RYDER SYSTEM INC
Form 10-K
February 12, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2009**
	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 *(State or other jurisdiction of incorporation or organization)*	**59-0739250** *(I.R.S. Employer Identification No.)*
11690 N.W. 105th Street, Miami, Florida 33178 *(Address of principal executive offices, including zip code)*	**(305) 500-3726** *(Telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Ryder System, Inc. Common Stock ($0.50 par value)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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 Act). Yes o No þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was sold at June 30, 2009 was $1,571,964,331. The number of shares of Ryder System, Inc. Common Stock ($0.50 par value per share) outstanding at January 31, 2010 was 53,414,572.

Documents Incorporated by Reference into this Report	Part of Form 10-K into which Document is Incorporated
Ryder System, Inc. 2010 Proxy Statement	**Part III**

RYDER SYSTEM, INC.
FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

OVERVIEW

Ryder System, Inc. (Ryder), a Florida corporation founded in 1933, 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 solutions including distribution and transportation services throughout 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. Our customers range from small businesses to large international enterprises. These customers operate in a wide variety of industries, the most significant of which include automotive, electronics, transportation, grocery, lumber and wood products, food service, and home furnishings.

At the end of 2008, we announced strategic initiatives to increase our competitiveness and drive long-term profitable growth. As part of these initiatives, during 2009 we discontinued SCS operations in Brazil, Argentina, and Chile, and transitioned out of SCS customer contracts in Europe in order to focus the organization and resources on the industries, accounts, and geographical regions that present the greatest opportunities for competitive advantage and long-term sustainable profitable growth. These changes will allow us to focus on enhancing the competitiveness and growth of our service offerings in the U.S., Canada, Mexico, the U.K. and Asia markets. All prior period information presented in this Form 10-K has been restated to separately present discontinued operations.

For financial information and other information relating to each of our business segments see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data, of this report.

INDUSTRY AND OPERATIONS

Fleet Management Solutions

Value Proposition

Through our FMS business, we provide our customers with flexible fleet solutions that are designed to improve their competitive position by allowing them to focus on their core business, lower their costs and redirect their capital to other parts of their business. Our FMS product offering is comprised primarily of contractual-based full service leasing and contract maintenance services. We also offer transactional fleet solutions including commercial truck rental, maintenance services, and value-added fleet support services such as insurance, vehicle administration and fuel services. In addition, we provide our customers with access to a large selection of used trucks, tractors and trailers through our used vehicle sales program.

Market Trends

Over the last several years, many key trends have been reshaping the transportation industry, particularly the $61 billion U.S. private commercial fleet market and the $23 billion U.S. commercial fleet lease and rental market. The maintenance and operation of commercial vehicles has become more complicated requiring companies to spend a significant amount of time and money to keep up with new technology, diagnostics, retooling and training. Because of increased demand for efficiency and reliability, companies that own and manage their own fleet of vehicles have put greater emphasis on the quality of their preventive maintenance and safety programs. More recently, fluctuating energy prices have made it difficult for businesses to predict and manage fleet costs and the tightened credit market has limited businesses access to capital.

Operations

For the year ended December 31, 2009, our global FMS business accounted for 67% of our consolidated revenue.

U.S. Our FMS customers in the U.S. range from small businesses to large national enterprises. These customers operate in a wide variety of industries, including transportation, grocery, lumber and wood products, food service and home furnishings. At December 31, 2009, we had 568 operating locations in 49 states and Puerto Rico and operated 212 maintenance facilities on-site at customer properties. A location typically consists of a maintenance facility or shop, offices for sales and other personnel, and in many cases, a commercial rental counter, and in 2009 excludes ancillary storage locations. Our maintenance facilities typically include a service island for fueling, safety inspections and preliminary maintenance checks as well as a shop for preventive maintenance and repairs.

Canada. We have been operating in Canada for over 50 years. The Canadian private commercial fleet market is estimated to be $8 billion and the Canadian commercial fleet lease and rental market is estimated to be $2 billion. At December 31, 2009, we had 38 operating locations throughout 9 Canadian provinces. We also have 6 on-site maintenance facilities in Canada.

Europe. We began operating in the U.K. in 1971 and since then have expanded into Germany by leveraging our operations in the U.S. and the U.K. The U.K. commercial fleet lease and rental market is estimated to be $6 billion. At December 31, 2009, we had 32 operating locations throughout the U.K. and Germany, and operated 14 on-site maintenance facilities. We also manage a network of 341 independent maintenance facilities in the U.K. to serve our customers where it is more effective than providing the service at a Ryder location. In addition to our typical FMS operations, we also supply and manage vehicles, equipment and personnel for military organizations in the U.K. and Germany.

FMS Product Offerings

Full Service Leasing. Under a typical full service lease, we provide vehicle maintenance, supplies and related equipment necessary for operation of the vehicles while our customers furnish and supervise their own drivers and dispatch and exercise control over the vehicles. Our full service lease includes all the maintenance services that are part of our contract maintenance service offering. We target leasing customers that would benefit from outsourcing their fleet management function or upgrading their fleet without having to dedicate a significant amount of their own capital. We will assess a customer s situation, and after considering the size of the customer, residual risk and other factors, will tailor a leasing program that best suits the customer s needs. Once we have agreed on a leasing program, we acquire vehicles and components that are custom engineered to the customer s requirements and lease the vehicles to the customer for periods generally ranging from three to seven years for trucks and tractors and up to ten years for trailers. Because we purchase a large number of vehicles from a limited number of manufacturers, we are able to leverage our buying power for the benefit of our customers. In addition, given our continued focus on improving the efficiency and effectiveness of our maintenance services, we can provide our customers with a cost effective alternative to maintaining their own fleet of vehicles. We also offer our leasing customers the additional fleet support services described below.

Contract Maintenance. Our contract maintenance customers include non-Ryder owned vehicles related to our full service lease customers as well as other customers that want to utilize our extensive network of maintenance facilities and trained technicians to maintain the vehicles they own or lease from third parties. The contract maintenance service offering is designed to reduce vehicle downtime through preventive maintenance based on vehicle type and time or mileage intervals. The service also provides vehicle repairs including parts and labor, 24-hour emergency roadside service and replacement vehicles for vehicles that are temporarily out of service. Vehicles covered under this offering are typically serviced at our own facilities. However, based on the size and complexity of a customer s fleet, we may operate an on-site maintenance facility at the customer s location.

Commercial Rental. We target rental customers that have a need to supplement their private fleet of vehicles on a short-term basis (typically from less than one month up to one year in length) either because of seasonal increases in their business or discrete projects that require additional transportation resources. Our commercial rental fleet also provides additional vehicles to our full service lease customers to handle their peak or seasonal business needs. In addition to one-off commercial rental transactions, we seek to build national relationships with large national customers to become their preferred source of commercial vehicle rentals. Our rental representatives assist in selecting a vehicle that satisfies the customer s needs and supervise the rental process, which includes execution of a rental agreement and a vehicle inspection. In addition to vehicle rental, we extend to our rental customers liability insurance coverage under our existing policies and the benefits of our comprehensive fuel services program.

