term commercial paper as long-term debt.

In May 2011, we issued \$350 million of unsecured medium-term notes maturing in June 2017. If the notes are downgraded following, and as a result of, a change in control, the note holder can require us to repurchase all or a portion of the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. In connection with the issuance of the medium term notes, we entered into three interest rate swaps with an aggregate notional amount of \$150 million maturing in June 2017. Refer to Note (O), Derivatives, for additional information.

In February 2011, we issued \$350 million of unsecured medium-term notes maturing in March 2015. If the notes are downgraded following, and as a result of, a change in control, the note holder can require us to repurchase all or a portion of the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. In connection with the issuance of the medium term notes, we entered into two interest rate swaps with an aggregate notional amount of \$150 million maturing in March 2015. Refer to Note (O), Derivatives, for additional information.

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 receivables conduit or committed purchasers. 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. If no event occurs which causes early termination, the 364-day program will expire on October 28, 2011. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectability of the collateralized receivables. At September 30, 2011 and December 31, 2010, no amounts were outstanding under the program. Sales of receivables under this program will be accounted for as secured borrowings based on our continuing involvement in the transferred assets.

At September 30, 2011 and December 31, 2010, we had letters of credit and surety bonds outstanding totaling \$264.2 million and \$264.8 million, respectively, which primarily guarantee the payment of insurance claims.

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(unaudited)

**(N) FAIR VALUE MEASUREMENTS**

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and the levels of inputs used to measure fair value:

	000000	000000	000000	000000	000000
		Fair Value Measurements At September 30, 2011 Using			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
		(In thousands)			
<b>Assets:</b>					
Investments held in Rabbi Trusts:					
Cash and cash equivalents		\$ 4,745			4,745
U.S. equity mutual funds		6,923			6,923
Foreign equity mutual funds		2,158			2,158
Fixed income mutual funds		3,336			3,336
Investments held in Rabbi Trusts	DFL and other assets	17,162			17,162
Interest rate swaps	DFL and other assets		24,692		24,692
<b>Total assets at fair value</b>		<b>\$ 17,162</b>	<b>24,692</b>		<b>41,854</b>
<b>Liabilities:</b>					
Contingent consideration	Accrued expenses			1,000	1,000
<b>Total liabilities at fair value</b>				<b>1,000</b>	<b>1,000</b>
		Fair Value Measurements At December 31, 2010 Using			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
		(In thousands)			
<b>Assets:</b>					
Investments held in Rabbi Trusts					
Cash and cash equivalents		\$ 2,348			2,348
U.S. equity mutual funds		8,409			8,409
Foreign equity mutual funds		5,188			5,188
Fixed income mutual funds		1,459			1,459
Investments held in Rabbi Trusts	DFL and other assets	17,404			17,404
Interest rate swap	DFL and other assets		15,429		15,429
<b>Total assets at fair value</b>		<b>\$ 17,404</b>	<b>15,429</b>		<b>32,833</b>

The following is a description of the valuation methodologies used for these items, as well as the level of inputs used to measure fair value:

*Investments held in Rabbi Trusts* The investments primarily include mutual funds that invest in equity and fixed income securities. Shares of mutual funds were valued based on quoted market prices, which represents the net asset value of the shares and were therefore classified within

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Level 1 of the fair value hierarchy.

*Interest rate swaps* The derivatives are pay-variable, receive-fixed interest rate swaps based on the LIBOR rate and are designated as fair value hedges. Fair value was based on a model-driven income approach using the LIBOR rate at each interest payment date, which was observable at commonly quoted intervals for the full term of the swaps. Therefore, our interest rate swaps were classified within Level 2 of the fair value hierarchy.

*Contingent consideration* Fair value was based on the income approach and uses significant inputs that are not observable in the market. These inputs are based on our expectations as to what amount we will pay based on contractual provisions. Therefore, the liability was classified within Level 3 of the fair value hierarchy. There was no change in the fair value of the liability during 2011. Refer to Note (C), Acquisitions, for additional information.

The following tables present our assets and liabilities that are measured at fair value on a nonrecurring basis and the levels of inputs used to measure fair value:

	\$ 0,000	\$ 0,000	\$ 0,000	\$ 0,000	\$ 0,000
	Fair Value Measurements At September 30, 2011 Using			Total Losses <sup>(2)</sup>	
	Level 1	Level 2	Level 3 (In thousands)	Three months ended	Nine months ended
<b>Assets held for sale:</b>					
Revenue earning equipment: <sup>(1)</sup>					
Trucks	\$		6,401	\$ 1,300	\$ 4,943
Tractors			1,972	445	1,545
Trailers			357	406	1,774
Total assets at fair value	\$		8,730	\$ 2,151	\$ 8,262

	\$ 000,000	\$ 000,000	\$ 000,000	\$ 000,000	\$ 000,000
	Fair Value Measurements At September 30, 2010 Using			Total Losses <sup>(2)</sup>	
	Level 1	Level 2	Level 3 (In thousands)	Three months ended	Nine months ended
<b>Assets held for sale:</b>					
Revenue earning equipment <sup>(1)</sup>					
Trucks	\$		12,507	\$ 2,541	\$ 10,423
Tractors			13,298	1,911	8,403
Trailers			1,920	867	3,098
Total assets at fair value	\$		27,725	\$ 5,319	\$ 21,924

(1) Represents the portion of all revenue earning equipment held for sale that is recorded at fair value, less costs to sell.

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



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## RYDER SYSTEM, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(unaudited)

Revenue earning equipment held for sale is stated at the lower of carrying amount or fair value less costs to sell. Losses to reflect changes in fair value are presented within Depreciation expense in the Consolidated Condensed Statements of Earnings. For revenue earning equipment held for sale, we stratify our fleet by vehicle type (tractors, trucks and trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. 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. Therefore, our revenue earning equipment held for sale was classified within Level 3 of the fair value hierarchy.

Fair value of total debt (excluding capital lease obligations) at September 30, 2011 and December 31, 2010 was approximately \$3.37 billion and \$2.86 billion, respectively. For publicly-traded debt, estimates of fair value were based on market prices. For other debt, fair value was estimated based on rates currently available to us for debt with similar terms and remaining maturities. The carrying amounts reported in the Consolidated Condensed Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

## (O) DERIVATIVES

**Interest Rate Swaps**

In May 2011, we issued \$350 million of unsecured medium-term notes maturing in June 2017. Concurrently, we entered into three interest rate swaps, with an aggregate notional amount of \$150 million maturing in June 2017. The swaps were designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The differential to be paid or received is accrued and recognized as interest expense. At September 30, 2011, the interest rate swap agreements effectively changed \$150 million of fixed-rate debt instruments with an interest rate of 3.50% to LIBOR-based floating-rate debt at a weighted-average interest rate of 1.50%. Changes in the fair value of our interest rate swaps are offset by changes in the fair value of the debt instrument. Accordingly, there is no ineffectiveness related to the interest rate swaps.

In February 2011, we issued \$350 million of unsecured medium-term notes maturing in March 2015. Concurrently, we entered into two interest rate swaps, with an aggregate notional amount of \$150 million maturing in March 2015. The swaps were designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The differential to be paid or received is accrued and recognized as interest expense. At September 30, 2011, the interest rate swap agreements effectively changed \$150 million of fixed-rate debt instruments with an interest rate of 3.15% to LIBOR-based floating-rate debt at a weighted-average interest rate of 1.43%. Changes in the fair value of our interest rate swaps are offset by changes in the fair value of the debt instrument. Accordingly, there is no ineffectiveness related to the interest rate swaps.

In February 2008, we issued \$250 million of unsecured medium-term notes maturing in March 2013. Concurrently, we entered into an interest rate swap with a notional amount of \$250 million maturing in March 2013. The swap was designated as a fair value hedge whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The differential to be paid or received is accrued and recognized as interest expense. At September 30, 2011, the interest rate swap agreement effectively changed \$250 million of fixed-rate debt with an interest rate of 6.00% to LIBOR-based floating-rate debt at a rate of 2.61%. Changes in the fair value of our interest rate swap are offset by changes in the fair value of the debt instrument. Accordingly, there is no ineffectiveness related to the interest rate swap.

