RYDER SYSTEM INC
Form 10-Q
October 21, 2010

Table of Contents

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, 2010**

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________ TO _________**

Commission File Number: 1-4364

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

Florida	**59-0739250**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
11690 N.W. 105th Street Miami, Florida 33178	**(305) 500-3726**
(Address of principal executive offices, including zip code)	*(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 o

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 þ NO o

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

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

The number of shares of Ryder System, Inc. Common Stock ($0.50 par value per share) outstanding at September 30, 2010 was 51,737,643.

RYDER SYSTEM, INC.
FORM 10-Q QUARTERLY REPORT
TABLE OF CONTENTS

	Page No.
PART I FINANCIAL INFORMATION	
ITEM 1 Financial Statements (unaudited)	
Consolidated Condensed Statements of Earnings Three and nine months ended September 30, 2010 and 2009	1
Consolidated Condensed Balance Sheets September 30, 2010 and December 31, 2009	2
Consolidated Condensed Statements of Cash Flows Nine months ended September 30, 2010 and 2009	3
Consolidated Condensed Statement of Shareholders Equity Nine months ended September 30, 2010	4
Notes to Consolidated Condensed Financial Statements	5
ITEM 2 Management s Discussion and Analysis of Financial Condition and Results of Operations	21
ITEM 3 Quantitative and Qualitative Disclosures About Market Risk	39
ITEM 4 Controls and Procedures	39
PART II OTHER INFORMATION	
ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds	39
ITEM 6 Exhibits	40
SIGNATURES	41

EX-10.1
EX-31.1
EX-31.2
EX-32
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

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,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands, except per share amounts)			
Revenue	**$ 1,316,948**	1,253,854	**$ 3,823,009**	3,640,286
Operating expense (exclusive of items shown separately)	**624,495**	574,595	**1,813,603**	1,653,157
Salaries and employee-related costs	**314,706**	312,042	**929,659**	918,109
Subcontracted transportation	**67,049**	52,539	**191,972**	138,547
Depreciation expense	**209,929**	220,258	**627,695**	665,392
Gains on vehicle sales, net	**(6,904)**	(3,326)	**(18,009)**	(9,092)
Equipment rental	**16,463**	16,463	**49,532**	48,553
Interest expense	**31,897**	35,730	**96,385**	110,447
Miscellaneous income, net	**(2,685)**	(2,394)	**(4,525)**	(3,135)
Restructuring and other charges, net		3,740		6,338
	1,254,950	1,209,647	**3,686,312**	3,528,316
Earnings from continuing operations before income taxes	**61,998**	44,207	**136,697**	111,970
Provision for income taxes	**22,324**	15,768	**53,551**	45,523
Earnings from continuing operations	**39,674**	28,439	**83,146**	66,447
Loss from discontinued operations, net of tax	**(839)**	(4,468)	**(2,097)**	(12,750)
Net earnings	**$ 38,835**	23,971	**$ 81,049**	53,697
Earnings (loss) per common share Basic				
Continuing operations	**$ 0.76**	0.51	**$ 1.58**	1.19
Discontinued operations	**(0.02)**	(0.08)	**(0.04)**	(0.23)
Net earnings	**$ 0.74**	0.43	**$ 1.54**	0.96
Earnings (loss) per common share Diluted				
Continuing operations	**$ 0.76**	0.51	**$ 1.57**	1.19
Discontinued operations	**(0.02)**	(0.08)	**(0.04)**	(0.23)
Net earnings	**$ 0.74**	0.43	**$ 1.53**	0.96

Cash dividends declared and paid per common share	$	**0.27**	0.25	$	**0.77**	0.71

See accompanying notes to consolidated condensed financial statements.

1

Table of Contents

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

	September 30, 2010	December 31, 2009
	(Dollars in thousands, except per share amount)	
Assets:		
Current assets:		
Cash and cash equivalents	**$ 134,696**	$ 98,525
Receivables, net of allowance of $13,724 and $13,808, respectively	**623,951**	598,661
Inventories	**53,378**	50,146
Prepaid expenses and other current assets	**137,807**	133,041
Total current assets	**949,832**	880,373
Revenue earning equipment, net of accumulated depreciation of $3,130,638 and $3,013,179, respectively	**4,266,376**	4,178,659
Operating property and equipment, net of accumulated depreciation of $888,471 and $855,657, respectively	**545,648**	543,910
Goodwill	**217,204**	216,444
Intangible assets	**37,356**	39,120
Direct financing leases and other assets	**393,339**	401,324
Total assets	**$ 6,409,755**	$ 6,259,830
Liabilities and shareholders equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	**$ 463,466**	$ 232,617
Accounts payable	**305,097**	262,712
Accrued expenses and other current liabilities	**409,605**	354,945
Total current liabilities	**1,178,168**	850,274
Long-term debt	**2,066,319**	2,265,074
Other non-current liabilities	**693,018**	681,613
Deferred income taxes	**1,063,951**	1,035,874
Total liabilities	**5,001,456**	4,832,835
Shareholders equity:		
Preferred stock of no par value per share authorized, 3,800,917; none outstanding, September 30, 2010 or December 31, 2009		
Common stock of $0.50 par value per share authorized, 400,000,000; outstanding,	**25,869**	26,710

September 30, 2010 51,737,643; December 31, 2009 53,419,721		
Additional paid-in capital	**735,215**	743,026
Retained earnings	**1,017,536**	1,036,178
Accumulated other comprehensive loss	**(370,321)**	(378,919)
Total shareholders equity	**1,408,299**	1,426,995
Total liabilities and shareholders equity	**$ 6,409,755**	$ 6,259,830

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,	
	2010	2009
	(In thousands)	
Cash flows from operating activities from continuing operations:		
Net earnings	**$ 81,049**	$ 53,697
Less: Loss from discontinued operations, net of tax	**(2,097)**	(12,750)
Earnings from continuing operations	**83,146**	66,447
Depreciation expense	**627,695**	665,392
Gains on vehicle sales, net	**(18,009)**	(9,092)
Share-based compensation expense	**12,203**	12,531
Amortization expense and other non-cash charges, net	**27,564**	30,611
Deferred income tax expense	**21,568**	37,885
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	**(29,367)**	(11,682)
Inventories	**(3,132)**	888
Prepaid expenses and other assets	**(517)**	(5,696)
Accounts payable	**9,334**	(14,322)
Accrued expenses and other non-current liabilities	**73,677**	(4,226)
Net cash provided by operating activities from continuing operations	**804,162**	768,736
Cash flows from financing activities from continuing operations:		
Net change in commercial paper borrowings	**(48,000)**	152,450
Debt proceeds	**314,511**	1,309
Debt repaid, including capital lease obligations	**(239,560)**	(496,291)
Dividends on common stock	**(40,603)**	(39,752)
Common stock issued	**11,124**	5,475
Common stock repurchased	**(91,926)**	¾
Excess tax benefits from share-based compensation	**641**	449
Debt issuance costs	**(2,195)**	(10,523)
Net cash used in financing activities from continuing operations	**(96,008)**	(386,883)
Cash flows from investing activities from continuing operations:		
Purchases of property and revenue earning equipment	**(860,902)**	(508,586)
Sales of revenue earning equipment	**159,012**	147,223
Sales of operating property and equipment	**2,821**	3,547
Acquisitions	**(6,789)**	(85,698)
Collections on direct finance leases	**45,941**	51,130
Changes in restricted cash	**(6,430)**	14,380
Other, net	**1,950**	209

Net cash used in investing activities from continuing operations	**(664,397)**	(377,795)
Effect of exchange rate changes on cash	**6**	571
Increase in cash and cash equivalents from continuing operations	**43,763**	4,629
Cash flows from discontinued operations:		
Operating cash flows	**(6,010)**	(20,727)
Financing cash flows	**(2,941)**	(7,500)
Investing cash flows	**1,624**	13,627
Effect of exchange rate changes on cash	**(265)**	680
Decrease in cash and cash equivalents from discontinued operations	**(7,592)**	(13,920)
Increase (decrease) in cash and cash equivalents	**36,171**	(9,291)
Cash and cash equivalents at January 1	**98,525**	120,305
Cash and cash equivalents at September 30	**$ 134,696**	$ 111,014

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, 2009	$	53,419,721	$ 26,710	743,026	1,036,178	(378,919)	1,426,995
Components of comprehensive income:							
Net earnings					**81,049**		**81,049**
Foreign currency translation adjustments						**1,451**	**1,451**
Amortization of pension and postretirement items, net of tax						**8,118**	**8,118**
Change in net actuarial loss, net of tax						**(971)**	**(971)**
Total comprehensive income							**89,647**
Common stock dividends declared and paid $0.77 per share					**(40,603)**		**(40,603)**
Common stock issued under employee stock option and stock purchase plans [1]		**591,053**	**296**	**10,890**			**11,186**
Benefit plan stock purchases [2]		**(1,370)**	**(1)**	**(61)**			**(62)**
Common stock repurchases		**(2,271,761)**	**(1,136)**	**(31,702)**	**(59,088)**		**(91,926)**
Share-based compensation				**12,203**			**12,203**
Tax benefits from share-based compensation				**859**			**859**
Balance at September 30, 2010	**$**	**51,737,643**	**$ 25,869**	**735,215**	**1,017,536**	**(370,321)**	**1,408,299**

(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.

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 2009 Annual Report on Form 10-K except for the accounting changes described below relating to transfers of financial assets and consolidation of VIEs, 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. Prior year amounts have been restated to conform to the current period presentation.

(B) ACCOUNTING CHANGES

In June 2009, the Financial Accounting Standards Board (FASB) issued accounting and disclosure guidance for transfers of financial assets occurring on or after January 1, 2010. The adoption of this accounting guidance did not have a material impact on our consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued accounting guidance which amends the consolidation principles for variable interest entities by requiring consolidation of VIEs based on which party has control of the entity. The guidance was effective beginning January 1, 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

On February 2, 2009, we acquired the assets of Edart Leasing LLC (Edart), which included Edart s fleet of approximately 1,600 vehicles and more than 340 contractual customers from Edart s five locations in Connecticut for a purchase price of $85.2 million, of which $2.1 million and $81.3 million was paid during the nine months ended September 30, 2010 and 2009, respectively. Goodwill and customer relationship intangibles related to the Edart acquisition totaled $14.7 million and $4.3 million, respectively. The combined network operates under the Ryder name, complementing our Fleet Management Solutions (FMS) business segment market coverage in the Northeast. We also acquired approximately 525 vehicles for remarketing, the majority of which have been sold.