The following table provides information regarding the number of vehicles and customers by FMS product offering at December 31, 2009:

	U.S.		Foreign		Total	
	Vehicles	Customers	Vehicles	Customers	Vehicles	Customers
Full service leasing	96,000	12,000	19,100	2,400	115,100	14,400
Contract maintenance(1)	29,800	1,400	4,600	200	34,400	1,600
Commercial rental	22,700	7,900	4,700	3,800	27,400	11,700

(1) Contract maintenance customers includes approximately 800 full service lease customers.

Contract-Related Maintenance. Our full service lease and contract maintenance customers periodically require additional maintenance services that are not included in their contracts. For example, additional maintenance services may arise when a customer s driver damages the vehicle and these services are performed or managed by Ryder. Some customers also periodically require maintenance work on vehicles that are not covered by a long-term lease or maintenance contract. Ryder may provide service on these vehicles and charge the customer on an hourly basis for work performed. We obtain contract-related maintenance work because of our contractual relationship with the customers; however, the service provided is in addition to that included in their contractual agreements.

Fleet Support Services. We have developed a variety of fleet support services tailored to the needs of our large base of lease customers. Customers may elect to include these services as part of their full service lease or contract maintenance agreements. Currently, we offer the following fleet support services:

Service	***Description***
Fuel	Full service diesel fuel dispensing at competitive prices; fuel planning; fuel tax reporting; centralized billing; and fuel cards
Insurance	Liability insurance coverage under our existing insurance policies which includes monthly invoicing, flexible deductibles, claims administration and discounts based on driver performance and vehicle specifications; physical damage waivers; gap insurance; and fleet risk assessment
Safety	Establishing safety standards; providing safety training, driver certification, prescreening and road tests; safety audits; instituting procedures for transport of hazardous materials; coordinating drug and alcohol testing; and loss prevention consulting
Administrative	

	Vehicle use and other tax reporting; permitting and licensing; and regulatory compliance (including hours of service administration)
Environmental management	Storage tank monitoring; stormwater management; environmental training; and ISO 14001 certification
Information technology	*RydeSmart™* is a full-featured GPS fleet location, tracking, and vehicle performance management system designed to provide our customers improved fleet operations and cost controls. *FleetCARE* is our web-based tool that provides customers with 24/7 access to key operational and maintenance management information about their fleets.

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Used Vehicles. We primarily sell our used vehicles at one of our 55 retail sales centers throughout North America (11 of which are collocated at a FMS shop), at our branch locations or through our website at *www.Usedtrucks.Ryder.com*. Typically, before we offer used vehicles for sale, our technicians assure that it is *Road Ready™*, which means that the vehicle has passed a comprehensive, multi-point performance inspection based on specifications formulated through our contract maintenance program. Our retail sales centers throughout North America allow us to leverage our expertise and in turn realize higher sales proceeds than in the wholesale market. Although we generally sell our used vehicles for prices in excess of book value, the extent to which we are able to realize a gain on the sale of used vehicles is dependent upon various factors including the general state of the used vehicle market, the age and condition of the vehicle at the time of its disposal and depreciation rates with respect to the vehicle.

FMS Business Strategy

Our FMS business mission is to be the leading leasing and maintenance service provider for light, medium and heavy duty vehicles. This will be achieved through the following goals and priorities:

- improve customer retention levels and focus on conversion of private fleets and commercial rental customers to full service lease customers;
- successfully implement sales growth initiatives in our contractual product offerings;
- focus on contractual revenue growth strategies, including the evaluation of selective acquisitions;
- deliver consistent industry leading maintenance to our customers while continuing to implement process designs, productivity improvements and compliance discipline in a cost effective manner;
- offer a wide range of support services that complement our leasing, rental and maintenance businesses;
- offer competitive pricing through cost management initiatives and maintain pricing discipline on new business;
- optimize asset utilization and management; and
- leverage infrastructure.

Competition

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 FMS business segment competes with companies providing similar services on a national, regional and local level. Many regional and local competitors provide services on a national level through their participation in various cooperative programs. Competitive factors include price, equipment, maintenance, service and geographic coverage. We compete with finance lessors and also with truck and trailer manufacturers, and independent dealers, who provide full service lease products, finance leases, extended warranty maintenance, rental and other transportation services. Value-added differentiation of the full service leasing, contract maintenance, contract-related maintenance and commercial rental service has been, and will continue to be, our emphasis.

Acquisitions

In addition to our continued focus on organic growth, acquisitions play an important role in enhancing our growth strategy in the U.S., Canada and the U.K. In assessing potential acquisition targets, we look for companies that would create value for the Company through the creation of operating synergies, leveraging our existing facility infrastructure and fixed costs, improving our geographic coverage, diversifying our customer base and improving our competitive position in target markets.

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, complementing our FMS market coverage in the Northeast. We also acquired approximately 525 vehicles for re-marketing, the majority of which were sold by the end of 2009.

Supply Chain Solutions

Value Proposition

Through our SCS business, we offer a broad range of innovative logistics management services that are designed to optimize a customer s supply chain and address key customer business requirements. The term supply chain refers to a strategically designed process that directs the movement of materials, funds and related information from the acquisition of raw materials to the delivery of finished products to the end-user. Our SCS product offerings are organized into three categories: distribution management, transportation management and professional services. These offerings are supported by a variety of information technology and engineering solutions which are an integral part of our other SCS services. These product offerings can be offered independently or as an integrated solution to optimize supply chain effectiveness.

Market Trends

The global supply chain logistics market is $498 billion, of which the North America and Asia supply chain logistics markets are $263 billion. Over the past few years, we have seen significant fluctuations in the variables that impact supply chains. We have seen the price of fuel rise and fall, the cost of Asian labor increase faster than anticipated, and capital become much harder to obtain. In addition, neither the U.S. trucking market nor U.S. ports are facing the capacity constraints they were a few years ago.

Such fluctuations demonstrate how unpredictable the variables that impact supply chains have and will continue to be. To handle this uncertainty, companies are looking for third-party logistics (3PL) providers who can create and execute flexible networks. In order to achieve this, companies need 3PL providers who are strategic partners. By aligning into industry verticals, we can better create solutions for our customers that meet the needs of their industries.

Operations

For the year ended December 31, 2009, our SCS business accounted for 23% of our consolidated revenue.

U.S. At December 31, 2009, we had 106 SCS customer accounts in the U.S., most of which are large enterprises that maintain large, complex supply chains. These customers operate in a variety of industries including automotive, electronics, high-tech, telecommunications, industrial, consumer goods, paper and paper products, office equipment, food and beverage, and general retail industries. We continue to further diversify our customer base by expanding into new industry verticals, including retail/consumer goods. Most of our core SCS business operations in the U.S. revolve around our customers supply chains and are geographically located to maximize efficiencies and reduce costs. At December 31, 2009, managed warehouse space totaled approximately 13 million square feet for the U.S. and Puerto Rico. Along with those core customer specific locations, we also concentrate certain logistics expertise in locations not associated with specific customer sites. For example, our carrier procurement, contract management and freight bill audit and payment services groups operate out of our carrier management center, and our transportation optimization and execution groups operate out of our logistics center, both of which have locations in Novi, Michigan and Fort Worth, Texas.