The location and amount of gains (losses) on interest rate swap agreements designated as fair value hedges and related hedged items reported in the Consolidated Condensed Statements of Earnings were as follows:

Fair Value Hedging Relationship	Location of Gain (Loss) Recognized in Income	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
(In thousands)					
Derivatives: Interest rate swaps	Interest expense	\$ 8,251	1,813	\$ 9,263	5,938

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Hedged items: Fixed-rate debt	Interest expense	<b>(8,251)</b>	(1,813)	<b>(9,263)</b>	(5,938)
Total		\$		\$	

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(P) SHARE REPURCHASE PROGRAMS**

In December 2009, our Board of Directors authorized a share repurchase program intended to mitigate the dilutive impact of shares issued under our various employee stock, stock option and stock purchase plans. Under the December 2009 program, management is authorized to repurchase shares of common stock in an amount not to exceed the number of shares issued to employees under the Company's various employee stock, stock option and stock purchase plans from December 1, 2009 through December 15, 2011. The December 2009 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 established a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the December 2009 program, which allowed for share repurchases during Ryder's quarterly blackout periods as set forth in the plan. For the three months ended September 30, 2011 and 2010, we repurchased and retired 202,971 shares and 109,064 shares, respectively, under this program at an aggregate cost of \$9.5 million and \$4.6 million, respectively. For the nine months ended September 30, 2011 and 2010, we repurchased and retired 1,022,971 shares and 416,761 shares, respectively, under this program at an aggregate cost of \$51.4 million and \$16.8 million, respectively.

In February 2010, our Board of Directors authorized a \$100 million discretionary share repurchase program over a period not to exceed two years. For the three months ended September 30, 2010, we repurchased and retired 720,000 shares under the program at an aggregate cost of \$29.6 million. For the nine months ended September 30, 2010, we repurchased and retired 1,855,000 shares under this program at an aggregate cost of \$75.1 million. The program was completed in December 2010.

**(Q) COMPREHENSIVE INCOME**

Comprehensive income presents a measure of all changes in shareholders' equity except for changes resulting from transactions with shareholders in their capacity as shareholders. Our total comprehensive income presently consists of net earnings, currency translation adjustments associated with foreign operations that use the local currency as their functional currency and adjustments for derivative instruments accounted for as cash flow hedges and various pension and other postretirement benefits related items.

The following table provides a reconciliation of net earnings as reported in the Consolidated Condensed Statements of Earnings to comprehensive income:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Net earnings	\$ 56,524	38,835	\$ 121,682	81,049
Other comprehensive income:				
Foreign currency translation adjustments	(53,416)	31,825	(27,428)	1,451
Unrealized gain on derivative instruments	136			
Amortization of transition obligation <sup>(1)</sup>	(6)	(4)	(17)	(13)
Amortization of net actuarial loss <sup>(1)</sup>	3,274	3,112	9,887	9,331
Amortization of prior service credit <sup>(1)</sup>	(406)	(400)	(1,220)	(1,200)
Change in net actuarial loss <sup>(1)</sup>		(3)	(1,520)	(971)
Total comprehensive income	\$ 6,106	73,365	\$ 101,384	89,647

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*(1) Amounts pertain to our pension and/or postretirement benefit plans and are presented net of tax. See Note (R), Employee Benefit Plans, for additional information.*

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(R) EMPLOYEE BENEFIT PLANS**

Components of net periodic benefit cost were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
<b>Pension Benefits</b>				
Company-administered plans:				
Service cost	\$ 3,676	3,538	\$ 11,059	11,690
Interest cost	24,374	24,062	73,248	72,004
Expected return on plan assets	(25,441)	(23,322)	(76,477)	(69,743)
Amortization of:				
Transition obligation	(8)	(6)	(23)	(18)
Net actuarial loss	5,054	4,758	15,185	14,257
Prior service credit	(568)	(564)	(1,710)	(1,690)
	7,087	8,466	21,282	26,500
Union-administered plans	1,627	1,296	4,423	3,887
Net periodic benefit cost	\$ 8,714	9,762	\$ 25,705	30,387
Company-administered plans:				
U.S.	\$ 7,243	8,433	\$ 21,730	25,300
Non-U.S.	(156)	33	(448)	1,200
	7,087	8,466	21,282	26,500
Union-administered plans	1,627	1,296	4,423	3,887
	\$ 8,714	9,762	\$ 25,705	30,387
<b>Postretirement Benefits</b>				
Company-administered plans:				
Service cost	\$ 323	343	\$ 973	1,028
Interest cost	625	680	1,879	2,039
Amortization of:				
Net actuarial loss	36	88	173	263
Prior service credit	(58)	(58)	(173)	(173)
Net periodic benefit cost	\$ 926	1,053	\$ 2,852	3,157
Company-administered plans:				
U.S.	\$ 789	783	\$ 2,366	2,350
Non-U.S.	137	270	486	807

\$ 926 1,053 \$ 2,852 3,157

**Pension Contributions**

During the nine months ended September 30, 2011, we contributed \$12.4 million to our pension plans. During the fourth quarter of 2011, we expect to contribute approximately \$3.4 million to our pension plans.

**Savings Plans**

Employees who do not actively participate in pension plans and are not covered by union-administered plans are generally eligible to participate in enhanced savings plans. Plans provide for (i) a company contribution even if employees do not make contributions, (ii) a company match of employee contributions of eligible pay, subject to tax limits and (iii) a discretionary company match based on our performance. During the three months ended September 30, 2011 and 2010, we recognized total savings plan costs of \$9.6 million and \$6.7 million, respectively. During the nine months ended September 30, 2011 and 2010, we recognized total savings plan costs of \$30.1 million and \$20.0 million, respectively.

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(S) OTHER ITEMS IMPACTING COMPARABILITY**

Our primary measure of segment performance excludes certain items we do not believe are representative of the ongoing operations of the segment. We believe that excluding these items from our segment measure of performance allows for better comparison of results.

During the second quarter of 2011, we incurred \$1.7 million of transaction costs related to the acquisition of Hill Hire. These charges were recorded within Operating expense in our Consolidated Statements of Earnings.

**(T) SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow information was as follows:

	Nine months ended September 30,	
	2011	2010
	(In thousands)	
Interest paid	\$ 99,047	89,017
Income taxes paid (refunded)	\$ 17,675	(6,602)
Changes in accounts payable related to purchases of revenue earning equipment	\$ 83,937	33,808
Operating and revenue earning equipment acquired under capital leases	\$ 1,187	106

**(U) SEGMENT REPORTING**

Our operating segments are aggregated into reportable business segments based upon similar economic characteristics, products, services, customers and delivery methods. We operate in three reportable business segments: (1) FMS, which provides full service leasing, contract maintenance, contract-related maintenance and commercial rental of trucks, tractors and trailers to customers, principally in the U.S., Canada and the U.K.; (2) SCS, which provides comprehensive supply chain consulting including distribution and transportation services in North America and Asia; and (3) DCC, which provides vehicles and drivers as part of a dedicated transportation solution in the U.S.

Our primary measurement of segment financial performance, defined as Net Before Taxes (NBT), includes an allocation of Central Support Services (CSS) and excludes restructuring and other charges, net described in Note (G), Restructuring and Other Charges and excludes the items discussed in Note (S), 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 and corporate communications. The objective of the NBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment and each operating segment within each business 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.

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

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

The following tables set forth financial information for each of our business segments and reconciliation between segment NBT and earnings from continuing operations before income taxes for the three and nine months ended September 30, 2011 and 2010. 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	SCS	DCC (In thousands)	Eliminations	Total
<b>For the three months ended September 30, 2011</b>					
Revenue from external customers	\$ 1,005,716	406,078	158,926		1,570,720
Inter-segment revenue	93,333			(93,333)	
Total revenue	\$ 1,099,049	406,078	158,926	(93,333)	1,570,720
Segment NBT	\$ 74,156	22,398	8,358	(5,665)	99,247
Unallocated CSS					(11,592)
Earnings from continuing operations before income taxes					\$ 87,655
Segment capital expenditures <sup>(1), (2)</sup>	\$ 334,672	\$ 8,741	\$ 575		343,988
Unallocated CSS					3,770
Capital expenditures paid					\$ 347,758
<b>For the three months ended September 30, 2010</b>					
Revenue from external customers	\$ 872,685	322,871	121,392		1,316,948
Inter-segment revenue	76,254			(76,254)	
Total revenue	\$ 948,939	322,871	121,392	(76,254)	1,316,948
Segment NBT	\$ 54,766	15,199	8,619	(4,629)	73,955
Unallocated CSS					(11,957)
Earnings from continuing operations before income taxes					\$ 61,998
Segment capital expenditures <sup>(1), (2)</sup>	\$ 310,374	3,554	215		314,143
Unallocated CSS					2,370



Capital expenditures paid

\$ 316,513

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

(2) Excludes acquisition payments of \$13.6 million and \$4.4 million during the three months ended September 30, 2011 and 2010, respectively.