During the nine months ended September 30, 2010 and 2009, we paid $4.7 million and $4.4 million, respectively, related to other acquisitions including payments for acquisitions completed in prior years.

(D) DISCONTINUED OPERATIONS

In 2009, we ceased Supply Chain Solutions (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,	
	2010	2009	**2010**	2009
	(In thousands)			
Total revenue	**$**	10,056	**$ 110**	69,972

Loss from discontinued operations before income taxes	**$ (854)**	(4,577)	**$ (2,191)**	(12,858)
Income tax benefit	**15**	109	**94**	108
Loss from discontinued operations, net of tax	**$ (839)**	(4,468)	**$ (2,097)**	(12,750)

5

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

Loss from discontinued operations before income taxes in the third quarter and the nine months ended September 30, 2010 included $0.9 million and $2.2 million, respectively, of losses related to adverse legal developments, professional services and administrative costs associated with our discontinued South American operations.

Loss from discontinued operations before income taxes in the third quarter and nine months ended September 30, 2009 included $3.1 million and $9.2 million, respectively, of operating losses incurred in the wind-down of our South American and European operations. Loss from discontinued operations before income taxes in the third quarter and nine months ended September 30, 2009 also included $1.5 million and $3.7 million, respectively, of exit-related restructuring charges and other items associated with these operations.

We are 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 deemed probable and can be reasonably estimated. However, at this time, it is not possible for us to determine fully the ultimate effect of all unasserted claims and assessments on our consolidated financial condition, results of operations or liquidity. Additional adjustments and expenses may be recorded through discontinued operations in future periods as further relevant information becomes available. Although it is not possible to predict the ultimate outcome of these matters, we do not expect that any resulting liability will have a material adverse effect upon our financial condition, results of operations or liquidity.

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

	September 30, 2010	December 31, 2009
	(In thousands)	
Assets:		
Total current assets	**$4,451**	$ 3,671
Total assets	**$6,665**	$ 7,631
Liabilities:		
Total current liabilities	**$1,314**	$ 7,713
Total liabilities	**$7,031**	$12,869

(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,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands)			
Stock option and stock purchase plans	**$ 2,311**	2,591	**$ 6,803**	7,630
Nonvested stock	**1,876**	1,872	**5,400**	4,901

Share-based compensation expense	**4,187**	4,463	**12,203**	12,531
Income tax benefit	**(1,408)**	(1,560)	**(4,149)**	(4,099)
Share-based compensation expense, net of tax	**$ 2,779**	2,903	**$ 8,054**	8,432

During each of the nine months ended September 30, 2010 and 2009, approximately 900,000 stock options were granted under the Plans. These awards, which generally vest one-third each year from the date of grant, are fully vested three years from the grant date 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, 2010 and 2009 was $8.93 and $9.23, respectively.

Table of Contents

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

During the nine months ended September 30, 2010 and 2009, approximately 260,000 and 200,000 awards, respectively, of restricted stock rights and restricted stock units (RSUs) were granted under the Plans. The majority of the restricted stock rights granted during the periods included a market-based vesting provision, and the remainder are time-vested awards. 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. Fair value of the time-vested awards was determined and fixed on the grant date based on Ryder s stock price on the date of grant. The weighted-average fair value per restricted stock right and RSU granted during the nine months ended September 30, 2010 and 2009 was $22.22 and $18.19, respectively.

During the nine months ended September 30, 2010 and 2009, 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands)			
Cash awards	**$452**	1,148	**$ 1,224**	1,774

Total unrecognized pre-tax compensation expense related to share-based compensation arrangements at September 30, 2010 was $25.3 million and is expected to be recognized over a weighted-average period of approximately 1.8 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 to common shareholders 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.

Table of Contents

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands, except per share amounts)			
Earnings per share Basic:				
Earnings from continuing operations	**$ 39,674**	28,439	**$ 83,146**	66,447
Less: Distributed and undistributed earnings allocated to nonvested stock	**(576)**	(311)	**(1,146)**	(713)
Earnings from continuing operations available to common shareholders Basic	**$ 39,098**	28,128	**$ 82,000**	65,734
Weighted average common shares outstanding Basic	**51,409**	55,435	**52,044**	55,339
Earnings from continuing operations per common share Basic	**$ 0.76**	0.51	**$ 1.58**	1.19
Earnings per share Diluted:				
Earnings from continuing operations	**$ 39,674**	28,439	**$ 83,146**	66,447
Less: Distributed and undistributed earnings allocated to nonvested stock	**(576)**	(311)	**(1,146)**	(713)
Earnings from continuing operations available to common shareholders Diluted	**$ 39,098**	28,128	**$ 82,000**	65,734
Weighted average common shares outstanding Basic	**51,409**	55,435	**52,044**	55,339
Effect of dilutive options	**126**	46	**122**	42
Weighted average common shares outstanding Diluted	**51,535**	55,481	**52,166**	55,381
Earnings from continuing operations per common share Diluted	**$ 0.76**	0.51	**$ 1.57**	1.19
Anti-dilutive equity awards not included above	**1,793**	2,982	**1,833**	2,894

(G) RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges, net for the three and nine months ended September 30, 2009 consisted primarily of debt extinguishment charges of $3.9 million incurred as part of a $100 million debt tender offer completed in September 2009. Restructuring and other charges, net in the third quarter of 2009 also included a benefit of $0.2 million related to refinements in estimates of employee severance and benefit costs. Restructuring and other charges, net for the nine months ended September 30, 2009 also included $2.4 million employee severance and benefit

costs related to workforce reductions.

As noted in Note (T), Segment Reporting, our primary measure of segment financial performance excludes, among other items, restructuring and other charges, net; however, the applicable portion of the restructuring and other charges, net that relates to each segment was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
		(In thousands)		
Fleet Management Solutions	**$**	3,730	**$**	5,549
Supply Chain Solutions		21		622
Dedicated Contract Carriage		(3)		44
Central Support Services		(8)		123
Total	**$**	3,740	**$**	6,338

8

Table of Contents

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

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

	December 31, 2009 Balance	Additions	Deductions Cash Payments	Deductions Non-Cash Reductions(1)	Foreign Translation Adjustment	September 30, 2010 Balance
			(In thousands)			
Employee severance and benefits	$ 1,070	**113**	**951**	**33**		**199**
Contract termination costs	172	**86**	**183**		**(10)**	**65**
Total	$ 1,242	**199**	**1,134**	**33**	**(10)**	**264**

(1) Non-cash reductions represent adjustments to the restructuring reserves as actual costs were less than originally estimated.

At September 30, 2010, the majority of outstanding restructuring obligations are required to be paid by year-end.

(H) REVENUE EARNING EQUIPMENT

	September 30, 2010			December 31, 2009		
	Cost	**Accumulated Depreciation**	**Net Book Value(1)**	Cost	Accumulated Depreciation	Net Book Value (1)
			(In thousands)			
Held for use:						
Full service lease	**$ 5,635,639**	**(2,332,737)**	**3,302,902**	$ 5,616,102	(2,173,693)	3,442,409
Commercial rental	**1,529,930**	**(625,955)**	**903,975**	1,235,404	(577,839)	657,565
Held for sale	**231,445**	**(171,946)**	**59,499**	340,332	(261,647)	78,685
Total	**$ 7,397,014**	**(3,130,638)**	**4,266,376**	$ 7,191,838	(3,013,179)	4,178,659

(1) Revenue earning equipment, net includes

vehicles acquired under capital leases of $19.1 million, less accumulated amortization of $6.7 million, at September 30, 2010, and $19.9 million, less accumulated amortization of $6.9 million, at December 31, 2009. Amortization expense attributed to vehicles acquired under capital leases is combined with depreciation expense.

At the end of 2009, 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 residual values of certain classes of revenue earning equipment effective January 1, 2010. The change in estimated residual values decreased pre-tax earnings for the three and nine months ended September 30, 2010 by approximately $3.5 million and $10.5 million, respectively. In addition, during 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 are expected to be held for sale through 2011. In the three and nine months ended September 30, 2009, we recognized $4.0 million and $6.3 million, respectively, of accelerated depreciation for select vehicles that were expected to be held for sale through 2010.

(I) 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, 2010:				
Goodwill	$ 202,308	38,457	4,900	245,665
Accumulated impairment losses	(10,322)	(18,899)		(29,221)
	191,986	19,558	4,900	216,444
Acquisitions	**438**			**438**
Foreign currency translation adjustment	**141**	**181**		**322**
Balance at September 30, 2010:				
Goodwill	**202,887**	**38,638**	**4,900**	**246,425**

Accumulated impairment losses	**(10,322)**	**(18,899)**		**(29,221)**
	$ 192,565	**19,739**	**4,900**	**217,204**

We assess goodwill for impairment on April 1st of each year or more often if deemed necessary. On April 1, 2010, we completed our annual goodwill impairment test and determined there was no impairment.