Canada. At December 31, 2009, we had 45 SCS customer accounts and managed warehouse space totaling approximately 1 million square feet. Given the proximity of this market to our U.S. and Mexico operations, the Canadian operations are highly coordinated with their U.S. and Mexico counterparts, managing cross-border transportation and freight movements. At the end of 2008, we acquired CRSA Logistics and

Transpacific Container Terminals, which manages the end-to-end supply chain from Asia for the Canadian Retail Shippers Association, further emphasizing our focus on the retail industry.

Mexico. We began operating in Mexico in the mid-1990s. At December 31, 2009, we operated and maintained 700 vehicles in Mexico. At December 31, 2009, we had 98 SCS customer accounts and managed warehouse space totaling approximately 700,000 square feet. Our Mexico operations offer a full range of SCS services and manages approximately 2,000 border crossings each week between Mexico and the U.S. and Canada, often highly integrated with our distribution and transportation operations.

Asia. We began operating in Asia in 2000. At December 31, 2009, we had 30 SCS customer accounts and managed warehouse space totaling approximately 552,000 square feet. Asia is a key component to our retail strategy. With the 2008 acquisition of CRSA Logistics and Transpacific Container Terminals, we were able to gain significant presence in Asia. We now have a network of owned and agent offices throughout Asia, with headquarters in Shanghai, China.

Our largest customer, General Motors Corporation (GM), is comprised of multiple contracts in North America. In 2009, GM accounted for approximately 13% of SCS total revenue and 3% of consolidated revenue. We derive approximately 42% of our SCS revenue from the automotive industry, mostly from manufacturers and suppliers of original equipment parts.

SCS Product Offerings

Dedicated Contract Carriage. Although offered as a stand-alone service, dedicated contract carriage can also be offered as part of an integrated supply chain solution to our customers. The DCC offering combines the equipment, maintenance and administrative services of a full service lease with drivers and additional services to provide a customer with a dedicated transportation solution that is designed to increase their competitive position, improve risk management and integrate their transportation needs with their overall supply chain. Our DCC solution offers a high degree of specialization to meet the needs of customers with sophisticated service requirements such as tight delivery windows, high-value or time-sensitive freight, closed-loop distribution, multi-stop shipments, specialized equipment or integrated transportation needs. For the year ended December 31, 2009, approximately 53% of our SCS revenue was related to dedicated contract carriage services.

Transportation Management. Our SCS business offers services relating to all aspects of a customer s transportation network. Our team of transportation specialists provides shipment planning and execution, which includes shipment optimization, load scheduling and delivery confirmation through a series of technological and web-based solutions. Our transportation consultants, including our freight brokerage department, focus on carrier procurement of all modes of transportation with an emphasis on truck-based transportation, rate negotiation and freight bill audit and payment services. In addition, our SCS business provides customers as well as our FMS and DCC businesses with capacity management services that are designed to meet backhaul opportunities and minimize excess miles. For the year ended December 31, 2009, we purchased and (or) executed over $3 billion in freight moves on our customers behalf. For the year ended December 31, 2009, transportation solutions accounted for 13% of our U.S. SCS revenue.

Distribution Management. Our SCS business offers a wide range of services relating to a customer s distribution operations from designing a customer s distribution network to managing distribution facilities. Services within the facilities generally include managing the flow of goods from the receiving function to the shipping function, coordinating warehousing and transportation for inbound and outbound material flows, handling import and export for international shipments, coordinating just-in-time replenishment of component parts to manufacturing and final assembly and providing shipments to customer distribution centers or end-customer delivery points. Additional value-added services such as light assembly of components into defined units (kitting), packaging and refurbishment are also provided. For the year ended December 31, 2009, distribution operations accounted for 29% of our U.S. SCS revenue.

Professional Services. Our SCS business offers a variety of knowledge-based services that support every aspect of a customer s supply chain. Our SCS professionals are available to evaluate a customer s existing supply chain to identify inefficiencies, as well as opportunities for integration and improvement. Once the assessment is complete, we work with the customer to develop a supply chain strategy that will create the most value for the customer and their target clients. Once a customer has adopted a supply chain strategy, our SCS logistics team, supported by functional experts, and representatives from our information technology, real estate and finance groups work together to design a strategically focused supply chain solution. The solution may include both a network design that sets forth the number, location and function of key components of the network and a transportation solution that optimizes the mode or modes of transportation and route selection. In addition to providing the distribution and transportation expertise necessary to implement the supply chain solution, our SCS representatives can coordinate and manage all aspects of the customer s supply chain provider network to assure consistency, efficiency and flexibility. For the year ended December 31, 2009, knowledge-based professional services accounted for 5% of our U.S. SCS revenue.

SCS Business Strategy

Our SCS business strategy is to offer our customers differentiated functional execution, and proactive solutions from deep expertise in key industry verticals. The strategy revolves around the following interrelated goals and priorities:

- Further diversifying our customer base through expansion with key industry verticals;
- Developing services specific to the needs of the retail and consumer packaged goods industry;
- Providing customers with a differentiated quality of service through reliable and flexible supply chain solutions;
- Creating a culture of innovation that fosters new solutions for our customers supply chain needs;
- Focusing on continuous improvement and standardization; and
- Training and developing employees to share best practices and improve talent.

Competition

In the SCS business segment we compete with a large number of companies providing similar services, each of which has a different set of core competencies. There are a handful of large integrated companies we compete with across all of our service offerings and industries; and other companies who we only compete with on specific service offerings (transportation management or distribution management) or industries. We face different competitors in each country of operation. Most of our competitors tend to have strength in one country or region over others. Competitive factors include price, service, market knowledge, expertise in logistics-related technology, and overall performance (e.g. timeliness, accuracy, and flexibility).

Dedicated Contract Carriage

Value Proposition

Through our DCC business segment, we combine the equipment, maintenance and administrative services of a full service lease with drivers and additional services to provide a customer with a dedicated transportation solution that is designed to increase their competitive position, improve risk management and integrate their transportation needs with their overall supply chain. Such additional services include routing and scheduling, fleet sizing, safety, regulatory compliance, risk management, technology and communication systems support including on-board computers, and other technical support. These additional services allow us to address, on behalf of our customers, high service levels, efficient routing and the labor issues associated with maintaining a private fleet of vehicles, such as driver turnover, government regulation, including hours of service regulations, DOT audits and workers compensation. Our DCC solution offers a high degree of specialization to meet the needs of customers with sophisticated service requirements such as tight delivery windows, high-value or time-sensitive freight, closed-loop distribution, multi-stop shipments, specialized equipment or integrated transportation needs.