**Table of Contents****RYDER SYSTEM, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

	FMS	SCS	DCC (In thousands)	Eliminations	Total
<b>For the nine months ended September 30, 2011</b>					
Revenue from external customers	\$ 2,868,699	1,196,694	444,047		4,509,440
Inter-segment revenue	274,976			(274,976)	
Total revenue	\$ 3,143,675	1,196,694	444,047	(274,976)	4,509,440
Segment NBT	\$ 180,222	51,693	25,517	(17,098)	240,334
Unallocated CSS					(31,564)
Restructuring and other charges, net and other items <sup>(3)</sup>					(2,495)
Earnings from continuing operations before income taxes					\$ 206,275
Segment capital expenditures <sup>(1), (2)</sup>	\$ 1,128,560	21,706	2,613		1,152,879
Unallocated CSS					12,256
Capital expenditures paid					\$ 1,165,135
<b>For the nine months ended September 30, 2010</b>					
Revenue from external customers	\$ 2,535,094	927,157	360,758		3,823,009
Inter-segment revenue	228,999			(228,999)	
Total revenue	\$ 2,764,093	927,157	360,758	(228,999)	3,823,009
Segment NBT	\$ 122,687	34,784	24,437	(14,505)	167,403
Unallocated CSS					(30,706)
Earnings from continuing operations before income taxes					\$ 136,697
Segment capital expenditures <sup>(1), (2)</sup>	\$ 844,659	7,051	1,206		852,916
Unallocated CSS					7,986
Capital expenditures paid					\$ 860,902

- (1) *Excludes revenue earning equipment acquired under capital leases.*
- (2) *Excludes acquisition payments of \$362.2 million and \$6.8 million during the nine months ended September 30, 2011 and 2010, respectively.*
- (3) *See Note (S), Other Items Impacting Comparability, for a discussion of items, in addition to restructuring and other charges, net that are excluded from our primary measure of segment performance.*

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**RYDER SYSTEM, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**(V) OTHER MATTERS**

We are a party to various claims, complaints and proceedings arising in the ordinary course of business including but not limited to those relating to litigation matters, environmental matters, risk management matters (e.g. vehicle liability, workers' compensation, etc.) and administrative assessments primarily associated with operating taxes. We are also subject to various claims, tax assessments and administrative proceedings associated with our discontinued operations. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. It is not possible at this time for us to determine fully the effect of all unasserted claims and assessments on our consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable we have recorded a liability. Litigation is subject to many uncertainties, and the outcome of any individual litigated matter is not predictable with assurance. It is possible that certain of the actions, claims, inquiries or proceedings could be decided unfavorably to Ryder. To the extent that these matters pertain to our discontinued operations, additional adjustments and expenses may be recorded through discontinued operations in future periods as further relevant information becomes available. Although the final resolution of any such matters could have a material effect on our consolidated operating results for the particular reporting period in which an adjustment of the estimated liability is recorded, we believe that any resulting liability should not materially affect our consolidated financial position.

In Brazil, we were assessed \$15.7 million, including penalties and interest, related to tax due on the sale of our outbound auto carriage business in 2001. On November 11, 2010, the Administrative Tax Court dismissed the assessment. The tax authority has filed a motion to review the decision and the matter therefore remains before the Administrative Tax Court. We believe it is more likely than not that our tax position will ultimately be sustained and no amounts have been reserved for this matter.

We are also a defendant in a number of lawsuits containing various class-action allegations of wage-and-hour violations and improper pay practice claims. The plaintiffs in these lawsuits allege, among other things, that they were not paid for certain hours worked, were not paid overtime or were not provided work breaks or other benefits. The complaints generally seek unspecified monetary damages, injunctive relief, or both. We cannot currently estimate a reasonably possible range of loss related to these lawsuits. Although the final resolution of any such matters could have a material effect on our consolidated operating results for the particular reporting period in which an adjustment of the estimated liability is recorded, we believe that any resulting liability should not materially affect our consolidated financial position.

**(W) RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2011, the FASB issued accounting guidance on the presentation of comprehensive income. Under this guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance is effective for us beginning in our March 31, 2012 10-Q. We are currently evaluating these changes to determine which option will be chosen for the presentation of comprehensive income. Other than the change in presentation, this accounting guidance will not have an impact on our consolidated financial position, results of operations or cash flows.

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

**OVERVIEW**

The following discussion 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 2010 Annual Report on Form 10-K.

Ryder System, Inc. (Ryder) is a global leader in transportation and supply chain management solutions. Our business is divided into three business segments: Fleet Management Solutions (FMS), which provides full service leasing, contract maintenance, contract-related maintenance and commercial rental of trucks, tractors and trailers to customers principally in the U.S., Canada and the U.K.; Supply Chain Solutions (SCS), which provides comprehensive supply chain consulting including distribution and transportation services in North America and Asia; and Dedicated Contract Carriage (DCC), which provides vehicles and drivers as part of a dedicated transportation solution in the U.S. 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, electronics, transportation, grocery, lumber and wood products, food service and home furnishing.

**ITEMS AFFECTING COMPARABILITY BETWEEN PERIODS****Accounting Changes**

See Note (B), Accounting Changes, for a discussion of the impact of changes in accounting guidance.

**ACQUISITIONS**

We completed four acquisitions in 2011 under which we acquired a company's fleet of vehicles and contractual customers. The combined networks operate under Ryder's name and complement our existing market coverage and service network. The results of these acquisitions have been included in our consolidated results since the dates of acquisition.

Company Acquired	Business Segment	Date	Vehicles	Contractual	
				Customers	Market
Hill Hire plc	FMS	June 8, 2011	13,700	400	U.K.
B.I.T. Leasing, Inc. (BIT) <sup>(1)</sup>	FMS	April 1, 2011	490	130	California
The Scully Companies (Scully)	FMS/DCC	January 28, 2011	2,100	200	Western U.S.
Carmenita Leasing, Inc.	FMS	January 10, 2011	190	60	California

(1) This acquisition complements a 2010 acquisition whereby we acquired a portion of BIT's full service lease and rental vehicles and contractual customers. Vehicles and contractual customers disclosed above represented the combination of both acquisitions.

**Total Logistic Control** On December 31, 2010, we acquired all of the common stock of Total Logistic Control (TLC), a leading provider of comprehensive supply chain solutions to food, beverage, and consumer packaged goods manufacturers in the U.S. TLC provides customers a broad suite of end-to-end services, including distribution management, contract packaging services and solutions engineering. This acquisition enhances our SCS capabilities and growth prospects in the areas of packaging and warehousing, including temperature-controlled facilities.

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

## AND RESULTS OF OPERATIONS (Continued)

## CONSOLIDATED RESULTS

	Three months ended September 30,		Nine months ended September 30,		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(In thousands, except per share amounts)					
Total revenue	\$ 1,570,720	1,316,948	\$ 4,509,440	3,823,009	19%	18%
Operating revenue <sup>(1)</sup>	1,256,489	1,071,611	3,577,565	3,096,300	17	16
Pre-tax earnings from continuing operations	87,655	61,998	206,275	136,697	41	51
Earnings from continuing operations	56,933	39,674	123,704	83,146	44	49
Net earnings	56,524	38,835	121,682	81,049	46	50
Earnings (loss) per common share - Diluted						
Continuing operations	\$ 1.10	0.76	\$ 2.39	1.57	45%	52%
Net earnings	1.10	0.74	2.35	1.53	49	54
Weighted-average shares outstanding - Diluted	50,753	51,535	50,922	52,166	(2)%	(2)%

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our businesses and as a measure of sales activity. FMS fuel services revenue, which is directly impacted by fluctuations in market fuel prices, is excluded from the operating revenue computation as fuel is largely a pass-through to our customers for which we realize minimal changes in 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 market fuel costs. Subcontracted transportation is deducted from total revenue to arrive at operating revenue as subcontracted transportation is typically a pass-through to our customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation. Refer to the section titled *Non-GAAP Financial Measures* for a reconciliation of total revenue to operating revenue.

**Revenue**

Total revenue increased 19% in the third quarter of 2011 to \$1.57 billion. Operating revenue (revenue excluding FMS fuel and all subcontracted transportation) increased 17% in the third quarter of 2011 to \$1.26 billion. In the nine months ended September 30, 2011, total revenue increased 18% to \$4.51 billion and operating revenue increased 16% to \$3.58 billion. The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	000000000 Three months ended September 30, 2011		000000000 Nine months ended September 30, 2011	
	Total	Operating	Total	Operating
Acquisitions	11%	12%	9%	10%
Organic including price and volume	3	4	4	5
FMS fuel	3		3	

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Subcontracted transportation	1		1	
Foreign exchange	1	1	1	1
Total increase	19%	17%	18%	16%

See Operating Results by Business Segment for a further discussion of the revenue impact from acquisitions and organic growth.

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

**Pre-Tax Earnings from Continuing Operations (NBT)**

NBT increased 41% in the third quarter of 2011 to \$87.7 million. In the nine months ended September 30, 2011, NBT increased 51% to \$206.3 million. The increase in NBT was primarily driven by improved commercial rental performance and used vehicle sales results. Acquisitions accounted for 27% and 22% of year-over-year NBT growth in the third quarter and first nine months of 2011, respectively. However, these increases were partially offset by higher incentive-based compensation costs as a result of improved company performance. In addition, the nine months ended September 30, 2011 included a \$4.1 million negative impact from SCS automotive production cuts due to the Japan earthquake. See Operating Results by Business Segment for a further discussion of operating results. For the nine months ended September 30, 2011, NBT also included acquisition-related restructuring and other costs of \$0.8 million and transaction costs of \$2.2 million.