Table of Contents

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

(J) ACCRUED EXPENSES AND OTHER LIABILITIES

	September 30, 2010			December 31, 2009		
	Accrued Expenses	**Non-Current Liabilities**	**Total**	Accrued Expenses	Non-Current Liabilities	Total
	(In thousands)					
Salaries and wages	**$ 66,826**		**66,826**	$ 45,349		45,349
Deferred compensation	**1,762**	**16,746**	**18,508**	5,068	16,970	22,038
Pension benefits	**2,705**	**346,762**	**349,467**	2,695	328,571	331,266
Other postretirement benefits	**3,215**	**43,554**	**46,769**	3,214	46,115	49,329
Employee benefits	**2,234**		**2,234**	2,346		2,346
Insurance obligations, primarily self-insurance	**106,404**	**141,817**	**248,221**	111,144	151,045	262,189
Residual value guarantees	**2,760**	**2,086**	**4,846**	2,177	1,872	4,049
Deferred rent	**12,055**	**20,406**	**32,461**	1,995	16,302	18,297
Deferred vehicle gains	**739**	**1,604**	**2,343**	790	2,259	3,049
Environmental liabilities	**5,153**	**9,257**	**14,410**	5,285	9,578	14,863
Asset retirement obligations	**3,671**	**12,759**	**16,430**	4,881	11,435	16,316
Operating taxes	**74,748**		**74,748**	70,370		70,370
Income taxes	**19,512**	**76,918**	**96,430**	459	73,311	73,770
Interest	**30,541**		**30,541**	29,123		29,123
Deposits, mainly from customers	**31,551**	**7,532**	**39,083**	29,511	7,527	37,038
Deferred revenue	**9,018**	**4,800**	**13,818**	9,136	5,578	14,714
Other	**36,711**	**8,777**	**45,488**	31,402	11,050	42,452
Total	**$ 409,605**	**693,018**	**1,102,623**	$ 354,945	681,613	1,036,558

(K) 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 2006. In the first quarter of 2009, the IRS completed their examination of our U.S. income tax returns for 2004 through 2006.

State for the majority of states, we are no longer subject to tax examinations by tax authorities for tax years before 2006.

Foreign we are no longer subject to foreign tax examinations by tax authorities for tax years before 2001 in Brazil, 2002 in Canada, 2003 in Mexico and 2007 in the U.K., which are our major foreign tax jurisdictions. In Brazil,

we were assessed $16.1 million, including penalties and interest, related to the tax due on the sale of our outbound auto carriage business in 2001. 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.

At September 30, 2010 and December 31, 2009, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state positions) was $71.6 million and $69.5 million, respectively. Unrecognized tax benefits related to federal, state and foreign tax positions may decrease by $2.2 million by September 30, 2011, if audits are completed or tax years close.

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

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, 2010 and December 31, 2009, these consolidated entities had total assets, primarily revenue earning equipment, and total liabilities, primarily accounts payable, of $51.7 million and $28.5 million, respectively.

Tax Law Changes

On September 27, 2010, the U.S. enacted the Small Business Jobs Act of 2010. The Act extended bonus depreciation for one year to apply to qualified property placed in service during 2010. The impact of the change will result in a lower federal cash tax payment for 2010.

On July 27, 2010 the United Kingdom (U.K.) enacted legislation which lowered the statutory rate from 28% to 27% effective April 1, 2011. The impact of this change resulted in a favorable non-cash adjustment to deferred taxes and an increase in net earnings for the nine months ended September 30, 2010 of $0.4 million, or $0.01 per diluted common share.

On March 23, 2010, the U.S. enacted the Patient Protection and Affordable Care Act and on March 30, 2010, the U.S. enacted the Health Care and Education Reconciliation Act of 2010 (collectively, the Act). The Act will reduce certain tax benefits available to employers for providing prescription coverage to retirees among other tax law changes. We do not provide prescription coverage for our retirees; therefore the Act had no impact on our deferred income taxes or net earnings.

On February 19, 2009, the State of Wisconsin enacted changes to its tax system, which included mandatory unitary combined reporting. The impact of this change resulted in a favorable non-cash adjustment to deferred income taxes and increased net earnings in the nine months ended September 30, 2009 by $0.5 million, or $0.01 per diluted common share.

Effective Tax Rate

Our effective income tax rate from continuing operations for the third quarter of 2010 was 36.0% compared to 35.7% in the same period of the prior year. The increase in the effective income tax rate from continuing operations was due to the favorable settlement of a foreign tax audit in 2009 partially offset by 2010 lower foreign operating losses, income tax rate reductions in the U.K and lower contingent tax accruals in 2010. Our effective income tax rate from continuing operations for the nine months ended September 30, 2010 was 39.2% compared 40.7% in the prior year. The decrease in the effective income tax rate from continuing operations in the nine months ended September 30, 2010 was mainly due to lower non-deductible expenses partially offset by higher contingent tax accruals.

Table of Contents

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

(L) DEBT

	Weighted-Average Interest Rate				
	September 30, 2010	December 31, 2009	**Maturities**	**September 30, 2010**	December 31, 2009
				(In thousands)	
Short-term debt and current portion of long-term debt:					
U.S. commercial paper [(1)]	**0.45%**	0.43%	**2010**	**$ 82,000**	$
Unsecured foreign obligations	**1.62%**	6.98%	**2010 - 2011**	**3,977**	5,369
Current portion of long-term debt, including capital leases				**377,489**	227,248
Total short-term debt and current portion of long-term debt				**463,466**	232,617
Long-term debt:					
U.S. commercial paper [(1)]	**0.45%**	0.43%	**2012**	**61,971**	191,934
Unsecured U.S. notes					
Medium-term notes [(1)]	**5.28%**	5.89%	**2012 - 2025**	**2,158,216**	2,032,344
Unsecured U.S. obligations, principally bank term loans	**1.82%**	1.45%	**2012 - 2013**	**105,800**	132,150
Unsecured foreign obligations	**4.94%**	5.22%	**2011 - 2012**	**89,920**	112,782
Capital lease obligations	**8.19%**	8.26%	**2010 - 2017**	**9,862**	11,011
Total before fair market value adjustment				**2,425,769**	2,480,221
Fair market value adjustment on notes subject to hedging [(2)]				**18,039**	12,101
				2,443,808	2,492,322
Current portion of long-term debt, including capital leases				**(377,489)**	(227,248)
Long-term debt				**2,066,319**	2,265,074
Total debt				**$ 2,529,785**	$ 2,497,691

(1) We had unamortized original issue discounts of

$10.8 million and $11.7 million at September 30, 2010 and December 31, 2009, respectively.

(2) *The notional amount of the executed interest rate swap designated as a fair value hedge was $250 million at both September 30, 2010 and December 31, 2009.*

We can borrow up to $875 million under a global revolving credit facility with a syndicate of thirteen lending institutions led by Bank of America N.A., Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., Royal Bank of Scotland Plc and Wells Fargo N.A. The global credit facility matures in April 2012 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, 2010). 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 22.5 basis points to 62.5 basis points, and are based on Ryder s long-term credit ratings. The current annual facility fee is 37.5 basis points, which applies to the total facility size of $875 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, 2010 was 157%. At September 30, 2010, $730.2 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, 2010, we classified $82.0 million of commercial paper as short-term debt because we expect to reduce the balance within one year. At September 30, 2010 and December 31, 2009, we classified $62.0 million and $191.9 million, respectively, of short-term commercial paper as long-term debt.

In September 2010, we issued $300 million of unsecured medium-term notes maturing in March 2016. If the notes are downgraded following, and as a result of, a change of 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. The medium-term notes were issued to take advantage of historically low interest rates and fund capital expenditures and debt maturities.

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

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 29, 2010. We are in the process of renewing the program and do not anticipate any material changes to the program s terms and conditions. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectibility of the collateralized receivables. At September 30, 2010 and December 31, 2009, 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.

On February 25, 2010, we filed an automatic shelf registration statement on Form S-3 with the Securities and Exchange Commission. The registration is for an indeterminate number of securities and is effective for three years. Under this universal shelf registration statement, we have the capacity to offer and sell from time to time various types of securities, including common stock, preferred stock and debt securities, subject to market demand and ratings status.

At September 30, 2010 and December 31, 2009, we had letters of credit and surety bonds outstanding totaling $258.1 million and $262.7 million, respectively, which primarily guarantee the payment of insurance claims.

(M) 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:

		Fair Value Measurements At September 30, 2010 Using			
	Balance Sheet Location	**Level 1**	**Level 2**	**Level 3**	**Total**
		(In thousands)			
Assets:					
Investments held in Rabbi Trusts:					
Cash and cash equivalents		**$ 3,550**			**3,550**
U.S. equity mutual funds		**6,578**			**6,578**
Foreign equity mutual funds		**2,437**			**2,437**
Fixed income mutual funds		**3,540**			**3,540**
Investments held in Rabbi Trusts	DFL and other assets	**16,105**			**16,105**
Interest rate swap	DFL and other assets		**18,039**		**18,039**
Total assets at fair value		**$ 16,105**	**18,039**		**34,144**

Fair Value Measurements
At December 31, 2009 Using

	Balance Sheet Location	Level 1	Level 2	Level 3	Total
			(In thousands)		
Assets:					
Investments held in Rabbi Trusts	DFL and other assets	$ 19,686			19,686
Interest rate swap	DFL and other assets		12,101		12,101
Total assets at fair value		$ 19,686	12,101		31,787

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 Trust*s 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 Level 1 of the fair value hierarchy.

Interest rate swap The derivative is a pay-variable, receive-fixed interest rate swap based on the LIBOR rate and is designated as a fair value hedge. Fair value was based on a model-driven income approach using the LIBOR rate at each interest payment date,

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

which was observable at commonly quoted intervals for the full term of the swap. Therefore, our interest rate swap was classified within Level 2 of the fair value hierarchy.

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:

	Fair Value Measurements At September 30, 2010 Using			Total Losses [2]	
	Level 1	Level 2	Level 3	Three months ended	Nine months ended
			(In thousands)		
Assets held for sale:					
Revenue earning equipment: [1]					
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

	Fair Value Measurements At September 30, 2009 Using			Total Losses [2]	
	Level 1	Level 2	Level 3	Three months ended	Nine months ended
			(In thousands)		
Assets held for sale:					
Revenue earning equipment [1]	$		45,055	$ 12,217	$ 41,948
Total assets at fair value	$		45,055	$ 12,217	$ 41,948

(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.

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, 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 at September 30, 2010 and December 31, 2009 was approximately $2.71 billion and $2.60 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.