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Market Trends

The U.S. dedicated contract carriage market is estimated to be $11 billion. This market is affected by many of the trends that impact our FMS business, including the overcapacity in the current U.S. trucking market. The administrative burden relating to regulations issued by the Department of Transportation (DOT) regarding driver screening, training and testing, as well as record keeping and other costs associated with the hours of service requirements, make our DCC product an attractive alternative to private fleet management. In addition, market demand for just-in-time delivery creates a need for well-defined routing and scheduling plans that are based on comprehensive asset utilization analysis and fleet rationalization studies.

Operations/Product Offerings

For the year ended December 31, 2009, our DCC business accounted for 10% of our consolidated revenue. At December 31, 2009, we had 162 DCC customer accounts in the U.S. Because it is highly customized, our DCC product is particularly attractive to companies that operate in industries that have time-sensitive deliveries or special handling requirements, as well as to companies who require specialized equipment. Because DCC accounts typically operate in a limited geographic area, most of the drivers assigned to these accounts are short-haul drivers, meaning they return home at the end of each work day. Although a significant portion of our DCC operations are located at customer facilities, our DCC business utilizes and benefits from our extensive network of FMS facilities.

In order to customize an appropriate DCC transportation solution for our customers, our DCC logistics specialists perform a transportation analysis using advanced logistics planning and operating tools. Based on this analysis, they formulate a logistics design that includes the routing and scheduling of vehicles, the efficient use of vehicle capacity and overall asset utilization. The goal of the plan is to create a distribution system that optimizes freight flow while meeting a customer s service goals. A team of DCC transportation specialists can then implement the plan by leveraging the resources, expertise and technological capabilities of both our FMS and SCS businesses.

To the extent a distribution plan includes multiple modes of transportation (air, rail, sea and highway), our DCC team, in conjunction with our SCS transportation specialists, selects appropriate transportation modes and carriers, places the freight, monitors carrier performance and audits billing. In addition, through our SCS business, we can reduce costs and add value to a customer s distribution system by aggregating orders into loads, looking for shipment consolidation opportunities and organizing loads for vehicles that are returning from their destination point back to their point of origin (backhaul).

DCC Business Strategy

Our DCC business strategy is to focus sales on customers who need specialized equipment, specialized handling or integrated services. This strategy revolves around the following interrelated goals and priorities:

- Increase market share with customers in the energy and utility, metals and mining, retail, construction, healthcare products, and food and beverage industries;
- Leverage the support and talent of the FMS sales team in the joint sales program;
- Align DCC business with other SCS product lines to create revenue opportunities and improve operating efficiencies in both segments; and
- Improve competitiveness in the non-specialized and non-integrated customer segments.

Competition

Our DCC business segment competes with truckload carriers and other dedicated providers servicing on a national, regional and local level. Competitive factors include price, equipment, maintenance, service and geographic coverage and driver and operations expertise. We are able to differentiate the DCC product offering by leveraging FMS and integrating the DCC services with those of SCS to create a more comprehensive transportation solution for our customers.

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ADMINISTRATION

We have consolidated most of our financial administrative functions for the U.S. and Canada, including credit, billing and collections, into our Shared Services Center operations, a centralized processing center located in Alpharetta, Georgia. Our Shared Services Center also manages contracted third parties providing administrative finance and support services outside of the U.S. in order to reduce ongoing operating expenses and maximize our technology resources. This centralization results in more efficient and consistent centralized processing of selected administrative operations. Certain administrative functions are also performed at the Shared Services Center for our customers. The Shared Services Center s main objectives are to reduce ongoing annual administrative costs, enhance customer service through process standardization, create an organizational structure that will improve market flexibility and allow future reengineering efforts to be more easily attained at lower implementation costs.

REGULATION

Our business is subject to regulation by various federal, state and foreign governmental entities. The Department of Transportation and various federal and state agencies exercise broad powers over certain aspects of our business, generally governing such activities as authorization to engage in motor carrier operations, safety and financial reporting. We are also subject to a variety of requirements of national, state, provincial and local governments, including the U.S. Environmental Protection Agency and the Occupational Safety and Health Administration, that regulate safety, the management of hazardous materials, water discharges and air emissions, solid waste disposal and the release and cleanup of regulated substances. We may also be subject to licensing and other requirements imposed by the U.S. Department of Homeland Security and U.S. Customs Service as a result of increased focus on homeland security and our Customs-Trade Partnership Against Terrorism certification. We may also become subject to new or more restrictive regulations imposed by these agencies, or other authorities relating to carbon controls and reporting, engine exhaust emissions, drivers hours of service, security and ergonomics.

The Environmental Protection Agency has issued regulations that require progressive reductions in exhaust emissions from certain diesel engines from 2007 through 2010. Emissions standards require reductions in the sulfur content of diesel fuel since June 2006. Also, the first phase of progressively stringent emissions standards relating to emissions after-treatment devices was introduced on newly-manufactured engines and vehicles utilizing engines built after January 1, 2007. The second phase, which required an additional after treatment system, became effective January 1, 2010.

ENVIRONMENTAL

We have always been committed to sound environmental practices that reduce risk and build value for us and our customers. We have a history of adopting green designs and processes because they are efficient, cost effective transportation solutions that improve our bottom line and bring value to our customers. We adopted our first worldwide Environmental Policy mission in 1991 and have updated it periodically as regulatory and customer needs have changed. Our environmental policy reflects our commitment to supporting the goals of sustainable development, environmental protection and pollution prevention in our business. We have adopted pro-active environmental strategies that have advanced business growth and continued to improve our performance in ways that reduce emission outputs and environmental impact. Our environmental team works with our staff and operating employees to develop and administer programs in support of our environmental policy and to help ensure that environmental considerations are integrated into all business processes and decisions.

In establishing appropriate environmental objectives and targets for our wide range of business activities around the world, we focus on (i) the needs of our customers; (ii) the communities in which we provide services; and (iii) relevant laws and regulations. We regularly review and update our environmental management procedures, and information regarding our environmental activities is routinely disseminated throughout Ryder. We published our first Corporate Responsibility Report (CSR) in 2008 which details our sustainable business practices and environmental strategies to improve energy use, fuel costs and reduce overall carbon emissions. Currently there is no global carbon disclosure requirement for reporting emissions. However, for the past two years, we have participated in the Carbon Disclosure Project (CDP), voluntarily disclosing direct and indirect emissions resulting from our operations. Both of these reports are publicly available on Ryder s Green Center at http://www.Ryder.com/greencenter. The Green Center provides all stakeholders information on our key environmental programs and initiatives.

SAFETY

Our safety culture is founded upon a core commitment to the safety, health and well-being of our employees, customers, and the community, a commitment that made us an industry leader in safety throughout our history.

Safety is an integral part of our business strategy because preventing injury improves employee quality of life, eliminates service disruptions to our customers, increases efficiency and customer satisfaction. As a core value, our focus on safety is a daily regimen, reinforced by many safety programs and continuous operational improvement and supported by a talented and dedicated safety organization.