**Earnings and Diluted Earnings Per Share (EPS) from Continuing Operations**

Earnings from continuing operations increased 44% to \$56.9 million in the third quarter of 2011. Earnings from continuing operations included an income tax benefit of \$0.6 million, or \$0.01 per diluted common share, associated with the deduction of acquisition-related transaction costs incurred in a prior year. Excluding this item, comparable earnings and EPS from continuing operations increased 42% to \$56.4 million and 43% to \$1.09 per diluted common share, respectively.

In the nine months ended September 30, 2011, earnings from continuing operations increased 49% to \$123.7 million. Earnings from continuing operations included an income tax charge of \$5.4 million, or \$0.10 per diluted common share, due to a tax law change in Michigan. EPS from continuing operations also included the previously discussed tax benefit from acquisition-related transaction costs of \$0.01 per diluted common share, acquisition-related transaction costs of \$0.03 per diluted common share and a first quarter restructuring charge of \$0.01 per diluted common share. Excluding these items, comparable earnings and EPS from continuing operations increased 57% to \$130.5 million and 61% to \$2.52 per diluted common share, respectively.

We believe that comparable earnings from continuing operations and comparable earnings per diluted common share from continuing operations measures provide useful information to investors because they exclude significant items that are unrelated to our ongoing business operations. See Note (S), Other Items Impacting Comparability, for information regarding items excluded from 2011 results.

**Net Earnings and EPS**

Net earnings increased 46% in the third quarter of 2011 to \$56.5 million or \$1.10 per diluted common share and increased 50% in the nine months ended September 30, 2011 to \$121.7 million or \$2.35 per diluted common share. Net earnings in the third quarter and in the first nine months of 2011 were negatively impacted by losses from discontinued operations of \$0.4 million and \$2.0 million, respectively. EPS growth in the third quarter and in the first nine months of 2011 exceeded the earnings growth reflecting the impact of share repurchase programs.

The changes in the individual expense components of net earnings are discussed in more detail below.

	Three months ended September 30,		Nine months ended September 30,		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
Fuel expense	\$ 272,158	208,832	\$ 811,839	623,898	30%	30%
Maintenance and repairs expense	258,857	223,708	724,635	638,921	16	13
Other operating expense	227,703	191,955	655,133	550,784	19	19
Total operating expense	\$ 758,718	624,495	\$ 2,191,607	1,813,603	21%	21%



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Percentage of total revenue	<b>48%</b>	47%	<b>49%</b>	47%
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Total operating expense increased 21% in the third quarter and first nine months of 2011 to \$758.7 million and \$2.19 billion, respectively, as a result of higher fuel and maintenance and repairs expense. Fuel expense, which primarily impacts our FMS segment, increased in the third quarter and first nine months of 2011 as a result of higher fuel costs per gallon passed through to



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	Three months ended September 30, Nine months ended September 30,				Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
Depreciation expense	\$ 224,466	209,929	\$ 645,261	627,695	7%	3%
Gains on vehicle sales, net	\$ (18,270)	(6,904)	\$ (46,277)	(18,009)	165%	157%
Equipment rental	\$ 14,468	16,463	\$ 43,430	49,532	(12)%	(12)%

Depreciation expense relates primarily to FMS revenue earning equipment. Revenue earning equipment held for sale is recorded at the lower of fair value less costs to sell or carrying value. Losses to reflect changes in fair value are reflected within depreciation expense. Depreciation expense increased 7% in the third quarter of 2011 to \$224.5 million. The increase was primarily driven by acquisitions which increased our average fleet size and added \$14.6 million of depreciation. Additionally, depreciation expense was impacted by increasing average new vehicle investments. The growth in depreciation expense was partially offset by \$3.2 million



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Refer to Note (G), Restructuring and Other Charges, for a discussion of the restructuring and other charges recognized during the nine months ended September 30, 2011.



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

## OPERATING RESULTS BY BUSINESS SEGMENT

	Three months ended September 30,		Nine months ended September 30,		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
<b>Revenue:</b>						
Fleet Management Solutions	\$ 1,099,049	948,939	\$ 3,143,675	2,764,093	16%	14%
Supply Chain Solutions	406,078	322,871	1,196,694	927,157	26	29
Dedicated Contract Carriage	158,926	121,392	444,047	360,758	31	23
Eliminations	(93,333)	(76,254)	(274,976)	(228,999)	(22)	(20)
<b>Total</b>	<b>\$ 1,570,720</b>	<b>1,316,948</b>	<b>\$ 4,509,440</b>	<b>3,823,009</b>	<b>19%</b>	<b>18%</b>
<b>Operating Revenue:</b>						
Fleet Management Solutions	\$ 824,651	733,870	\$ 2,322,544	2,120,278	12%	10%
Supply Chain Solutions	326,817	258,542	966,238	746,653	26	29
Dedicated Contract Carriage	149,463	118,672	419,503	349,290	26	20
Eliminations	(44,442)	(39,473)	(130,720)	(119,921)	(13)	(9)
<b>Total</b>	<b>\$ 1,256,489</b>	<b>1,071,611</b>	<b>\$ 3,577,565</b>	<b>3,096,300</b>	<b>17%</b>	<b>16%</b>
<b>NBT:</b>						
Fleet Management Solutions	\$ 74,156	54,766	\$ 180,222	122,687	35%	47%
Supply Chain Solutions	22,398	15,199	51,693	34,784	47	49
Dedicated Contract Carriage	8,358	8,619	25,517	24,437	(3)	4
Eliminations	(5,665)	(4,629)	(17,098)	(14,505)	(22)	(18)
	99,247	73,955	240,334	167,403	34	44
Unallocated Central Support Services	(11,592)	(11,957)	(31,564)	(30,706)	3	(3)
Restructuring and other charges, net and other items			(2,495)		NM	NM
<b>Pre-tax earnings from continuing operations</b>	<b>\$ 87,655</b>	<b>61,998</b>	<b>\$ 206,275</b>	<b>136,697</b>	<b>41%</b>	<b>51%</b>

As part of management's evaluation of segment operating performance, we define the primary measurement of our segment financial performance as Net Before Taxes (NBT) from continuing operations, which includes an allocation of Central Support Services (CSS), and excludes restructuring and other charges, net, described in Note (G), Restructuring and Other Charges and the items discussed in Note (S), Other Items Impacting Comparability, in the Notes to Consolidated Condensed Financial Statements. CSS represents those costs incurred to support all business segments, including human resources, finance, corporate services and public affairs, information technology, health and safety, legal and corporate communications. The objective of the NBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment and each operating segment within each business 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 considered to be overhead not attributable to any segment and remain unallocated in CSS. Included within the unallocated overhead remaining within CSS are the costs for investor relations, public affairs and certain executive compensation.





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

The following table provides a reconciliation of items excluded from our segment NBT measure to their classification within our Consolidated Condensed Statements of Earnings:

Description	Line Item	00000000	00000000	00000000	00000000	00000000
		Consolidated	Three months ended September 30,		Nine months ended September 30,	
Condensed Statements of Earnings						
		2011	2010	2011	2010	
(In thousands)						
Restructuring and other charges, net	Restructuring <sup>(1)</sup>	\$		\$	(768)	
Acquisition-related transaction costs <sup>(2)</sup>	Operating expense				(1,727)	
		\$		\$	(2,495)	

(1) Restructuring refers to Restructuring and Other Charges, net on our Consolidated Condensed Statements of Earnings.

(2) See Note (S), Other Items Impacting Comparability, for additional information.