(N) DERIVATIVES

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, 2010, 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 2.63%. Changes in the fair value of the 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. Our swap agreement contains provisions that would require us to post collateral in the event that the swap is in a liability position exceeding certain thresholds based on our credit ratings.

Table of Contents

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

The location and amount of gains (losses) on derivative instruments 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,	
		2010	2009	**2010**	2009
		(In thousands)			
Derivative: Interest rate swap	Interest expense	**$ 1,813**	3,146	**$ 5,938**	(4,928)
Hedged item: Fixed-rate debt	Interest expense	**(1,813)**	(3,146)	**(5,938)**	4,928
Total		**$**		**$**	

Refer to Note (M), Fair Value Measurements, for disclosures of the fair value and line item caption of derivative instruments recorded on the Consolidated Condensed Balance Sheets.

(O) SHARE REPURCHASE PROGRAMS

In February 2010, our Board of Directors authorized a $100 million discretionary share repurchase program over a period not to exceed two years. Share repurchases of common stock under this plan may be made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management has established a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the February 2010 program, which allows for share repurchases during Ryder s quarterly blackout periods as set forth in the plan. For the three months ended September 30, 2010, we repurchased and retired 720,000 shares under this 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.

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 may establish 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 allows for share repurchases during Ryder s quarterly blackout periods as set forth in the plan. For the three months ended September 30, 2010, we repurchased and retired 109,064 shares under this program at an aggregate cost of $4.6 million. For the nine months ended September 30, 2010, we repurchased and retired 416,761 shares under this program at an aggregate cost of $16.8 million.

(P) 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, adjustments for derivative instruments accounted for as cash flow hedges and various pension

and other postretirement benefits related items.

Table of Contents

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

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,	
	2010	2009	**2010**	2009
	(In thousands)			
Net earnings	**$ 38,835**	23,971	**$ 81,049**	53,697
Other comprehensive income (loss):				
Foreign currency translation adjustments	**31,825**	26,616	**1,451**	71,573
Net unrealized gain on derivative instruments		6		162
Amortization of transition obligation [1]	**(4)**	(3)	**(13)**	(12)
Amortization of net actuarial loss [1]	**3,112**	3,834	**9,331**	12,081
Amortization of prior service credit [1]	**(400)**	(393)	**(1,200)**	(1,142)
Pension curtailment [1]		(11,927)		(11,927)
Change in net actuarial loss [1]	**(3)**	(16)	**(971)**	3,508
Total comprehensive income	**$ 73,365**	42,088	**$ 89,647**	127,940

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

Table of Contents

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

(Q) EMPLOYEE BENEFIT PLANS

Components of net periodic benefit cost were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands)			
Pension Benefits				
Company-administered plans:				
Service cost	$ 3,538	5,231	$ 11,690	15,760
Interest cost	24,062	23,547	72,004	69,439
Expected return on plan assets	(23,322)	(18,812)	(69,743)	(56,099)
Curtailment loss		115		115
Amortization of:				
Transition obligation	(6)	(7)	(18)	(19)
Net actuarial loss	4,758	5,799	14,257	18,237
Prior service credit	(564)	(557)	(1,690)	(1,618)
	8,466	15,316	26,500	45,815
Union-administered plans	1,296	1,336	3,887	3,900
Net periodic benefit cost	$ 9,762	16,652	$ 30,387	49,715
Company-administered plans:				
U.S.	$ 8,433	12,717	$ 25,300	38,151
Non-U.S.	33	2,599	1,200	7,664
	8,466	15,316	26,500	45,815
Union-administered plans	1,296	1,336	3,887	3,900
	$ 9,762	16,652	$ 30,387	49,715
Postretirement Benefits				
Company-administered plans:				
Service cost	$ 343	370	$ 1,028	1,083
Interest cost	680	712	2,039	2,113
Amortization of:				
Net actuarial loss	88	161	263	476
Prior service credit	(58)	(58)	(173)	(173)
Net periodic benefit cost	$ 1,053	1,185	$ 3,157	3,499
Company-administered plans:				
U.S.	$ 783	883	$ 2,350	2,653

Non-U.S.	270	302	807	846
	$ 1,053	1,185	$ 3,157	3,499

Pension Contributions

In 2010, we expect to contribute approximately $17 million to our pension plans. During the nine months ended September 30, 2010, we contributed $10.9 million to our pension plans.

Pension Curtailments

In July 2009, our Board of Directors approved an amendment to freeze our U.K. retirement plan for all participants effective March 31, 2010. In July 2008, our Board of Directors approved an amendment to freeze the defined benefit portion of our Canadian retirement plan effective January 1, 2010 for current participants who did not meet certain grandfathering criteria.

Table of Contents

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

Savings Plans

Employees who do not actively participate in our pension plans are eligible to participate in savings plans. The savings plans provide for (i) company contributions even if employees do not make contributions, (ii) a company match of employee contributions of eligible pay, and (iii) in certain cases, a discretionary company match based on our performance. During the three months ended September 30, 2010 and 2009, we recognized total savings plan costs of $6.7 million and $5.0 million, respectively. During the nine months ended September 30, 2010 and 2009, we recognized total savings plan costs of $20.0 million and $16.6 million, respectively.

(R) OTHER ITEMS IMPACTING COMPARABILITY

Our primary measure of segment performance excludes certain items that we believe are not 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 first quarter of 2009, we recognized a pre-tax impairment charge of $4.1 million to write-down a SCS Singapore facility to its estimated fair value. This charge was presented within Depreciation expense in our Consolidated Condensed Statements of Earnings.

(S) SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information was as follows:

	Nine months ended September 30,	
	2010	2009
	(In thousands)	
Interest paid	**$89,017**	$107,525
Income taxes (refunded) paid	**$ (6,602)**	$ 7,969
Changes in accounts payable related to purchases of revenue earning equipment	**$33,808**	$ (40,331)
Revenue earning equipment acquired under capital leases	**$ 106**	$ 1,949

(T) 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) Dedicated Contract Carriage (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 (R), 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).

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, 2010 and 2009. 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	Eliminations	Total
			(In thousands)		
For the three months ended September 30, 2010					
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 [(1), (2)]	**$ 310,374**	**3,554**	**215**		**314,143**
Unallocated CSS					**2,370**
Capital expenditures paid					**$ 316,513**
September 30, 2009					
Revenue from external customers	$ 838,546	294,681	120,627		1,253,854
Inter-segment revenue	74,257			(74,257)	
Total revenue	$ 912,803	294,681	120,627	(74,257)	1,253,854
Segment NBT	$ 37,061	16,198	9,799	(5,725)	57,333
Unallocated CSS					(9,236)
Restructuring and other charges, net and other items [(3)]					(3,890)
Earnings from continuing operations before income taxes					$ 44,207

Segment capital expenditures [1], [2]	$ 114,068	1,743	408	116,219
Unallocated CSS				1,121
Capital expenditures paid				$ 117,340

(1) Excludes acquisition payments of $4.4 million and $0.2 million during the three months ended September 30, 2010 and 2009, respectively.

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

(3) See Note (R), 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.

Table of Contents

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

	FMS	SCS	DCC	Eliminations	Total
			(In thousands)		
For the nine months ended September 30, 2010					
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 [1] [2]	**$ 844,659**	**7,051**	**1,206**		**852,916**
Unallocated CSS					**7,986**
Capital expenditures paid					**$ 860,902**
September 30, 2009					
Revenue from external customers	$ 2,450,771	837,826	351,689		3,640,286
Inter-segment revenue	216,846			(216,846)	
Total revenue	$ 2,667,617	837,826	351,689	(216,846)	3,640,286
Segment NBT	$ 108,454	23,962	30,720	(16,174)	146,962
Unallocated CSS					(24,580)
Restructuring and other charges, net and other items [3]					(10,412)
Earnings from continuing operations before income taxes					$ 111,970
Segment capital expenditures [1], [2]	$ 495,934	6,888	951		503,773
Unallocated CSS					4,813

Capital expenditures paid	$ 508,586

(1) Excludes acquisition payments of $6.8 million and $85.7 million during the nine months ended September 30, 2010 and 2009, respectively.

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

(3) See Note (R), 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.

(U) RECENT ACCOUNTING PRONOUNCEMENTS

In July 2010, the FASB issued expanded disclosure requirements surrounding the credit quality of financing receivables and the allowance for credit losses. Certain disclosures regarding the credit quality of our financing receivables as of the end of a period are required in our December 31, 2010 10-K. Disclosures about the changes in the allowance for credit losses that occur during a reporting period are effective for interim and annual periods after January 1, 2011.

In September 2009, the FASB issued accounting guidance which amends the criteria for allocating a contract s consideration to individual services or products in multiple 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 revenue arrangements entered into or materially modified on or after January 1, 2011, with early adoption permitted. The adoption of this accounting guidance will not have a material impact on our consolidated financial position, results of operations or cash flows.

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

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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 2009 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.

ACQUISITIONS

On February 2, 2009, we acquired the assets of Edart Leasing LLC (Edart), which included Edart s fleet of approximately 1,600 vehicles and more than 340 contractual customers from Edart s five locations in Connecticut for a purchase price of $85.2 million. The combined network operates under the Ryder name, complementing our FMS business segment market coverage in the Northeast. We also acquired approximately 525 vehicles for remarketing, the majority of which have been sold.