Training is a critical component of our safety program. Monthly safety training topics delivered by location safety committees cover specific and relevant safety topics and managers receive annual safety leadership training. Regular safety behavioral observations are conducted by managers throughout the organization everyday and remedial training takes place on-the-spot and at every location with a reported injury. We also deliver a comprehensive suite of highly interactive training lessons through Ryder Pro-TREAD to each driver individually over the internet.

Our safety policies require that all managers, supervisors and employees incorporate processes in all aspects of our business. Monthly safety scorecards are tracked and reviewed by management for progress toward key safety objectives. Our proprietary web-based safety tracking system, RyderStar, delivers proactive safety programs tailored to every location and helps measure safety activity effectiveness.

EMPLOYEES

At December 31, 2009, we had approximately 22,900 full-time employees worldwide, of which 21,600 were employed in North America, 1,000 in Europe and 300 in Asia. We have approximately 13,700 hourly employees in the U.S., approximately 2,900 of which are organized by labor unions. These employees are principally represented by the International Brotherhood of Teamsters, the International Association of Machinists and Aerospace Workers, and the United Auto Workers, and their wages and benefits are governed by 96 labor agreements that are renegotiated periodically. Some of the businesses in which we currently engage have experienced a material work stoppage, slowdown or strike. We consider that our relationship with our employees is good.

EXECUTIVE OFFICERS OF THE REGISTRANT

All of the executive officers of Ryder were elected or re-elected to their present offices either at or subsequent to the meeting of the Board of Directors held on May 1, 2009 in conjunction with Ryder s 2009 Annual Meeting. They all hold such offices, at the discretion of the Board of Directors, until their removal, replacement or retirement.

Name	Age	Position
Gregory T. Swienton	60	Chairman of the Board and Chief Executive Officer
Robert E. Sanchez	44	Executive Vice President and Chief Financial Officer
Robert D. Fatovic	44	Executive Vice President, Chief Legal Officer and Corporate Secretary
Art A. Garcia	48	Senior Vice President and Controller
Gregory F. Greene	50	Executive Vice President and Chief Human Resources Officer

Anthony G. Tegnelia	64	President, Global Fleet Management Solutions
John H. Williford	53	President, Global Supply Chain Solutions

Gregory T. Swienton has been Chairman since May 2002 and Chief Executive Officer since November 2000. He also served as President from June 1999 to June 2005. Before joining Ryder, Mr. Swienton was Senior Vice President of Growth Initiatives of Burlington Northern Santa Fe Corporation (BNSF) and before that Mr. Swienton was BNSF s Senior Vice President, Coal and Agricultural Commodities Business Unit.

Robert E. Sanchez has served as Executive Vice President and Chief Financial Officer since October 2007. He previously served as Executive Vice President of Operations, U.S. Fleet Management Solutions from October 2005 to October 2007 and as Senior Vice President and Chief Information Officer from January 2003 to October 2005. Mr. Sanchez joined Ryder in 1993 and has held various positions.

Robert D. Fatovic has served as Executive Vice President, General Counsel and Corporate Secretary since May 2004. He previously served as Senior Vice President, U.S. Supply Chain Operations, High-Tech and Consumer Industries from December 2002 to May 2004. Mr. Fatovic joined Ryder s Law department in 1994 as Assistant Division Counsel and has held various positions within the Law department including Vice President and Deputy General Counsel.

Art A. Garcia has served as Senior Vice President and Controller since October 2005 and as Vice President and Controller since February 2002. Mr. Garcia joined Ryder in December 1997 and has held various positions within Corporate Accounting.

Gregory F. Greene has served as Executive Vice President since December 2006 and as Chief Human Resources Officer since February 2006. Previously, Mr. Greene served as Senior Vice President, Strategic Planning and Development from April 2003. Mr. Greene joined Ryder in August 1993 and has since held various positions within Human Resources.

Anthony G. Tegnelia has served as President, Global Fleet Management Solutions since October 2005. He previously served as Executive Vice President, U.S. Supply Chain Solutions from December 2002 to October 2005. Prior to that, he was Senior Vice President, Global Business Value Management. Mr. Tegnelia joined Ryder in 1977 and has held a variety of other positions with Ryder including Senior Vice President and Chief Financial Officer of Supply Chain Solutions and Senior Vice President, Field Finance.

John H. Williford has served as President, Global Supply Chain Solutions since June 2008. Prior to joining Ryder, Mr. Williford founded and served as President and Chief Executive Officer of Golden Gate Logistics LLC from 2006 to June 2008. From 2002 to 2005, he served as President and Chief Executive Officer of Menlo Worldwide, Inc., the supply chain business of CNF, Inc. From 2005 to 2006, Mr. Williford was engaged as an advisor to Menlo Worldwide subsequent to the sale of Menlo Forwarding to United Parcel Service.

FURTHER INFORMATION

For further discussion concerning our business, see the information included in Items 7 and 8 of this report. Industry and market data used throughout Item 1 was obtained through a compilation of surveys and studies conducted by industry sources, consultants and analysts.

We make available free of charge through the Investor Relations page on our website at www.ryder.com our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

In addition, our Corporate Governance Guidelines, Principles of Business Conduct (including our Finance Code of Conduct), and Board committee charters are posted on the Corporate Governance page of our website at www.ryder.com.

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this report, the following are some of the important factors that could affect our business.

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Our operating and financial results may fluctuate due to a number of factors, many of which are beyond our control.

Our annual and quarterly operating and financial results are affected by a number of economic, regulatory and competitive factors, including:

- changes in current financial, tax or regulatory requirements that could negatively impact the leasing market;
- our inability to obtain expected customer retention levels or sales growth targets;
- unanticipated interest rate and currency exchange rate fluctuations;
- labor strikes, work stoppages or driver shortages affecting us or our customers;
- sudden changes in fuel prices and fuel shortages;
- relationships with and competition from vehicle manufacturers;
- changes in accounting rules, estimates, assumptions and accruals; and
- outages, system failures or delays in timely access to data in legacy information technology systems that support key business processes.

Our business and operating results could be adversely affected by unfavorable economic and industry conditions.

In 2009, we managed through the challenges of the prolonged freight recession. The recession impacted our FMS customers which continued to cope with reduced freight activity by downsizing their fleets and running less miles with the existing fleet. Our transactional commercial rental business also felt the effects of current market conditions as demand continued to decline throughout the year. In addition, we were impacted by lower SCS automotive production volumes and overall freight volumes. Uncertainty around macroeconomic and industry conditions may impact the spending and financial position of our customers.

Challenging economic and market conditions may also result in:

- difficulty forecasting, budgeting and planning due to limited visibility into the spending plans of current or prospective customers;
- increased competition for fewer projects and sales opportunities;
- pricing pressure that may adversely affect revenue and gross margin;
- higher overhead costs as a percentage of revenue;
- increased risk of charges relating to asset impairments, including goodwill and other intangible assets;
- customer financial difficulty and increased risk of uncollectible accounts receivable;

- diminished liquidity and credit availability resulting in higher short-term borrowing costs and more stringent borrowing terms

- fleet downsizing which could adversely impact profitability; and

- increased risk of declines in the residual values of our vehicles.