Inter-segment revenue and NBT are accounted for at rates similar to those executed with third parties. NBT related to inter-segment equipment and services billed to customers (equipment contribution) are included in both FMS and the business segment which served the customer and then eliminated (presented as Eliminations). The following table sets forth equipment contribution included in NBT for our SCS and DCC business segments:

	Three months ended September 30,		Nine months ended September 30,		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
(Dollars in thousands)						
<b>Equipment contribution:</b>						
Supply Chain Solutions	\$ 1,725	1,973	\$ 5,518	6,228	(13)%	(11)%
Dedicated Contract Carriage	3,940	2,656	11,580	8,277	48	40
<b>Total</b>	<b>\$ 5,665</b>	<b>4,629</b>	<b>\$ 17,098</b>	<b>14,505</b>	<b>22%</b>	<b>18%</b>

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

**Fleet Management Solutions**

	Three months ended September 30,		Nine months ended September 30,		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
Full service lease	\$ 509,852	487,488	\$ 1,487,882	1,449,365	5%	3%
Contract maintenance	39,117	40,098	116,384	119,757	(2)	(3)
Contractual revenue	548,969	527,586	1,604,266	1,569,122	4	2
Contract-related maintenance	51,633	41,176	143,658	121,247	25	18
Commercial rental	206,531	147,899	522,229	379,544	40	38
Other	17,518	17,209	52,391	50,365	2	4
Operating revenue <sup>(1)</sup>	824,651	733,870	2,322,544	2,120,278	12	10
Fuel services revenue	274,398	215,069	821,131	643,815	28	28
Total revenue	\$ 1,099,049	948,939	\$ 3,143,675	2,764,093	16%	14%
Segment NBT	\$ 74,156	54,766	\$ 180,222	122,687	35%	47%
Segment NBT as a % of total revenue	6.7%	5.8%	5.7%	4.4%	90 bps	130 bps
Segment NBT as a % of operating revenue <sup>(1)</sup>	9.0%	7.5%	7.8%	5.8%	150 bps	200 bps

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our FMS business segment and as a measure of sales activity. Fuel services revenue, which is directly impacted by fluctuations in market fuel prices, is excluded from our operating revenue computation as fuel is largely a pass-through to customers for which we realize minimal changes in 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 market fuel costs.

Total revenue increased 16% in the third quarter of 2011 to \$1.10 billion. Operating revenue (revenue excluding fuel) increased 12% in the third quarter of 2011 to \$824.7 million. In the nine months ended September 30, 2011, total revenue increased 14% to \$3.14 billion and operating revenue increased 10% to \$2.32 billion. The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

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	000000000 Three months ended September 30, 2011		000000000 Nine months ended September 30, 2011	
	Total	Operating	Total	Operating
Acquisitions	6%	7%	3%	4%
Organic including price and volume	3	4	4	5
FMS fuel	6		6	
Foreign exchange	1	1	1	1
<b>Total increase</b>	<b>16%</b>	<b>12%</b>	<b>14%</b>	<b>10%</b>

Fuel services revenue increased 28% in the third quarter and first nine months of 2011 due to higher prices passed through to customers. Full service lease revenue increased 5% in the third quarter of 2011 and 3% in the nine months ended September 30, 2011 reflecting the impact of recent acquisitions. We expect favorable full service lease comparisons to continue through the end of the year primarily due to recent acquisitions. Commercial rental revenue increased 40% in the third quarter of 2011 and 38% in the nine months ended September 30, 2011 reflecting improved global market demand and higher pricing. We expect favorable commercial rental revenue comparisons to continue through the end of the year driven by higher demand and higher pricing on a larger fleet.

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

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

	Three months ended September 30, 2011		Nine months ended September 30, 2011		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
Rental revenue from non-lease customers	\$ 121,991	95,479	\$ 318,201	238,594	28%	33%
Rental revenue from lease customers <sup>(1)</sup>	\$ 84,540	52,420	\$ 204,028	140,950	61%	45%
Average commercial rental power fleet size in service <sup>(2), (3)</sup>	30,800	25,100	31,100	23,500	23%	32%
Commercial rental utilization power fleet	79.3%	79.2%	77.1%	75.5%	10 bps	160 bps

(1) Represents revenue from rental vehicles provided to our existing full service lease customers, generally during peak periods in their operations.

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

(3) Fleet size excluding trailers.

FMS NBT increased 35% in the third quarter of 2011 to \$74.2 million primarily due to significantly better commercial rental performance, improved used vehicle sales results and the impact of acquisitions. The increase in NBT was partially offset by higher compensation-related expenses as well as higher maintenance costs on an older fleet. Commercial rental performance improved 62% as a result of increased market demand and higher pricing on a 30% larger average fleet. The increase in the average fleet reflects organic growth of 12% and an acquisition-related impact of 18%. Used vehicle sales results improved by \$14.6 million primarily due to higher pricing. The improvements in our commercial rental and used vehicle sales activities allowed us to better leverage our fixed costs. Acquisitions increased FMS NBT by 21%.

FMS NBT increased 47% in the nine months ended September 30, 2011 to \$180.2 million reflecting the same trends as those that impacted the third quarter of 2011. Commercial rental performance improved 71%. Used vehicle sales results improved by \$42.0 million. Acquisitions increased NBT by 14%. FMS NBT also benefited from a gain of \$2.4 million on the sale of a facility.

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Our global fleet of owned and leased revenue earning equipment and contract maintenance vehicles is summarized as follows (number of units rounded to the nearest hundred):

	September 30, 2011	December 31, 2010	September 30, 2010	Change	
				Sep. 2011/ Dec. 2010	Sep. 2011/ Sep. 2010
<b>End of period vehicle count</b>					
By type:					
Trucks <sup>(1)</sup>	67,600	63,000	63,700	7%	6%
Tractors <sup>(2)</sup>	54,400	49,600	50,300	10	8
Trailers <sup>(3), (4)</sup>	43,200	33,000	33,300	31	30
Other	2,500	3,100	2,900	(19)	(14)
<b>Total</b>	<b>167,700</b>	148,700	150,200	13%	12%
By ownership:					
Owned	164,300	145,000	145,500	13%	13%
Leased	3,400	3,700	4,700	(8)	(28)
<b>Total</b>	<b>167,700</b>	148,700	150,200	13%	12%
By product line:					
Full service lease <sup>(4)</sup>	119,600	111,100	111,800	8%	7%
Commercial rental <sup>(4)</sup>	40,100	29,700	30,900	35	30
Service vehicles and other	2,900	2,700	2,800	7	4
Active units	162,600	143,500	145,500	13	12
Held for sale <sup>(4)</sup>	5,100	5,200	4,700	(2)	9
<b>Total</b>	<b>167,700</b>	148,700	150,200	13%	12%
Customer vehicles under contract maintenance	35,300	33,400	33,600	6%	5%

**Quarterly average vehicle count**

By product line:					
Full service lease	119,700	111,200	111,900	8%	7%
Commercial rental	40,400	30,400	31,100	33	30
Service vehicles and other	2,900	2,800	1,900	4	53
<b>Active units</b>	<b>163,000</b>	144,400	144,900	13	12

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Held for sale	<b>4,900</b>	4,900	5,100		(4)
<b>Total</b>	<b>167,900</b>	149,300	150,000	12	12
Customer vehicles under contract maintenance	<b>34,900</b>	33,400	33,700	4%	4%
<b>Year-to-date average vehicle count</b>					
By product line:					
Full service lease	<b>114,800</b>	112,500	112,900	2%	2%
Commercial rental	<b>35,600</b>	29,800	29,600	19	20
Service vehicles and other	<b>2,900</b>	2,600	2,600	12	12
Active units	<b>153,300</b>	144,900	145,100	6	6
Held for sale	<b>5,000</b>	5,800	6,100	(14)	(18)
<b>Total</b>	<b>158,300</b>	150,700	151,200	5	5
Customer vehicles under contract maintenance	<b>33,800</b>	33,700	33,800	%	%

(1) Generally comprised of Class 1 through Class 6 type vehicles with a Gross Vehicle Weight (GVW) up to 26,000 pounds.

(2) Generally comprised of over the road on highway tractors and are primarily comprised of Classes 7 and 8 type vehicles with a GVW of over 26,000 pounds.

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

(4) Includes 9,500 trailers (6,100 full service lease and 3,400 commercial rental) acquired as part of the Hill Hire acquisition.

NOTE: Amounts were computed using a 6-point average based on monthly information.

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**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):

	September 30, 2011	December 31, 2010	September 30, 2010	Change	
				Sep. 2011/ Dec. 2010	Sep. 2011/ Sep. 2010
Not yet earning revenue (NYE)	1,500	800	1,000	88%	50%
No longer earning revenue (NLE):					
Units held for sale	5,100	5,200	4,700	(2)	9
Other NLE units	2,500	2,000	2,200	25	14
<b>Total</b>	<b>9,100</b>	<b>8,000</b>	<b>7,900</b>	<b>14%</b>	<b>15%</b>

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. For 2011, NYE units increased reflecting new lease sales. We expect NYE levels to continue at the current level based on lease sales activity. NLE units represent vehicles held for sale and vehicles for which no revenue has been earned in the previous 30 days. For 2011, NLE units increased compared to year-end due to an increase in lease replacement activity. We expect NLE levels to continue at the current level as lease replacement activity continues.