CONSOLIDATED RESULTS

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(In thousands, except per share amounts)					
Earnings from continuing operations before income taxes	**$ 61,998**	44,207	**$ 136,697**	111,970	40%	22%
Provision for income taxes	**22,324**	15,768	**53,551**	45,523	42	18
Earnings from continuing operations	**39,674**	28,439	**83,146**	66,447	40	25
Loss from discontinued operations, net of tax	**(839)**	(4,468)	**(2,097)**	(12,750)	81	84
Net earnings	**$ 38,835**	23,971	**$ 81,049**	53,697	62%	51%
Earnings (loss) per common share Diluted						
Continuing operations	**$ 0.76**	0.51	**$ 1.57**	1.19	49%	32%
Discontinued operations	**(0.02)**	(0.08)	**(0.04)**	(0.23)	75	83
Net earnings	**$ 0.74**	0.43	**$ 1.53**	0.96	72%	59%

Weighted-average shares outstanding	Diluted	**51,535**	55,481	**52,166**	55,381	(7)%	(6)%

Earnings from continuing operations before income taxes (NBT) increased 40% in the third quarter of 2010 to $62.0 million reflecting the impact of stronger results in our FMS business segment primarily due to improved global commercial rental performance and used vehicle sales results. This increase was partially offset by lower full service lease performance reflecting higher maintenance costs on a relatively older fleet and the cumulative effect of customer fleet downsizing. NBT in the third quarter of 2009 included restructuring charges and other items of $3.9 million. NBT increased 22% in the nine months ended September 30, 2010 to $136.7 million. NBT in the nine months ended September 30, 2009 was impacted by restructuring and SCS Singapore impairment charges totaling $10.4 million. Excluding these charges, NBT increased 12% in the nine months ended September 30, 2010 primarily due to improved commercial rental performance, used vehicle sales results and higher SCS results partially offset by lower full service lease performance. See Note (G), Restructuring and Other Charges and Note (R), Other Items Impacting Comparability, for information regarding items excluded from 2009 results.

Table of Contents

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

Net earnings increased 62% in the third quarter of 2010 to $38.8 million or $0.74 per diluted common share. Net earnings increased 51% in the nine months ended September 30, 2010 to $81.0 million or $1.53 per diluted common share. Net earnings in the third quarter and the nine months ended September 30, 2009 were negatively impacted by losses from discontinued operations from SCS South America and Europe of $4.5 million and $12.8 million, respectively.

EPS growth in the third quarter and the nine months ended September 30, 2010 exceeded the net earnings growth reflecting the impact of share repurchase programs. See Operating Results by Business Segment for a further discussion of operating results.

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(In thousands)					
Revenue:						
Fleet Management Solutions	**$ 948,939**	912,803	**$ 2,764,093**	2,667,617	4%	4%
Supply Chain Solutions	**322,871**	294,681	**927,157**	837,826	10	11
Dedicated Contract Carriage	**121,392**	120,627	**360,758**	351,689	1	3
Eliminations	**(76,254)**	(74,257)	**(228,999)**	(216,846)	(3)	(6)
Total	**$ 1,316,948**	1,253,854	**$ 3,823,009**	3,640,286	5%	5%
Operating revenue [1]	**$ 1,071,611**	1,034,014	**$ 3,096,300**	3,042,690	4%	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 net of related intersegment billings, 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. Operating revenue is also a primary internal operating metric used to measure segment performance. Refer to the section titled Non-GAAP Financial Measures for a reconciliation of total revenue to operating revenue.

Total revenue increased 5% in the third quarter of 2010 to $1.32 billion and increased 5% in the nine months ended September 30, 2010 to $3.82 billion. Total revenue growth in the third quarter was driven by higher operating revenue. Total revenue growth in the first nine months of 2010 was driven by higher fuel services revenue reflecting higher fuel cost pass-throughs. Operating revenue increased 4% in the third quarter of 2010 to $1.07 billion primarily due to higher commercial rental revenue and SCS volumes and was partially offset by lower full service lease revenue. Operating revenue increased 2% in the nine months ended September 30, 2010 to $3.10 billion primarily due to higher commercial rental revenue and favorable movements in foreign exchange rates partially offset by lower full service lease revenue. Total revenue and operating revenue in the third quarter of 2010 included a favorable foreign exchange impact of 0.3%, and 0.2%, respectively, primarily due to the strengthening of the Canadian dollar. Both total revenue and operating revenue in the nine months ended September 30, 2010 included a favorable foreign exchange impact of 1.1% primarily due to the strengthening of the Canadian dollar.

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
Operating expense (exclusive of items shown separately)	**$624,495**	574,595	**$1,813,603**	1,653,157	9%	10%
Percentage of revenue	**47%**	46%	**47%**	45%		

Operating expense and operating expense as a percentage of revenue increased in the third quarter and first nine months of 2010 primarily as a result of higher fuel cost pass-throughs and higher maintenance costs. The increase in fuel costs in the third quarter and first nine months of 2010 was driven by an increase in fuel prices.

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

We retain a portion of the accident risk under vehicle liability and workers compensation insurance programs. The costs associated with these insurance programs are reflected within Operating expense. Our self-insurance accruals are based on actuarially estimated, undiscounted cost of claims, which includes claims incurred but not reported. While we believe that our estimation processes are well designed, every estimation process is inherently subject to limitations. Fluctuations in the frequency or severity of accidents make it difficult to precisely predict the ultimate cost of claims. During the three months ended September 30, 2009, we recorded a charge of $0.4 million from developments in estimated prior years self-insured loss reserves. During the nine months ended September 30, 2010 and 2009, we recorded a charge of $2.4 million and a benefit of $2.9 million, respectively, from developments in estimated prior years self-insured loss reserves.

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
					Three	Nine
	2010	2009	**2010**	2009	Months	Months
	(Dollars in thousands)					
Salaries and employee-related costs	**$314,706**	312,042	**$929,659**	918,109	1%	1%
Percentage of revenue	**24%**	25%	**24%**	25%		
Percentage of operating revenue	**29%**	30%	**30%**	30%		

Salaries and employee-related costs increased 1% in the third quarter of 2010 to $314.7 million and increased 1% in the nine months ended September 30, 2010 to $929.7 million primarily due to higher incentive-based compensation costs and higher driver costs. The increases in salaries and employee-related costs were partially offset by lower retirement plans expense of $5.1 million in the third quarter of 2010 and $15.9 million in the nine months ended September 30, 2010 reflecting higher than expected return on pension assets in 2009 and the favorable impact from voluntary pension contributions made in the fourth quarter of 2009. Salaries and employee-related costs in the nine months ended September 30, 2010 were also impacted by unfavorable changes in foreign currency exchange rates. Average headcount from continuing operations decreased 3% and 6% for the three and nine months ended September 30, 2010, respectively.

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
					Three	Nine
	2010	2009	**2010**	2009	Months	Months
	(Dollars in thousands)					
Subcontracted transportation	**$67,049**	52,539	**$191,972**	138,547	28%	39%
Percentage of revenue	**5%**	4%	**5%**	4%		

Subcontracted transportation expense represents freight management costs on logistics contracts for which we purchase transportation from third parties. Subcontracted transportation expense is directly impacted by whether we are acting as an agent or principal in our transportation management contracts. To the extent that we are acting as a principal, revenue is reported on a gross basis and carriage costs to third parties are recorded as subcontracted transportation expense. To the extent we are acting as an agent, revenue is reported net of carriage costs to third parties. The impact to net earnings is the same whether we are acting as an agent or principal in the arrangement. Subcontracted transportation expense increased 28% in the third quarter of 2010 to $67.0 million and 39% in the nine months ended September 30, 2010 to $192.0 million from increased freight volumes particularly in the automotive industry.

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(In thousands)					
Depreciation expense	**$ 209,929**	220,258	**$ 627,695**	665,392	(5)%	(6)%
Gains on vehicle sales, net	**$ (6,904)**	(3,326)	**$ (18,009)**	(9,092)	108%	98%
Equipment rental	**$ 16,463**	16,463	**$ 49,532**	48,553	%	2%

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 change in fair value are reflected within Depreciation expense. Depreciation expense decreased 5% in the third quarter of 2010 to $209.9 million and 6% in the nine months ended September 30, 2010 to $627.7 million because of a smaller fleet as well as lower write-downs in the carrying value of vehicles held for sale of $6.9 million and $20.0 million, respectively. Depreciation expense in the nine months ended September 30, 2009 also included a SCS Singapore facility impairment charge of $4.1 million. The decreases in depreciation expense in the third quarter and nine months ended September 30, 2010

Table of Contents

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

were partially offset by higher average vehicle investments, as well as changes in both residual values of certain classes of our revenue earning equipment effective January 1, 2010 and accelerated depreciation for select vehicles that are expected to be sold by the end of 2011. Refer to Note (H), Revenue Earning Equipment, in the Notes to Consolidated Condensed Financial Statements for further discussion.

Gains on vehicle sales, net increased in the third quarter and nine months ended September 30, 2010 to $6.9 million and $18.0 million, respectively, due to higher pricing, primarily in our used truck class.

Equipment rental consists primarily of rent expense for FMS revenue earning equipment under lease. Equipment rental remained unchanged in the third quarter of 2010 at $16.5 million. Equipment rental increased 2% in the nine months ended September 30, 2010 to $49.5 million as higher rental costs associated with investments in material handling equipment to support our SCS operations were partially offset by a lower number of leased vehicles.

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
Interest expense	**$31,897**	35,730	**$96,385**	110,447	(11)%	(13)%
Effective interest rate	**5.1%**	5.5%	**5.2%**	5.4%		

Interest expense decreased 11% in the third quarter of 2010 to $31.9 million primarily due to a lower average effective interest rate and lower average debt balances. Interest expense decreased 13% in the nine months ended September 30, 2010 to $96.4 million primarily due to lower average debt balances and, to a lesser extent, a lower average effective interest rate.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands)			
Miscellaneous income, net	**$ (2,685)**	(2,394)	**$ (4,525)**	(3,135)

Miscellaneous income, net consists of investment (income) losses on securities used to fund certain benefit plans, interest income, (gains) losses from sales of operating property, foreign currency transaction (gains) losses, and other non-operating items. Miscellaneous income, net increased $0.3 million in the third quarter of 2010 and increased $1.4 million in the nine months ended September 30, 2010 primarily due to gains from sales of operating property and a life insurance recovery partially offset by lower income on investment securities.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands)			
Restructuring and other charges, net	**$**	3,740	**$**	6,338

Refer to Note (G), Restructuring and Other Charges, for a discussion of the restructuring and other charges recognized in the three and nine months ended September 30, 2009.