We are uncertain as to how long current, unfavorable macroeconomic and industry conditions will persist and the magnitude of their effects on our business and results of operations. If these conditions persist or further weaken, our business and results of operations could be materially adversely affected.

We bear the residual risk on the value of our vehicles.

We generally bear the residual risk on the value of our vehicles. Therefore, if the market for used vehicles declines, or our vehicles are not properly maintained, we may obtain lower sales proceeds upon the sale of used vehicles. Changes in residual values also impact the overall competitiveness of our full service lease product line, as estimated sales proceeds are a critical component of the overall price of the product. Additionally, technology changes and sudden changes in supply and demand together with other market factors beyond our control vary from year to year and from vehicle to vehicle, making it difficult to accurately predict residual values used in calculating our depreciation expense. Although we have developed disciplines related to the management and maintenance of our vehicles that are designed to prevent these losses, there is no assurance that these practices will sufficiently reduce the residual risk. For a detailed discussion on our accounting policies and assumptions relating to depreciation and residual values, please see the section titled Critical Accounting Estimates Depreciation and Residual Value Guarantees in Management s Discussion and Analysis of Financial Condition and Results of Operations.

Our profitability could be adversely impacted by our inability to maintain appropriate commercial rental utilization rates through our asset management initiatives.

We typically do not purchase vehicles for our full service lease product line until we have an executed contract with a customer. In our commercial rental product line, however, we do not purchase vehicles against specific customer contracts. Rather, we purchase vehicles and optimize the size and mix of the commercial rental fleet based upon our expectations of overall market demand. As a result, we bear the risk for ensuring that we have the proper vehicles in the right condition and location to effectively capitalize on market demand in order to drive the highest levels of utilization and revenue per unit. We employ a sales force and operations team on a full-time basis to manage and optimize this product line; however, their efforts may not be sufficient to overcome a significant change in market demand in the rental business or used vehicle market.

Volatility in automotive volumes and shifting customer demand in the automotive industry would adversely affect our results.

Approximately 42% of our global SCS revenue is from the automotive industry and is directly impacted by automotive vehicle production. In addition, a number of our FMS customers, particularly transportation and trucking companies, provide services to the automotive industry. Automotive sales and production are impacted by general economic conditions, consumer preference, fuel prices, labor relations, the availability of credit and other factors. The automotive industry in 2009 was significantly impacted by the global recession resulting in the restructuring of General Motors Corporation (GM) and Chrysler, LLC. The restructuring of these North American OEMs resulted in more competitive cost structures and capacity in line with demand. However, if stronger sales do not materialize in 2010 due to a still weakened economy, the OEMs will likely respond by reducing production capacity both through plant shutdowns and a reduction in the number of production shifts as they did in early 2009. These plant shutdowns and shift eliminations have negatively impacted our results in 2009. Any prolonged plant shutdowns and additional shift eliminations can significantly reduce our operations with the OEMs as well as the operations of the automotive suppliers and transportation providers that we service in both our FMS and SCS businesses, and can have a negative impact on our future results.

We derive a significant portion of our SCS revenue from a relatively small number of customers.

During 2009, sales to our top ten SCS customers representing all of the industry groups we service, accounted for 61% of our SCS total revenue and 60% of our SCS operating revenue (revenue less subcontracted transportation), with GM accounting for 13% and 14% of our SCS total and operating revenue, respectively. The loss of any of these customers or a significant reduction in the services provided to any of these customers, particularly GM, could impact our domestic and international operations and adversely affect our SCS financial results. While we continue to focus our efforts on diversifying our customer base we may not be successful in doing so in the short-term.

In addition, our largest SCS customers can exert downward pricing pressure and often require modifications to our standard commercial terms. While we believe our ongoing cost reduction initiatives have helped mitigate the effect of price reduction pressures from our SCS customers, there is no assurance that we will be able to maintain or improve profitability in those accounts.

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Our profitability could be negatively impacted if the key assumptions and pricing structure of our SCS contracts prove to be invalid.

Substantially all of our SCS services are provided under contractual arrangements with our customers. Under most of these contracts, all or a portion of our pricing is based on certain assumptions regarding the scope of services, production volumes, operational efficiencies, the mix of fixed versus variable costs, productivity and other factors. If, as a result of subsequent changes in our customers business needs or operations or market forces that are outside of our control, these assumptions prove to be invalid, we could have lower margins than anticipated. Although certain of our contracts provide for renegotiation upon a material change, there is no assurance that we will be successful in obtaining the necessary price adjustments.

We operate in a highly competitive industry and our business may suffer if we are unable to adequately address potential downward pricing pressures and other competitive factors.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- we compete with many other transportation and logistics service providers, some of which have greater capital resources than we do;
- some of our competitors periodically reduce their prices to gain business, which may limit our ability to maintain or increase prices;
- because cost of capital is a significant competitive factor, any increase in either our debt or equity cost of capital as a result of reductions in our debt rating or stock price volatility could have a significant impact on our competitive position; and
- advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments.

We operate in a highly regulated industry, and costs of compliance with, or liability for violation of, existing or future regulations could significantly increase our costs of doing business.

Our business is subject to regulation by various federal, state and foreign governmental entities. Specifically, the U.S. Department of Transportation and various state and federal agencies exercise broad powers over our motor carrier operations, safety, and the generation, handling, storage, treatment and disposal of waste materials. We may also become subject to new or more restrictive regulations imposed by the Department of Transportation, the Occupational Safety and Health Administration, the Department of Homeland Security and U.S. Customs Service, the Environmental Protection Agency or other authorities, relating to the hours of service that our drivers may provide in any one-time period, homeland security, carbon emissions and reporting and other matters. Compliance with these regulations could substantially impair labor and equipment productivity and increase our costs. Recent changes in and ongoing development of data privacy laws may result in increased exposure relating to our data security costs in order to comply with new standards.

With respect to our international operations, we are subject to compliance with local laws and regulatory requirements in foreign jurisdictions, including local tax laws, and compliance with the Federal Corrupt Practices Act. Adherence to rigorous local laws and regulatory requirements may limit our ability to expand into certain international markets and result in residual liability for legal claims and tax disputes arising out of previously discontinued operations.

New regulations governing exhaust emissions could adversely impact our business. The Environmental Protection Agency has issued regulations that require progressive reductions in exhaust emissions from certain diesel engines from 2007 through 2010. Emissions standards require reductions in the sulfur content of diesel fuel since June 2006. Also, the first phase of progressively stringent emissions standards relating to emissions after-treatment devices was introduced on newly-manufactured engines and vehicles utilizing engines built after January 1, 2007. The second phase, which required an additional after-treatment system, became

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effective after January 1, 2010. In addition, each of these requirements could result in higher prices for vehicles, diesel engines and fuel, which are passed on to our customers, as well as higher maintenance costs and uncertainty as to reliability of the new engines, all of which could, over time, increase our costs and adversely affect our business and results of operations. The new technology may also impact the residual values of these vehicles when sold in the future.

Volatility in assumptions and asset values related to our pension plans may reduce our profitability and adversely impact current funding levels.