**Supply Chain Solutions**

	Three months ended September 30, Nine months ended September 30,				Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
Operating revenue:						
Automotive	\$ 115,377	114,744	\$ 345,855	334,438	1%	3%
High-Tech	59,241	57,236	176,768	161,806	4	9
Retail & CPG	109,586	45,734	317,347	131,716	140	141
Industrial and other	42,613	40,828	126,268	118,693	4	6
Total operating revenue <sup>(1)</sup>	326,817	258,542	966,238	746,653	26	29
Subcontracted transportation	79,261	64,329	230,456	180,504	23	28
Total revenue	\$ 406,078	322,871	\$ 1,196,694	927,157	26%	29%
Segment NBT	\$ 22,398	15,199	\$ 51,693	34,784	47%	49%
Segment NBT as a % of total revenue	5.5%	4.7%	4.3%	3.8%	80 bps	50 bps

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Segment NBT as a % of operating revenue <sup>(1)</sup>	<b>6.9%</b>	5.9%	<b>5.3%</b>	4.7%	100 bps	60 bps
Memo: Fuel costs <sup>(2)</sup>	<b>\$ 21,516</b>	19,357	<b>\$ 70,166</b>	57,762	11%	21%

(1) *In SCS transportation management arrangements, we may act as a principal or as an agent in purchasing transportation on behalf of our customer. We record revenue on a gross basis when acting as principal and we record revenue on a net basis when acting as an agent. As a result, total revenue may fluctuate depending on our role in subcontracted transportation arrangements yet our profitability remains unchanged as we typically realize minimal profitability from subcontracting transportation. We deduct subcontracted transportation expense from total revenue to arrive at operating revenue. We use operating revenue and NBT as a percent of operating revenue, non-GAAP financial measures, to evaluate the operating performance of our SCS business segment and as a measure of sales activity and profitability.*

(2) *Fuel costs are largely a pass-through to customers and therefore have a direct impact on revenue.*



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Total revenue increased 26% in the third quarter of 2011 to \$406.1 million. Operating revenue (revenue excluding subcontracted transportation) increased 26% in the third quarter of 2011 to \$326.8 million. For the nine months ended September 30, 2011, total revenue increased 29% to \$1.20 billion and operating revenue increased 29% to \$966.2 million. We expect favorable revenue comparisons to continue through the end of the year due to the impact of the TLC acquisition, higher overall freight volumes and new business. The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	Total	Operating	Total	Operating
TLC acquisition	20%	23%	21%	23%
Subcontracted transportation	3		3	
Organic including price and volume	1	1	2	3
Fuel cost pass-throughs	1	1	1	1
Foreign exchange	1	1	2	2
<b>Total increase</b>	<b>26%</b>	<b>26%</b>	<b>29%</b>	<b>29%</b>

SCS NBT increased 47% in the third quarter of 2011 to \$22.4 million and 49% in the nine months ended September 30, 2011 to \$51.7 million. The TLC acquisition increased SCS NBT by 37% during the third quarter of 2011 and 33% during the first nine months of 2011. SCS NBT also benefited from higher freight volumes as well as new business, partially offset by increased compensation-related expenses. The third quarter of 2011 also benefitted from favorable insurance development and gains related to foreign exchange and the sale of a facility.

**Dedicated Contract Carriage**

	Three months ended September 30, Nine months ended September 30,				Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
Operating revenue <sup>(1)</sup>	\$ 149,463	118,672	\$ 419,503	349,290	26%	20%
Subcontracted transportation	9,463	2,720	24,544	11,468	248	114
<b>Total revenue</b>	<b>\$ 158,926</b>	<b>121,392</b>	<b>\$ 444,047</b>	<b>360,758</b>	<b>31%</b>	<b>23%</b>
Segment NBT	\$ 8,358	8,619	\$ 25,517	24,437	(3)%	4%
Segment NBT as a % of total revenue	5.3%	7.1%	5.7%	6.8%	(180) bps	(110) bps
Segment NBT as a % of operating revenue <sup>(1)</sup>	5.6%	7.3%	6.1%	7.0%	(170) bps	(90) bps

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Memo: Fuel costs <sup>(2)</sup>	\$ 33,367	21,058	\$ 93,587	61,630	58%	52%
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(1) *In DCC transportation management arrangements we may act as a principal or as an agent in purchasing transportation on behalf of our customer. We record revenue on a gross basis when acting as principal and we record revenue on a net basis when acting as an agent. As a result, total revenue may fluctuate depending on our role in subcontracted transportation arrangements yet our profitability remains unchanged as we typically realize minimal profitability from subcontracting transportation. We deduct subcontracted transportation expense from total revenue to arrive at operating revenue. We use operating revenue and NBT as a percent of operating revenue, non-GAAP financial measures, to evaluate the operating performance of our DCC business segment and as a measure of sales activity and profitability.*

(2) *Fuel costs are largely a pass-through to customers and therefore have a direct impact on revenue.*  
 Total revenue increased 31% in the third quarter of 2011 to \$158.9 million. Operating revenue (revenue excluding subcontracted transportation) increased 26% in the third quarter of 2011 to \$149.5 million. For the nine months ended September 30, 2011, total revenue increased 23% to \$444.0 million and operating revenue increased 20% to \$419.5 million. We expect favorable revenue comparisons to continue through the end of the year due to the impact of the Scully acquisition. The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

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	Three months ended September 30, 2011		Nine months ended September 30, 2011	
	Total	Operating	Total	Operating
Scully acquisition	21%	17%	17%	14%
Fuel cost pass-throughs	6	6	5	6
Subcontracted transportation	2			
Organic including price and volume	2	3	1	
<b>Total increase</b>	<b>31%</b>	<b>26%</b>	<b>23%</b>	<b>20%</b>

DCC NBT decreased 3% in the third quarter of 2011 to \$8.4 million reflecting higher compensation-related expense and legal claims partially offset by better operating performance. DCC NBT increased 4% in the first nine months of 2011 to \$25.5 million reflecting the impact of the Scully acquisition partially offset by higher compensation costs.

**Central Support Services**

	Three months ended September 30,		Nine months ended September 30,		Change 2011/2010	
	2011	2010	2011	2010	Three Months	Nine Months
	(Dollars in thousands)					
Human resources	\$ 4,656	3,839	\$ 13,690	11,351	21%	21%
Finance	12,817	13,622	37,221	38,198	(6)	(3)
Corporate services and public affairs	3,284	3,317	9,893	10,199	(1)	(3)
Information technology	15,430	14,289	45,850	42,078	8	9
Health and safety	1,843	1,688	5,659	5,364	9	5
Other	16,565	10,952	39,566	28,518	51	39
<b>Total CSS</b>	<b>54,595</b>	<b>47,707</b>	<b>151,879</b>	<b>135,708</b>	<b>14</b>	<b>12</b>
Allocation of CSS to business segments	(43,003)	(35,750)	(120,315)	(105,002)	(20)	(15)
<b>Unallocated CSS</b>	<b>\$ 11,592</b>	<b>11,957</b>	<b>\$ 31,564</b>	<b>30,706</b>	<b>(3)%</b>	<b>3%</b>

Total CSS costs increased 14% in the third quarter of 2011 to \$54.6 million and increased 12% in the first nine months of 2011 to \$151.9 million primarily due to higher compensation-related expenses and investments in information technology. Unallocated CSS costs decreased 3% in the third quarter of 2011 due to lower professional services. Unallocated CSS costs increased 3% in the nine months ended September 30, 2011 due to higher compensation-related expenses.

**FINANCIAL RESOURCES AND LIQUIDITY****Cash Flows**

The following is a summary of our cash flows from operating, financing and investing activities from continuing operations:

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	Nine months ended September 30,	
	2011	2010
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$ 782,303	804,162
Financing activities	372,138	(96,008)
Investing activities	(1,254,438)	(664,397)
Effect of exchange rate changes on cash	3,848	6
Net change in cash and cash equivalents	\$ (96,149)	43,763

A detail of the individual items contributing to the cash flow changes is included in the Consolidated Condensed Statements of Cash Flows.

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

Cash provided by operating activities from continuing operations decreased to \$782.3 million in the nine months ended September 30, 2011 compared with \$804.2 million in 2010 because of an increase in working capital needs. Cash provided by financing activities increased to \$372.1 million compared with cash used in financing activities of \$96.0 million in 2010 due to higher borrowing needs to fund acquisitions and capital spending. Cash used in investing activities increased to \$1.25 billion compared with \$664.4 million in 2010 due to acquisition-related payments and higher vehicle spending.

We refer to the sum of operating cash flows, proceeds from the sales of revenue earning equipment and operating property and equipment, collections on direct finance leases and other investing cash inflows from continuing operations as total cash generated. We refer to the net amount of cash generated from operating and investing activities (excluding changes in restricted cash and acquisitions) from continuing operations as free cash flow. Although total cash generated and free cash flow are non-GAAP financial measures, we consider them to be important measures of comparative operating performance. We also believe total cash generated to be an important measure of total cash inflows generated from our ongoing business activities. 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.