	Three months ended September 30,	Nine months ended September 30,	Change 2010/2009

	2010	2009	2010	2009	Three Months	Nine Months
	(Dollars in thousands)					
Provision for income taxes	**$22,324**	15,768	**$ 53,551**	45,523	42%	18%
Effective tax rate from continuing operations	**36.0%**	35.7%	**39.2%**	40.7%		

24

Table of Contents

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

Our effective income tax rate from continuing operations for the third quarter of 2010 was 36.0% compared to 35.7% in the same period of the prior year. The increase in the effective income tax rate from continuing operations was due to the favorable settlement of a foreign tax audit in 2009 partially offset by 2010 lower foreign operating losses, income tax rate reductions in the U.K and lower contingent tax accruals in 2010. Our effective income tax rate from continuing operations for the nine months ended September 30, 2010 was 39.2% compared 40.7% in the prior year. The decrease in the effective income tax rate from continuing operations in the nine months ended September 30, 2010 was mainly due to lower non-deductible expenses partially offset by higher contingent tax accruals.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	(In thousands)			
Loss from discontinued operations, net of tax	**$(839)**	(4,468)	**$(2,097)**	(12,750)

Refer to Note (D), Discontinued Operations, in the Notes to Consolidated Condensed Financial Statements for a discussion of losses from discontinued operations.

OPERATING RESULTS BY BUSINESS SEGMENT

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(In thousands)					
Revenue:						
Fleet Management Solutions	**$ 948,939**	912,803	**$ 2,764,093**	2,667,617	4%	4%
Supply Chain Solutions	**322,871**	294,681	**927,157**	837,826	10	11
Dedicated Contract Carriage	**121,392**	120,627	**360,758**	351,689	1	3
Eliminations	**(76,254)**	(74,257)	**(228,999)**	(216,846)	(3)	(6)
Total	**$ 1,316,948**	1,253,854	**$ 3,823,009**	3,640,286	5%	5%
Operating Revenue:						
Fleet Management Solutions	**$ 733,870**	712,468	**$ 2,120,278**	2,118,280	3%	%
Supply Chain Solutions	**258,542**	245,869	**746,653**	707,814	5	5
Dedicated Contract Carriage	**118,672**	116,900	**349,290**	343,154	2	2
Eliminations	**(39,473)**	(41,223)	**(119,921)**	(126,558)	4	5
Total	**$ 1,071,611**	1,034,014	**$ 3,096,300**	3,042,690	4%	2%

NBT:

Fleet Management Solutions	$ **54,766**	37,061	$ **122,687**	108,454	48%	13%
Supply Chain Solutions	**15,199**	16,198	**34,784**	23,962	(6)	45
Dedicated Contract Carriage	**8,619**	9,799	**24,437**	30,720	(12)	(20)
Eliminations	**(4,629)**	(5,725)	**(14,505)**	(16,174)	19	10
	73,955	57,333	**167,403**	146,962	29	14
Unallocated Central Support Services	**(11,957)**	(9,236)	**(30,706)**	(24,580)	(29)	(25)
Restructuring and other charges, net and other items		(3,890)		(10,412)	NM	NM
Earnings from continuing operations before income taxes	$ **61,998**	44,207	$ **136,697**	111,970	40%	22%

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), excludes restructuring and other charges, net, described in Note (G), Restructuring and Other Charges, and excludes the items discussed in Note (R), 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

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

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.

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	Consolidated Condensed Statements of Earnings Line Item	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
		(In thousands)			
Restructuring and other charges, net	Restructuring [1]	$	(3,740)	$	(6,338)
International asset impairment [2]	Depreciation expense		(150)		(4,074)
Restructuring and other charges, net and other items		**$**	(3,890)	**$**	(10,412)

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

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

Our FMS segment leases revenue earning equipment and provides fuel, maintenance and other ancillary services to our 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).

The following table sets forth equipment contribution included in NBT for our SCS and DCC business segments:

	Three months ended September	Nine months ended September 30,	Change 2010/2009

	30,					
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
Equipment contribution:						
Supply Chain Solutions	**$ 1,973**	2,476	**$ 6,228**	7,274	(20)%	(14)%
Dedicated Contract Carriage	**2,656**	3,249	**8,277**	8,900	(18)	(7)
Total	**$ 4,629**	5,725	**$ 14,505**	16,174	(19)%	(10)%

26

Table of Contents

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 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
Full service lease	**$ 487,488**	499,941	**$ 1,449,365**	1,496,237	(2)%	(3)%
Contract maintenance	**40,098**	42,360	**119,757**	126,041	(5)	(5)
Contractual revenue	**527,586**	542,301	**1,569,122**	1,622,278	(3)	(3)
Contract-related maintenance	**41,176**	40,126	**121,247**	125,926	3	(4)
Commercial rental	**147,899**	112,266	**379,544**	320,057	32	19
Other	**17,209**	17,775	**50,365**	50,019	(3)	1
Operating revenue [(1)]	**733,870**	712,468	**2,120,278**	2,118,280	3	
Fuel services revenue	**215,069**	200,335	**643,815**	549,337	7	17
Total revenue	**$ 948,939**	912,803	**$ 2,764,093**	2,667,617	4%	4%
Segment NBT	**$ 54,766**	37,061	**$ 122,687**	108,454	48%	13%
Segment NBT as a % of total revenue	**5.8%**	4.1%	**4.4%**	4.1%	170 bps	30 bps
Segment NBT as a % of operating revenue [(1)]	**7.5%**	5.2%	**5.8%**	5.1%	230 bps	70 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 4% in the third quarter of 2010 to $948.9 million primarily due to higher operating revenue and fuel services revenue. Total revenue increased 4% in the nine months ended September 30, 2010 to $2.76 billion primarily due to higher fuel services revenue. The increase in fuel services revenue was due to higher fuel cost pass-throughs. Operating revenue (revenue excluding fuel) increased 3% in the third quarter of 2010 to $733.9 million primarily due to higher commercial rental revenue partially offset by lower full service lease revenue. Operating revenue remained flat in the nine months ended September 30, 2010, as increased commercial rental revenue was offset by lower contractual revenue. Both total revenue and operating revenue in the nine months ended September 30, 2010 included a favorable foreign exchange impact of 1.1%.

Full service lease revenue decreased 2% in the third quarter of 2010 to $487.5 million and 3% in the nine months ended September 30, 2010 to $1.45 billion. Contract maintenance revenue decreased 5% in the third quarter of 2010 to $40.1 million and 5% in the nine months ended September 30, 2010 to $119.8 million. The decrease in contractual revenue reflects the cumulative effect of customer fleet downsizing resulting from the long-term economic downturn. We expect similar declines in contractual revenue comparisons through the end of the year based on recent sales activity. Commercial rental revenue increased 32% in the third quarter of 2010 to $147.9 million and 19% in the nine

months ended September 30, 2010 of 2010 to $379.5 million reflecting improved global market demand and improved pricing. In light of current economic conditions, we expect favorable commercial rental revenue comparisons to continue through the end of the year driven by higher demand, improved utilization and higher pricing.

Table of Contents

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,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
Non-lease customer rental revenue	**$ 95,479**	71,452	**$ 238,594**	196,292	34%	22%
Lease customer rental revenue [1]	**$ 52,420**	40,814	**$ 140,950**	123,765	28%	14%
Average commercial rental power fleet size in service [2], [3]	**25,100**	22,600	**23,500**	23,300	11%	1%
Commercial rental utilization power fleet	**79.2%**	70.8%	**75.5%**	66.6%	840 bps	890 bps

(1) Lease customer rental revenue is 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 48% in the third quarter of 2010 to $54.8 million and increased 13% in the nine months ended September 30, 2010 to $122.7 million primarily due to improved global commercial rental performance, better used vehicle results and lower retirement plans expense. Commercial rental performance improved as a result of increased

market demand and higher pricing. Used vehicle sales results were positively impacted by higher pricing and a lower average quarterly inventory level. Both commercial rental and used vehicle sales results benefited from a lower supply of vehicles in the overall marketplace. Retirement plans cost decreased $5.0 million in the third quarter of 2010 and decreased $14.8 million in the nine months ended September 30, 2010 because of improved performance in the overall stock market in 2009. The increase in NBT in both periods was partially offset by lower full service lease performance which was adversely impacted by increased maintenance costs on a relatively older fleet and the cumulative impact of customer fleet downsizing. The increase in NBT in the nine months ended September 30, 2010 was also partially offset by higher compensation costs and increased depreciation expense of $9.2 million resulting from residual value changes and accelerated depreciation.

Table of Contents

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

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, 2010	December 31, 2009	September 30, 2009	Sep. 2010/ Dec. 2009	Sep. 2010/ Sep. 2009
End of period vehicle count					
By type:					
Trucks [1]	**63,700**	63,600	65,300	%	(2)%
Tractors [2]	**50,300**	50,300	50,900		(1)
Trailers [3]	**33,300**	35,400	36,600	(6)	(9)
Other	**2,900**	3,100	3,100	(6)	(6)
Total	**150,200**	152,400	155,900	(1)%	(4)%
By ownership:					
Owned	**145,500**	147,200	150,900	(1)%	(4)%
Leased	**4,700**	5,200	5,000	(10)	(6)
Total	**150,200**	152,400	155,900	(1)%	(4)%
By product line:					
Full service lease	**111,800**	115,100	116,900	(3)%	(4)%
Commercial rental	**30,900**	27,400	28,200	13	10
Service vehicles and other	**2,800**	3,000	3,000	(7)	(7)
Active units	**145,500**	145,500	148,100		(2)
Held for sale	**4,700**	6,900	7,800	(32)	(40)
Total	**150,200**	152,400	155,900	(1)%	(4)%
Customer vehicles under contract maintenance	**33,600**	34,400	34,400	(2)%	(2)%
Quarterly average vehicle count					
By product line:					
Full service lease	**111,900**	116,000	117,900	(4)%	(5)%
Commercial rental	**31,100**	27,800	28,600	12	9
Service vehicles and other	**1,900**	2,900	2,900	(34)	(34)

Active units	**144,900**	146,700	149,400	(1)	(3)
Held for sale	**5,100**	7,300	8,300	(30)	(39)
Total	**150,000**	154,000	157,700	(3)%	(5)%
Customer vehicles under contract maintenance	**33,700**	34,300	34,900	(2)%	(3)%
Year-to-date average vehicle count					
By product line:					
Full service lease	**112,900**	118,800	119,800	(5)%	(6)%
Commercial rental	**29,600**	29,400	29,900		(1)
Service vehicles and other	**2,600**	2,900	2,800	(10)	(7)
Active units	**145,100**	151,100	152,500	(4)	(5)
Held for sale	**6,100**	8,400	8,800	(27)	(31)
Total	**151,200**	159,500	161,300	(5)%	(6)%
Customer vehicles under contract maintenance	**33,800**	35,200	35,500	(4)%	(5)%

(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.