We historically sponsored a number of defined benefit plans for employees in the U.S., U.K. and other foreign locations. In the past few years, we have made amendments to defined benefit plans which freeze the retirement benefits for non-grandfathered and certain non-union employees. Our major defined benefit plans are funded, with trust assets invested in a diversified portfolio. The cash contributions made to our defined benefit plans are required to comply with minimum funding requirements imposed by employee benefit and tax laws. The projected benefit obligation and assets of our global defined benefit plans as of December 31, 2009 were $1.60 billion and $1.28 million, respectively. The difference between plan obligations and assets, or the funded status of the plans, is a significant factor in determining pension expense and the ongoing funding requirements of those plans. Macroeconomic factors, as well as changes in investment returns and discount rates used to calculate pension expense and related assets and liabilities can be volatile and may have an unfavorable impact on our costs and funding requirements. We also participate in twelve U.S. multi-employer pension (MEP) plans that provide defined benefits to employees covered by collective bargaining agreements. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan. Our withdrawal liability for any MEP plan would depend on the extent of the plan s funding of vested benefits. Economic conditions have caused MEP plans to be significantly underfunded. If the financial condition of the MEP plans were to continue to deteriorate, participating employers could be subject to additional assessments. Although we have actively sought to control increases in these costs and funding requirements, there can be no assurance that we will succeed, and continued cost pressure could reduce the profitability of our business and negatively impact our cash flows.

We establish self-insurance reserves based on historical loss development factors, which could lead to adjustments in the future based on actual development experience.

We retain a portion of the accident risk under vehicle liability and workers compensation insurance programs. 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. In recent years, our development has been favorable compared to historical selected loss development factors because of improved safety performance, payment patterns and settlement patterns; however, there is no assurance we will continue to enjoy similar favorable development in the future. For a detailed discussion on our accounting policies and assumptions relating to our self-insurance reserves, please see the section titled Critical Accounting Estimates Self-Insurance Accruals in Management s Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our properties consist primarily of vehicle maintenance and repair facilities, warehouses and other real estate and improvements.

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We maintain 724 FMS properties in the U.S., Puerto Rico and Canada; we own 454 of these and lease the remaining 270. Our FMS properties are primarily comprised of maintenance facilities generally including a repair shop, rental counter, fuel service island administrative offices, and used vehicle retail sales centers.

Additionally, we manage 218 on-site maintenance facilities, located at customer locations.

We also maintain 123 locations in the U.S. and Canada in connection with our domestic SCS and DCC businesses. Almost all of our SCS locations are leased and generally include a warehouse and administrative offices.

We maintain 92 international locations (locations outside of the U.S. and Canada) for our international businesses. These locations are in the U.K., Luxembourg, Germany, Mexico, China and Singapore. The majority of these locations are leased and may be a repair shop, warehouse or administrative office.

Additionally, we maintain 10 U.S. locations primarily used for Central Support Services. These facilities are generally administrative offices, of which we own one and lease the remaining nine.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims, lawsuits and administrative actions arising in the normal course of our businesses. Some involve claims for substantial amounts of money and (or) claims for punitive damages. While any proceeding or litigation has an element of uncertainty, management believes that the disposition of such matters, in the aggregate, will not have a material impact on our consolidated financial condition or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of our security holders during the quarter ended December 31, 2009.

PART II

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

Ryder Common Stock Prices

	Stock Price		Dividends per Common Share
	High	Low	Share
2009			
First quarter	**$ 41.24**	**19.00**	**0.23**
Second quarter	**32.89**	**23.47**	**0.23**
Third quarter	**43.18**	**24.09**	**0.25**
Fourth quarter	**46.58**	**35.91**	**0.25**
2008			
First quarter	$ 65.25	40.31	0.23

Second quarter	76.64	60.28	0.23
Third quarter	75.09	58.02	0.23
Fourth quarter	62.19	27.71	0.23

Our common shares are listed on the New York Stock Exchange under the trading symbol R. At January 29, 2010, there were 9,482 common stockholders of record and our stock price on the New York Stock Exchange was $36.40.

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Performance Graph

The following graph compares the performance of our common stock with the performance of the Standard & Poor s 500 Composite Stock Index and the Dow Jones Transportation 20 Index for a five year period by measuring the changes in common stock prices from December 31, 2004 to December 31, 2009.

The stock performance graph assumes for comparison that the value of the Company s Common Stock and of each index was $100 on December 31, 2004 and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.

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Purchases of Equity Securities

The following table provides information with respect to purchases we made of our common stock during the three months ended December 31, 2009:

	Total Number of Shares Purchased(1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program(2), (4)		Approximate Dollar Value That May Yet Be Purchased Under the Discretionary Program(3)
October 1 through October 31, 2009	**264,297**	**$**	**43.69**	**250,000**	**386,564**	**$**	**130,400,437**
November 1 through November 30, 2009	**2,461,402**		**42.50**	**2,459,725**	**275,748**		**30,472,336**
December 1 through December 31, 2009	**18,736**		**40.67**	**16,556**	**2,000,000**		
Total	**2,744,435**	**$**	**42.60**	**2,726,281**			

(1) During the three months ended December 31, 2009, we purchased an aggregate of 18,154 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 plan relating to investments by employees in our common stock, one of the investment options available under the plan.

(2) In December 2007, our Board of Directors authorized a two-year anti-dilutive repurchase program. Under the anti-dilutive program, management is authorized to repurchase shares of common stock in an amount not to exceed the lesser of the number of shares issued to employees upon the exercise of stock options or through the employee stock purchase plan for the period from September 1, 2007 to December 12, 2009, or 2 million shares. 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 may establish a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the anti-dilutive repurchase program, which would allow for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. During the three months ended December 31, 2009, we repurchased 377,372 shares under this program.

(3) In December 2007, our Board of Directors also authorized a $300 million 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 may establish a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the $300 million share repurchase program, which would allow for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. During the three months ended December 31, 2009, we repurchased 2,348,909 shares under this program.

(4) 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 employee 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 employee 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 prearranged written plans for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the December 2009 program, which allow for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. We did not repurchase any shares under this program in 2009.

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Securities Authorized for Issuance under Equity Compensation Plans

The following table includes information as of December 31, 2009 about certain plans which provide for the issuance of common stock in connection with the exercise of stock options and other share-based awards.

Plans	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a) (c)
Equity compensation plans approved by security holders:			
Broad based employee stock plans	**3,505,777**(1)	**$ 43.85**(3)	**4,130,901**
Employee stock purchase plan			**319,074**
Non-employee directors stock plans	**145,522**(2)	**32.51**(3)	**41,471**
Equity compensation plans not approved by security holders			
Total	**3,651,299**	**$ 43.70**(3)	**4,491,446**

(1) *Includes 516,461 time-vested and performance-based restricted stock awards.*

(2) *Includes 105,522 restricted stock units.*

(3) *Weighted-average exercise price of outstanding options; excludes restricted stock awards and restricted stock units.*

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information should be read in conjunction with Items 7 and 8 of this report.