The following table shows the sources of our free cash flow computation:

	Nine months ended September 30,	
	2011	2010
	(In thousands)	
Net cash provided by operating activities from continuing operations	\$ 782,303	804,162
Sales of revenue earning equipment	216,055	159,012
Sales of operating property and equipment	7,869	2,821
Collections on direct finance leases	46,136	45,941
Other, net		1,950
<b>Total cash generated</b>	<b>1,052,363</b>	<b>1,013,886</b>
Purchases of property and revenue earning equipment	<b>(1,165,135)</b>	<b>(860,902)</b>
<b>Free cash flow</b>	<b>\$ (112,772)</b>	<b>152,984</b>

Free cash flow decreased \$265.8 million to negative \$112.8 million in the nine months ended September 30, 2011 primarily due to higher vehicle spending. We anticipate full-year 2011 free cash flow to be consistent with our previous forecast of negative \$215 million.

The following table provides a summary of capital expenditures:

	Nine months ended September 30,	
	2011	2010
	(In thousands)	
Revenue earning equipment: <sup>(1)</sup>		
Full service lease	\$ 614,227	487,703
Commercial rental	579,511	357,510
	<b>1,193,738</b>	<b>845,213</b>

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Operating property and equipment	<b>55,334</b>	49,497
Total capital expenditures	<b>1,249,072</b>	894,710
Changes in accounts payable related to purchases of revenue earning equipment	<b>(83,937)</b>	(33,808)
Cash paid for purchases of property and revenue earning equipment	<b>\$ 1,165,135</b>	860,902

(1) Capital expenditures exclude non-cash additions of approximately \$1.2 million and \$0.1 million during the nine months ended September 30, 2011 and 2010, respectively, in assets held under capital leases resulting from the extension of existing operating leases and other additions.

Capital expenditures (accrual basis) increased 40% in the nine months ended September 30, 2011 to \$1.25 billion because of increased commercial rental spending to refresh and grow the rental fleet and higher full service lease vehicle spending for new business and replacement of customer fleets. We anticipate full-year 2011 accrual basis capital expenditures to be consistent with our previous forecast of \$1.75 billion.

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

**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.

Our debt ratings at September 30, 2011 were as follows:

	Short-term	Long-term	Outlook
<b>Moody's Investors Service</b>	<b>P2</b>	<b>Baa1</b>	<b>Stable (affirmed February 2011)</b>
<b>Standard &amp; Poor's Ratings Services</b>	<b>A2</b>	<b>BBB+</b>	<b>Stable (affirmed August 2011)</b>
<b>Fitch Ratings</b>	<b>F2</b>	<b>A</b>	<b>Stable (affirmed March 2011)</b>

We believe that our operating cash flows, together with our access to commercial paper markets 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 commercial paper markets 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 commercial paper and other sources of unsecured borrowings, we would meet our liquidity needs by drawing upon contractually committed lending agreements as described below and/or by seeking other funding sources.

In June 2011, we executed a new \$900 million 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, Royal Bank of Scotland Plc, U.S. Bank National Association and Wells Fargo Bank, N.A. This replaced an \$875 million credit facility which was scheduled to mature in April 2012. The new global credit facility matures in June 2016 and is used primarily to finance working capital and provide support for the issuance of unsecured commercial paper in the U.S. and Canada. This facility 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 September 30, 2011). At our option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The agreement provides for annual facility fees, which range from 10.0 basis points to 32.5 basis points, and are based on Ryder's long-term credit ratings. The current annual facility fee is 15.0 basis points, which applies to the total facility size of \$900 million. 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 tangible net worth, of less than or equal to 300%. Tangible net worth, as defined in the credit facility, includes 50% of our deferred federal income tax liability and excludes the book value of our intangibles. The ratio at September 30, 2011 was 214%. At September 30, 2011, \$631.1 million was available under the credit facility, net of the support for commercial paper borrowings.

Our global revolving credit facility permits us to refinance short-term commercial paper obligations on a long-term basis. Settlement of 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 May 2011, we issued \$350 million of unsecured medium-term notes maturing in June 2017. In connection with the issuance of the medium term notes, we entered into three interest rate swaps with an aggregate notional amount of \$150 million maturing in June 2017. The swaps were designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The

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differential to be paid or received is accrued and recognized as interest expense. Refer to Note (O), Derivatives for additional information.



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

In February 2011, we issued \$350 million of unsecured medium-term notes maturing in March 2015. In connection with the issuance of the medium term notes, we entered into two interest rate swaps with an aggregate notional amount of \$150 million maturing in March 2015. The swaps were designated as fair value hedges whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The differential to be paid or received is accrued and recognized as interest expense. Refer to Note (O), "Derivatives" for additional information.

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 receivables conduit or committed purchasers. 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. If no event occurs which causes early termination, the 364-day program will expire on October 28, 2011. We are currently in the process of renewing the program through October 2012. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectability of the collateralized receivables. At September 30, 2011 and December 31, 2010, no amounts were outstanding under the program. Sales of receivables under this program will be accounted for as secured borrowings based on our continuing involvement in the transferred assets.

Historically, we have established asset-backed securitization programs whereby we have sold beneficial interests in certain long-term vehicle leases and related vehicle residuals to a bankruptcy-remote special purpose entity that in turn transfers the beneficial interest to a special purpose securitization trust in exchange for cash. The securitization trust funds the cash requirement with the issuance of asset-backed securities, secured or otherwise collateralized by the beneficial interest in the long-term vehicle leases and the residual value of the vehicles. The securitization provides us with further liquidity and access to additional capital markets based on market conditions. On June 18, 2008, Ryder Funding II LP, a special purpose bankruptcy-remote subsidiary wholly-owned by Ryder, filed a registration statement on Form S-3 with the SEC for the registration of \$600 million in asset-backed notes. The registration statement became effective on November 6, 2008.

At September 30, 2011 we had the following amounts available to fund operations under the aforementioned facilities:

	<b>(In millions)</b>
<b>Global revolving credit facility</b>	<b>\$631</b>
<b>Trade receivables program</b>	<b>\$175</b>

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

The following table shows the movements in our debt balance:

	Nine months ended September 30,	
	2011	2010
	(In thousands)	
Debt balance at January 1	\$ 2,747,002	2,497,691
Cash-related changes in debt:		
Net change in commercial paper borrowings	(101,964)	(48,000)
Proceeds from issuance of medium-term notes	699,244	300,000
Proceeds from issuance of other debt instruments	267,155	14,511
Retirement of medium-term notes	(375,000)	(175,000)
Other debt repaid, including capital lease obligations	(42,955)	(64,560)
Net change from discontinued operations	(143)	(2,941)
	446,337	24,010
Non-cash changes in debt:		
Fair market value adjustment on notes subject to hedging	9,263	5,938
Addition of capital lease obligations	1,187	106
Changes in foreign currency exchange rates and other non-cash items	(5,195)	2,040
Total changes in debt	451,592	32,094
Debt balance at September 30	\$ 3,198,594	2,529,785

In accordance with our funding philosophy, we attempt to balance 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 25% to 45% variable-rate debt as a percentage of total debt outstanding. The variable-rate portion of our total obligations (including notional value of swap agreements) was 38% and 28% at September 30, 2011 and December 31, 2010, respectively.

Ryder's leverage ratios and a reconciliation of on-balance sheet debt to total obligations were as follows:

	September 30, 2011	% to Equity (Dollars in thousands)	December 31, 2010	% to Equity
On-balance sheet debt	\$ 3,198,594	220%	2,747,002	196%
Off-balance sheet debt - PV of minimum lease payments and guaranteed residual values under operating leases for vehicles <sup>(1)</sup>	64,474		99,797	
Total obligations	\$ 3,263,068	225%	2,846,799	203%

*(1) Present value (PV) does not reflect payments Ryder would be required to make if we terminated the related leases prior to the scheduled expiration dates.* On-balance sheet debt to equity consists of balance sheet debt divided by total equity. Total obligations to equity represents balance sheet debt plus the present value of minimum lease payments and guaranteed residual values under operating leases for vehicles, discounted based on our incremental borrowing rate at lease inception, all divided by total equity. Although total obligations is a non-GAAP financial measure, we believe that total obligations is useful as it provides a more complete analysis of our existing financial obligations and helps better assess our overall leverage position. Our leverage ratios increased in 2011 due to acquisitions and increased investment in vehicles.

#### **Off-Balance Sheet Arrangements**

We periodically enter into sale-leaseback transactions in order to lower the total cost of funding our operations, to diversify our funding among different classes of investors and to diversify our funding among different types of funding instruments. These sale-leaseback transactions are often executed with third-party financial institutions. In general, these sale-leaseback transactions results in a reduction in revenue earning equipment and debt on the balance sheet, as proceeds from the sale of revenue earning equipment are primarily used to repay debt. Accordingly, sale-leaseback transactions will result in reduced depreciation and interest expense and

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

increased equipment rental expense. These leases contain limited guarantees by us of the residual values of the leased vehicles (residual value guarantees) that are conditioned upon disposal of the leased vehicles prior to the end of their lease term. The amount of future payments for residual value guarantees will depend on the market for used vehicles and the condition of the vehicles at time of disposal. We did not enter into any sale-leaseback transactions during the nine months ended September 30, 2011 or 2010.