NOTE: Amounts were computed using a 12-point average based on monthly information.

Table of Contents

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, 2010	December 31, 2009	September 30, 2009	Change Sep. 2010/ Dec. 2009	Change Sep. 2010/ Sep. 2009
Not yet earning revenue (NYE)	**1,000**	700	700	43%	43%
No longer earning revenue (NLE):					
Units held for sale	**4,700**	6,900	7,800	(32)	(40)
Other NLE units	**2,200**	2,900	3,200	(24)	(31)
Total	**7,900**	10,500	11,700	(25)%	(32)%

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 2010, NYE units increased reflecting new lease sales and, to a lesser extent, the refresh and modest growth of the rental fleet. NLE units represent vehicles held for sale and vehicles for which no revenue has been earned in the previous 30 days. For 2010, NLE units decreased because of lower used vehicle inventory levels and higher rental utilization. We expect NLE levels to increase through the end of this year as we outservice rental units.

Supply Chain Solutions

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
U.S. operating revenue:						
Automotive	**$ 94,040**	88,349	**$ 270,527**	246,650	6%	10%
High-Tech and Consumer	**62,289**	61,175	**179,918**	186,628	2	(4)
Industrial and Other	**31,147**	30,884	**89,327**	90,891	1	(2)
U.S. operating revenue	**187,476**	180,408	**539,772**	524,169	4	3
International operating revenue	**71,066**	65,461	**206,881**	183,645	9	13
Operating revenue [(1)]	**258,542**	245,869	**746,653**	707,814	5	5
Subcontracted transportation	**64,329**	48,812	**180,504**	130,012	32	39
Total revenue	**$ 322,871**	294,681	**$ 927,157**	837,826	10%	11%
Segment NBT	**$ 15,199**	16,198	**$ 34,784**	23,962	(6)%	45%

Segment NBT as a % of total revenue	**4.7%**	5.5%	**3.8%**	2.9%	(80) bps	90 bps
Segment NBT as a % of operating revenue [1]	**5.9%**	6.6%	**4.7%**	3.4%	(70) bps	130 bps
Memo: Fuel costs [2]	**$ 19,357**	17,119	**$ 57,762**	46,525	13%	24%

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of the SCS business segment and as a measure of sales activity. Subcontracted transportation is deducted from total revenue to arrive at operating revenue as subcontracted transportation is typically a pass-through to customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation. Operating revenue is also a primary internal operating metric and is used to

measure segment performance.

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

Total revenue increased 10% in the third quarter of 2010 to $322.9 million and 11% in the nine months ended September 30, 2010 to $927.2 million primarily due to higher subcontracted transportation resulting from higher freight volumes and higher operating revenue. Operating revenue increased 5% in the third quarter of 2010 to $258.5 million and 5% in the nine months ended September 30, 2010 to $746.7 million. The increase in operating revenue in the third quarter of 2010 was primarily due to improved automotive and high-tech volumes, favorable foreign exchange rate movements partially offset by prior year contract rationalizations. In the third quarter of 2010, SCS total revenue and operating revenue included a favorable foreign currency exchange impact of 1.2% and 1.0%, respectively. The increase

Table of Contents

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

in operating revenue in the nine months ended September 30, 2010 was primarily due to higher automotive volumes and favorable foreign exchange movements. In the nine months ended September 30, 2010, SCS total revenue and operating revenue included a favorable foreign exchange impact of 2.6% and 2.4%, respectively. We expect favorable revenue comparisons to continue through the end of the year.

SCS NBT decreased 6% in the third quarter of 2010 to $15.2 million primarily due to higher self-insurance costs partially offset by improved operating performance, particularly in high-tech accounts. SCS NBT increased 45% in the nine months ended September 30, 2010 to $34.8 million primarily due to improved automotive production volumes, better operating performance and the impact of prior year contract rationalizations. These items were partially offset by higher compensation costs.

Dedicated Contract Carriage

	Three months ended September 30,		Nine months ended September 30,		Change 2010/2009	
	2010	2009	**2010**	2009	Three Months	Nine Months
	(Dollars in thousands)					
Operating revenue [(1)]	**$ 118,672**	116,900	**$ 349,290**	343,154	2%	2%
Subcontracted transportation	**2,720**	3,727	**11,468**	8,535	(27)	34
Total revenue	**$ 121,392**	120,627	**$ 360,758**	351,689	1%	3%
Segment NBT	**$ 8,619**	9,799	**$ 24,437**	30,720	(12)%	(20)%
Segment NBT as a % of total revenue	**7.1%**	8.1%	**6.8%**	8.7%	(100) bps	(190) bps
Segment NBT as a % of operating revenue [(1)]	**7.3%**	8.4%	**7.0%**	9.0%	(110) bps	(200) bps
Memo: Fuel costs [(2)]	**$ 21,058**	18,615	**$ 61,630**	51,297	13%	20%

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of the DCC business

segment and as a measure of sales activity. Subcontracted transportation is deducted from total revenue to arrive at operating revenue as subcontracted transportation is typically a pass-through to customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation. Operating revenue is also a primary internal operating metric and is used to measure segment performance.

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

Total revenue and operating revenue increased in the third quarter and nine months ended September 30, 2010 primarily due to higher fuel cost pass-throughs. We expect similar revenue comparisons to continue through the end of the year.

DCC NBT decreased 12% in the third quarter of 2010 to $8.6 million primarily due to lower operating performance including increased driver costs and investments associated with new technology initiatives. DCC NBT decreased 20% in the nine months ended September 30, 2010 primarily due to higher self-insurance costs from unfavorable development related to prior year claims, investments associated with new technology initiatives and higher compensation costs.

Central Support Services

	Three months ended September 30,	Nine months ended September 30,	Change 2010/2009

	2010	2009	2010	2009	Three Months	Nine Months
	(In thousands)					
Human resources	$ 3,839	3,712	$ 11,351	10,878	3%	4%
Finance	14,303	12,791	40,115	37,800	12	6
Corporate services and public affairs	2,636	2,890	8,282	8,629	(9)	(4)
Information technology	14,289	13,590	42,078	39,183	5	7
Health and safety	1,559	1,719	5,056	5,037	(9)	
Other	11,081	8,884	28,826	20,485	25	41
Total CSS	47,707	43,586	135,708	122,012	9	11
Allocation of CSS to business segments	(35,750)	(34,350)	(105,002)	(97,432)	(4)	(8)
Unallocated CSS	$ 11,957	9,236	$ 30,706	24,580	29%	25%

31

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

Total CSS costs increased 9% in the third quarter of 2010 to $47.7 million and increased 11% in the nine months ended September 30, 2010 to $135.7 million primarily due to increased compensation costs, technology investments and professional services. Unallocated CSS costs increased in the third quarter and nine months ended September 30, 2010 due to higher compensation costs and professional services.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

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

	Nine months ended September 30,		
		2010	2009
	(In thousands)		
Net cash provided by (used in):			
Operating activities	$	**804,162**	768,736
Financing activities		**(96,008)**	(386,883)
Investing activities		**(664,397)**	(377,795)
Effect of exchange rate changes on cash		**6**	571
Net change in cash and cash equivalents	$	**43,763**	4,629

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

Cash provided by operating activities from continuing operations increased to $804.2 million in the nine months ended September 30, 2010 compared with $768.7 million in 2009 because of changes in working capital partially offset by lower cash-based earnings. Cash used in financing activities from continuing operations in the nine months ended September 30, 2010 decreased to $96.0 million compared with $386.9 million in 2009 due to higher borrowing needs to fund capital spending. Cash used in investing activities from continuing operations increased to $664.4 million in the nine months ended September 30, 2010 compared with $377.8 million in 2009 due to higher vehicle spending in 2010 partially offset by lower acquisition related payments.

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,	
2010	2009
(In thousands)	

Net cash provided by operating activities from continuing operations	**$ 804,162**	768,736
Sales of revenue earning equipment	**159,012**	147,223
Sales of operating property and equipment	**2,821**	3,547
Collections on direct finance leases	**45,941**	51,130
Other, net	**1,950**	209
Total cash generated	**1,013,886**	970,845
Purchases of property and revenue earning equipment	**(860,902)**	(508,586)
Free cash flow	**$ 152,984**	462,259

Free cash flow decreased to $153.0 million in the nine months ended September 30, 2010 compared with $462.3 million in 2009 primarily due to higher vehicle spending. We anticipate our full year free cash flow to be in the range of $225-$275 million.

Table of Contents

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

The following table provides a summary of capital expenditures:

	Nine months ended September 30,	
	2010	2009
	(In thousands)	
Revenue earning equipment: [1]		
Full service lease	$ **487,703**	419,390
Commercial rental	**357,510**	5,361
	845,213	424,751
Operating property and equipment	**49,497**	43,504
Total capital expenditures	**894,710**	468,255
Changes in accounts payable related to purchases of revenue earning equipment	**(33,808)**	40,331
Cash paid for purchases of property and revenue earning equipment	$ **860,902**	508,586

(1) Capital expenditures exclude revenue earning equipment acquired under capital leases of $0.1 million and $1.9 million during the nine months ended September 30, 2010 and 2009, respectively.

Capital expenditures (accrual basis) increased 91% in the nine months ended September 30, 2010 to $894.7 million principally as a result of increased commercial rental spending to refresh and modestly grow the rental fleet. We anticipate full-year 2010 accrual basis capital expenditures to be consistent with our previous forecast of $1.1 billion.