**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 2011, we expect to contribute approximately \$15.8 million to our pension plans. During the nine months ended September 30, 2011, we contributed \$12.4 million to our pension plans. Changes in interest rates and the market value of the securities held by the plans during 2011 could materially change, positively or negatively, the funded status of the plans and affect the level of pension expense and required contributions in 2012 and beyond. See Note (R), Employee Benefit Plans, in the Notes to Consolidated Condensed Financial Statements for additional information.

**Share Repurchases and Cash Dividends**

See Note (P), Share Repurchase Programs, in the Notes to Consolidated Condensed Financial Statements for a discussion of share repurchases.

In October 2011, our Board of Directors declared a quarterly cash dividend of \$0.29 per share of common stock.

**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 of this information are considered non-GAAP financial measures as defined by SEC rules. Specifically, we refer to comparable earnings from continuing operations, comparable EPS from continuing operations, operating revenue, salaries and employee-related costs as a percentage of operating revenue, FMS operating revenue, FMS NBT as a % of operating revenue, SCS operating revenue, SCS NBT as a % of operating revenue, DCC operating revenue, DCC NBT as a % of operating revenue, total cash generated, free cash flow, total obligations and total obligations to equity. As required by SEC rules, we provide a reconciliation of each non-GAAP financial measure to the most comparable GAAP measure and an explanation why management believes that presentation of the non-GAAP financial measure provides useful information to investors. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance prepared in accordance with GAAP.

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Total revenue	\$ 1,570,720	1,316,948	\$ 4,509,440	3,823,009
FMS fuel services and SCS/DCC subcontracted transportation <sup>(1)</sup>	(363,122)	(282,118)	(1,076,131)	(835,787)
Fuel eliminations	48,891	36,781	144,256	109,078
Operating revenue	\$ 1,256,489	1,071,611	\$ 3,577,565	3,096,300

*(1) Includes intercompany fuel sales.*

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**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 as to anticipated revenue and earnings in each business segment, as well as future economic conditions and market demand with respect to higher overall freight volume, continued improvement in contractual lease demand, favorable commercial rental, SCS and DCC demand, increased revenue from recent acquisitions and new business;

our expectations regarding commercial rental pricing trends and fleet utilization;

our expectations of the long-term residual values of revenue earning equipment;

our ability to sell certain revenue earning vehicles throughout the year;

the anticipated levels of NYE and NLE vehicles in inventory through the end of the year;

our expectations of free cash flow, operating cash flow, total cash generated and capital expenditures for the remainder of 2011;

our expectations regarding future payments of contingent consideration with respect to recent acquisitions;

the adequacy of our accounting estimates and reserves for pension expense, employee benefit plan obligations, depreciation and residual value guarantees, self-insurance reserves, goodwill impairment, accounting changes and income taxes;

the adequacy of our fair value estimates of employee incentive awards under our share-based compensation plans;

the adequacy of our fair value estimates of total debt;

our beliefs regarding the default risk of our direct financing lease receivables

our ability to fund all of our operations for the foreseeable future through internally generated funds and outside funding sources;

the anticipated impact of foreign exchange rate movements;

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 completion and ultimate resolution of tax audits;

our expectations regarding the scope, anticipated outcomes and the adequacy of our loss provisions with respect to certain claims, proceedings and lawsuits;

the anticipated deferral of tax gains on disposal of eligible revenue earning equipment pursuant to our vehicle like-kind exchange program;

our expectations regarding the impact of recently adopted or implemented accounting pronouncements;

our ability to access short-term and long-term unsecured debt in the capital markets;

our expectations regarding the future use and availability of funding sources; and

the appropriateness of our short-term and long-term target leverage ranges and our expectations regarding meeting those ranges. 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:

- i 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
- i Decrease in freight demand or setbacks in the recent recovery of the freight recession which would impact both our transactions and variable-based contractual business
- i Changes in our customers' operations, financial condition or business environment that may limit their need for, or ability to purchase, our services

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- i Changes in market conditions affecting the commercial rental market or the sale of used vehicles
- i Volatility in automotive and high-tech volumes and shifting customer demand in the automotive and high-tech industries
- i Less than anticipated growth rates in the markets in which we operate
- i Changes in current financial, tax or regulatory requirements that could negatively impact the leasing market

Competition:



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

**AND RESULTS OF OPERATIONS (Continued)**

- i 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
- i Competition from other service providers, some of which have greater capital resources or lower capital costs
- i Continued consolidation in the markets in which we operate which may create large competitors with greater financial resources
- i Our inability to maintain current pricing levels due to economic conditions, demand for services, customer acceptance or competition

Profitability:

- i Our inability to obtain adequate profit margins for our services
- i Lower than expected sales volumes or customer retention levels
- i Our inability to integrate acquisitions as projected, achieve planned synergies, anticipate costs and liabilities or retain customers of companies we acquire
- i Lower full service lease sales activity
- i Loss of key customers in our SCS and DCC business segments
- i Our inability to adapt our product offerings to meet changing consumer preferences on a cost-effective basis
- i The inability of our business segments to create operating efficiencies
- i The inability of our legacy information technology systems to provide timely access to data
- i The inability of our data security measures to prevent a data privacy breach

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- i Sudden changes in fuel prices and fuel shortages
- i Higher prices for vehicles, diesel engines and fuel as a result of exhaust emissions standards enacted over the last few years
- i Our inability to successfully implement our asset management initiatives
- i Our key assumptions and pricing structure of our SCS contracts prove to be invalid
- i Increased unionizing, labor strikes, work stoppages and driver shortages
- i Difficulties in attracting and retaining drivers due to driver shortages, which may result in higher costs to procure drivers and higher turnover rates affecting our customers
- i Our inability to manage our cost structure
- i Our inability to limit our exposure for customer claims
- i Unfavorable or unanticipated outcomes in legal proceedings

### Financing Concerns:

- i Higher borrowing costs and possible decreases in available funding sources caused by an adverse change in our debt ratings
- i Unanticipated interest rate and currency exchange rate fluctuations
- i Negative funding status of our pension plans caused by lower than expected returns on invested assets and unanticipated changes in interest rates
- i Withdrawal liability as a result of our participation in multi-employer plans
- i Instability in U.S. and worldwide credit markets, resulting in higher borrowing costs and/or reduced access to credit

### Accounting Matters:

- i Impact of unusual items resulting from ongoing evaluations of business strategies, asset valuations, acquisitions, divestitures and our organizational structure

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- i Reductions in residual values or useful lives of revenue earning equipment
  
- i Increases in compensation levels, retirement rate and mortality resulting in higher pension expense; regulatory changes affecting pension estimates, accruals and expenses

- i Increases in healthcare costs resulting in higher insurance costs
  
- i Changes in accounting rules, assumptions and accruals
  
- i 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

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.

**Table of Contents****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, 2010. Please refer to the 2010 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 third quarter of 2011, 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 third quarter of 2011, 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 September 30, 2011, 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 September 30, 2011:

	Total Number of Shares Purchased <sup>(1)</sup>	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 <sup>(2)</sup>
July 1 through July 31, 2011	35,516	\$ 55.52	30,000	588,344
August 1 through August 31, 2011	181,051	45.50	172,971	415,373
September 1 through September 30, 2011	2,330	40.14		415,373
<b>Total</b>	<b>218,897</b>	<b>\$ 47.07</b>	<b>202,971</b>	

(1) During the three months ended September 30, 2011, we purchased an aggregate of 15,926 shares of our common stock in employee-related transactions. Employee-related transactions may include: (i) shares of common stock delivered as payment for the exercise price of options exercised or to satisfy the option holders' 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.

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- (2) *In December 2009, our Board of Directors authorized a share repurchase program intended to mitigate the dilutive impact of shares issued under our various employee stock, stock option and stock purchase plans. Under the December 2009 program, management is authorized to repurchase shares of common stock in an amount not to exceed the number of shares issued to employees under our various employee stock, stock option and stock purchase plans from December 1, 2009 through December 15, 2011. The December 2009 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 established a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the December 2009 program, which allowed for share repurchases during Ryder's quarterly blackout periods as set forth in the trading plan. For the three months ended September 30, 2011 we repurchased and retired 202,971 shares under this program at an aggregate cost of \$9.5 million.*

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**ITEM 6. EXHIBITS**

- 31.1 Certification of Gregory T. Swienton 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 Gregory T. Swienton and Art A. Garcia pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350.

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**SIGNATURES**

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

RYDER SYSTEM, INC.  
(Registrant)

Date: October 25, 2011

By: /s/ Art A. Garcia  
Art A. Garcia  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Duly Authorized Officer)

Date: October 25, 2011

By: /s/ Cristina A. Gallo-Aquino  
Cristina A. Gallo-Aquino  
Vice President and Controller  
  
(Principal Accounting Officer)