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, 2010 were as follows:

	Short-term	Long-term	Outlook
Moody s Investors Service	**P2**	**Baa1**	**Stable (affirmed February 2010)**
Standard & Poor s Ratings Services	**A2**	**BBB+**	**Stable (raised August 2010)**
Fitch Ratings	**F2**	**A -**	**Stable (affirmed March 2010)**

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.

We can borrow up to $875 million under a global revolving credit facility with a syndicate of thirteen lending institutions led by Bank of America N.A., Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., Royal Bank of Scotland Plc and Wells Fargo N.A. The global credit facility matures in April 2012 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, 2010). 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 22.5 basis points to 62.5 basis points, and are based on Ryder s long-term credit ratings. The

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

credit facility s current annual facility fee is 37.5 basis points, which applies to the total facility size of $875 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 intangible assets. The ratio at September 30, 2010 was 157%. At September 30, 2010, $730.2 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, 2010, we classified $82 million of commercial paper as short-term debt because we expect to reduce the balance within one year. At September 30, 2010 and December 31, 2009, we classified $62.0 million and $191.9 million, respectively, of short-term commercial paper as long-term debt.

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. 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 amounts 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 29, 2010. We are in the process of renewing the program and do not anticipate any material changes to the program s terms and conditions. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectibility of the collateralized receivables. At September 30, 2010 and December 31, 2009, no amounts were outstanding under the program.

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 Securities and Exchange Commission (SEC) for the registration of $600 million in asset-backed notes. The registration statement became effective on November 6, 2008 and remains effective until November 6, 2011.

On February 25, 2010, Ryder filed an automatic shelf registration statement on Form S-3 with the SEC. The registration is for an indeterminate number of securities and is effective for three years. Under this universal shelf registration statement, we have the capacity to offer and sell from time to time various types of securities, including common stock, preferred stock and debt securities, subject to market demand and ratings status.

In September 2010, we issued $300 million of unsecured medium-term notes maturing in March 2016. If the notes are downgraded following, and as a result of, a change of 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. The medium-term notes were issued to take advantage of historically low interest rates and fund capital expenditures and debt maturities.

At September 30, 2010, we had the following amounts available to fund operations under the aforementioned facilities:

	(In millions)
Global revolving credit facility	**$ 730**
Trade receivables program	**$ 175**

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,	
	2010	2009
	(In thousands)	
Debt balance at January 1	**$ 2,497,691**	2,862,799
Cash-related changes in debt:		
Net change in commercial paper borrowings	**(48,000)**	152,450
Proceeds from issuance of medium-term notes	**300,000**	
Proceeds from issuance of other debt instruments	**14,511**	1,309
Retirement of medium-term notes and debentures	**(175,000)**	(276,000)
Other debt repaid, including capital lease obligations	**(64,560)**	(220,291)
Net change from discontinued operations	**(2,941)**	(7,499)
	24,010	(350,031)
Non-cash changes in debt:		
Fair market value adjustment on notes subject to hedging	**5,938**	(4,928)
Addition of capital lease obligations, including acquisitions	**106**	1,949
Changes in foreign currency exchange rates and other non-cash items	**2,040**	16,560
Total changes in debt	**32,094**	(336,450)
Debt balance at September 30	**$ 2,529,785**	2,526,349

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 22% and 26% at September 30, 2010 and December 31, 2009, respectively.

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

	September 30, 2010	**% to Equity**	December 31, 2009	% to Equity
	(Dollars in thousands)			
On-balance sheet debt	**$ 2,529,785**	**180%**	2,497,691	175%
Off-balance sheet debt PV of minimum lease payments and guaranteed residual values under operating leases for vehicles [(1)]	**114,066**		118,828	

Total obligations	**$ 2,643,851**	**188%**	2,616,519	183%

(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 at September 30, 2010 increased compared with our ratios at year end due to share repurchases.

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 result 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

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, 2010 or 2009.

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 2010, we expect to contribute approximately $17 million to our pension plans. During the nine months ended September 30, 2010, we contributed $10.9 million to our pension plans. Changes in interest rates and the market value of the securities held by the plans during 2010 could materially change, positively or negatively, the funded status of the plans and affect the level of pension expense and required contributions in 2011 and beyond. See Note (Q), Employee Benefit Plans, in the Notes to Consolidated Condensed Financial Statements for additional information.

Share Repurchases and Cash Dividends

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

In October 2010, our Board of Directors declared a quarterly cash dividend of $0.27.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note (U), Recent Accounting Pronouncements, in the Notes to Consolidated Condensed Financial Statements for a discussion of recent accounting pronouncements.

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 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,	
	2010	2009	**2010**	2009
	(In thousands)			
Total revenue	**$ 1,316,948**	1,253,854	**$ 3,823,009**	3,640,286
FMS fuel services and SCS/DCC subcontracted transportation [(1)]	**(282,118)**	(252,874)	**(835,787)**	(687,884)
Fuel eliminations	**36,781**	33,034	**109,078**	90,288
Operating revenue	**$ 1,071,611**	1,034,014	**3,096,300**	3,042,690

(1) *Includes intercompany fuel sales.*

Table of Contents

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 Rep 10-Q contains forward-looking statements including, but not limited to, statements regarding:

our expectations as to anticipated revenue and earnings trends in each business segment and the future status of current trends in economic conditions, particularly reduced contractual lease demand, increased commercial rental demand and automotive volumes;

the appropriateness of excluding certain items from our primary measure of segment performance;

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 before the end of next year;

the number of NLE vehicles in inventory for the remainder of the year;

our expectations of free cash flow, operating cash flow, total cash generated and capital expenditures for the remainder of 2010;

the adequacy of our accounting estimates and reserves for pension expense, 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 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 ultimate resolution of a disputed foreign tax assessment;

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 accounting pronouncements;

our ability to access unsecured debt in the capital markets;

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

our anticipated use of our share repurchase programs; and

the appropriateness of our long-term target leverage range and our expectations regarding meeting that range.

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

Market Conditions:

- Changes in general economic and financial conditions in the U.S. and worldwide leading to decreased demand for our services, lower profit margins, increased levels of bad debt and reduced access to credit
- Unfavorable financial market conditions that would limit our ability to execute share repurchases
- Significant decrease in freight demand which would more severely impact both our transactions and variable-based contractual business
- Changes in our customers operations, financial condition or business environment that may limit their need for, or ability to purchase, our services
- Changes in market conditions affecting the commercial rental market or the sale of used vehicles
- Volatility in automotive volumes
- Less than anticipated growth rates in the markets in which we operate
- Changes in current financial, tax or regulatory requirements that could negatively impact the leasing market
- Changes in operating conditions in global markets that may impact our ability to conduct our business operations

Competition:

- Competition from other service providers, some of which have greater capital resources or lower capital costs

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

- o Continued consolidation in the markets in which we operate which may create large competitors with greater financial resources
- o Our inability to maintain current pricing levels due to economic conditions, demand for services, customer acceptance or competition

Profitability:

- o Our inability to obtain adequate profit margins for our services
- o Lower than expected customer volumes or retention levels
- o Lower full service lease sales activity
- o Loss of key customers in our SCS and DCC business segments
- o Our inability to adapt our product offerings to meet changing consumer preferences on a cost-effective basis
- o The inability of our business segments to create operating efficiencies
- o The inability of our legacy information technology systems to provide timely access to data
- o Sudden changes in fuel prices and fuel shortages
- o Higher prices for vehicles, diesel engines and fuel as a result of exhaust emissions standards
- o Our inability to successfully implement our asset management initiatives
- o Our key assumptions and pricing structure of our SCS contracts prove to be invalid
- o Increased unionizing, labor strikes, work stoppages and driver shortages
- o Our inability to manage our cost structure
- o Our inability to limit our exposure for customer claims

Financing Concerns:

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

Accounting Matters:

- o

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

- o Reductions in residual values or useful lives of revenue earning equipment
- o Increases in compensation levels, retirement rate and mortality resulting in higher pension expense; regulatory changes affecting pension estimates, accruals and expenses
- o Increases in healthcare costs resulting in higher insurance costs
- o Changes in accounting rules, assumptions and accruals
- o 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

The risks included here are not exhaustive. 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, 2009. Please refer to the 2009 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 2010, 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 2010, 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, 2010, 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, 2010:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program (2)	Approximate Dollar Value That May Yet Be Purchased Under the Discretionary Program (3)
July 1 through July 31, 2010	**110,530**	**$ 41.83**	**110,000**	**1,672,303**	**$ 50,839,695**
August 1 through August 31, 2010	**524,334**	**41.61**	**524,064**	**1,613,239**	**31,612,028**
September 1 through September 30, 2010	**195,400**	**40.14**	**195,000**	**1,583,239**	**24,941,224**
Total	**830,264**	**$ 41.30**	**829,064**		

(1) During the three months ended September 30, 2010, we purchased an aggregate of 1,200 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.

(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 may establish 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 allows for share repurchases during Ryder s

quarterly blackout periods as set forth in the trading plan. For the three months ended September 30, 2010, we repurchased and retired 109,064 shares under this program at an aggregate cost of $4.6 million.

(3) *In February 2010, our Board of Directors authorized a $100 million discretionary share repurchase program over a period not to exceed two years. Share repurchases of common stock may be made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management has established a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the February 2010 program, which allows for share*

repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. For the three months ended September 30, 2010, we repurchased and retired 720,000 shares under this program at an aggregate cost of $29.6 million.

39

ITEM 6. EXHIBITS

10.1	Separation Agreement and Release, dated as of August 23, 2010, between Ryder Truck Rental, Inc. and Anthony G. Tegnelia.
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.

Table of Contents

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 21, 2010	By: /s/ Art A. Garcia Art A. Garcia Executive Vice President and Chief Financial Officer (Principal Financial Officer and Duly Authorized Officer)
Date: October 21, 2010	By: /s/ Cristina A. Gallo-Aquino Cristina A. Gallo-Aquino Vice President and Controller (Principal Accounting Officer)