	Years ended December 31				
	2009	2008	2007	2006	2005
	(Dollars and shares in thousands, except per share amounts)				
Operating Data:					
Revenue	$ **4,887,254**	5,999,041	6,363,130	6,136,418	5,598,642
Earnings from continuing operations[(1)]	$ **90,117**	257,579	251,779	246,694	228,768
Net earnings[(1),(2)]	$ **61,945**	199,881	253,861	248,959	226,929
Per Share Data:					
Earnings from continuing operations Diluted[(1)]	$ **1.62**	4.51	4.19	3.99	3.53
Net earnings Diluted[(1),(2)]	$ **1.11**	3.50	4.22	4.03	3.50
Cash dividends	$ **0.96**	0.92	0.84	0.72	0.64
Book value[(3)]	$ **26.71**	24.17	32.52	28.34	24.69
Financial Data:					
Total assets	$ **6,259,830**	6,689,508	6,854,649	6,828,923	6,033,264
Average assets[(4)]	$ **6,507,432**	6,924,342	6,914,060	6,426,546	5,922,758
Return on average assets(%)[(4)]	**1.0**	2.9	3.7	3.9	3.8
Long-term debt	$ **2,265,074**	2,478,537	2,553,431	2,484,198	1,915,928
Total debt	$ **2,497,691**	2,862,799	2,776,129	2,816,943	2,185,366
Shareholders equity[(3)]	$ **1,426,995**	1,345,161	1,887,589	1,720,779	1,527,456
Debt to equity(%)[(3)]	**175**	213	147	164	143
Average shareholders equity[(3),(4)]	$ **1,395,629**	1,778,489	1,790,814	1,610,328	1,554,718
Return on average shareholders equity(%)[(3),(4)]	**4.4**	11.2	14.2	15.5	14.6
Adjusted return on average capital(%)[(5)]	**4.1**	7.3	7.4	7.9	7.8
Net cash provided by operating activities of continuing operations	$ **984,956**	1,248,169	1,096,559	852,466	776,389
Free cash flow[(6)]	$ **614,090**	340,665	380,269	(438,612)	(207,960)
Capital expenditures paid	$ **651,953**	1,230,401	1,304,033	1,692,719	1,387,513
Other Data:					
Average common shares Diluted	**55,094**	56,539	59,728	61,478	64,465
Number of vehicles Owned and leased	**152,400**	163,400	160,700	167,200	163,600
Average number of vehicles Owned and leased	**159,500**	161,500	165,400	164,400	166,700

Number of employees	**22,900**	28,000	28,800	28,600	27,800

		2009	*2008*	*2007*	*2006*	*2005*
(1)	*Comparable earnings from continuing operations*	***$ 94,630***	*267,144*	*248,227*	*243,618*	*221,141*
	Comparable earnings per diluted common share from continuing operations	***$ 1.70***	*4.68*	*4.13*	*3.94*	*3.41*

Refer to the section titled Overview and Non-GAAP Financial Measures in Item 7 of this report for a reconciliation of comparable earnings to net earnings.

(2) Net earnings in 2009, 2008, 2007, 2006 and 2005 included (losses) earnings from discontinued operations of $(28) million, or $(0.51) per diluted common share, $(58) million, or $(1.01) per diluted common share, $2 million, or $0.03 per diluted common share, $2 million, or $0.04 per diluted common share and $0.6 million, or $0.01 per diluted common share, respectively. Net earnings in 2005 also included the cumulative effect of a change in accounting principle for costs associated with the future removal of underground storage tanks resulting in an after-tax charge of $2 million, or $0.04 per diluted common share.

(3) Shareholders equity at December 31, 2009, 2008, 2007, 2006 and 2005 reflected after-tax equity charges of $412 million, $480 million, $148 million, $201 million and $221 million, respectively, related to our pension and postretirement plans.

(4) Amounts were computed using an 8-point average based on quarterly information.

(5) Our adjusted return on capital (ROC) represents the rate of return generated by the capital deployed in our business. We use ROC as an internal measure of how effectively we use the capital invested (borrowed or owned) in our operations. Refer to the section titled Non-GAAP Financial Measures in Item 7 of this report for a reconciliation of return on average shareholders equity to adjusted return on average capital.

(6) Refer to the section titled Financial Resources and Liquidity in Item 7 of this report for a reconciliation of net cash provided by operating activities to free cash flow.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our consolidated financial statements and related notes contained in Item 8 of this report on Form 10-K. The following MD&A describes the principal factors affecting results of operations, financial resources, liquidity, contractual cash obligations, and critical accounting estimates.

OVERVIEW

Ryder System, Inc. (Ryder) is a global leader in transportation and supply chain management solutions. Our business is divided into three business segments, which 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.

The *Fleet Management Solutions (FMS)* business segment is our largest segment providing 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. FMS revenue and assets in 2009 were $3.28 billion and $5.76 billion, respectively, representing 67% of our consolidated revenue and 92% of consolidated assets.

The *Supply Chain Solutions (SCS)* business segment provides comprehensive supply chain consulting including distribution and transportation services throughout North America and Asia. SCS revenue in 2009 was $1.14 billion, representing 23% of our consolidated revenue.

The *Dedicated Contract Carriage (DCC)* business segment provides vehicles and drivers as part of a dedicated transportation solution in the U.S. DCC revenue in 2009 was $471 million, representing 10% of our consolidated revenue.

In 2009, we managed through the impacts of a prolonged economic recession and the cyclical impacts in commercial rental, used vehicle sales, and SCS automotive volumes and concentrated on cost improvement actions. In the second half of 2009, we successfully implemented our plan to disengage SCS operations in South America and Europe. Throughout 2009, we experienced significant volume declines across all business segments resulting from the weak overall economic environment and protracted freight recession. However, our free cash flow and liquidity position remained strong.

Total revenue was $4.89 billion, down 19% from $6.00 billion in 2008. Operating revenue (total revenue less fuel and subcontracted transportation) was $4.06 billion in 2009, down 11%. Operating revenue declined primarily due to lower commercial rental revenue and reduced SCS automotive industry volumes. To a lesser extent, operating revenue was also impacted by lower SCS and DCC fuel pass-throughs, unfavorable foreign currency movements and lower FMS contractual revenues partially offset by the benefit of acquisitions.

Earnings from continuing operations decreased to $90 million in 2009 from $258 million in 2008 and earnings from continuing operations per diluted common share decreased to $1.62 from $4.51 in 2008. Earnings from continuing operations included certain items we do not consider indicative of our ongoing operations and have been excluded from our comparable earnings measure. The following discussion provides

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

a summary of the 2009 and 2008 special items which are discussed in more detail throughout our MD&A and within the Notes to Consolidated Financial Statements:

	Continuing Operations		
	Earnings Before Income Taxes	Earnings	Diluted Earnings per Share
	(Dollars in thousands, except per share amounts)		
2009			
Earnings / EPS from Continuing Operations	**$ 143,769**	**$ 90,117**	**$ 1.62**
Restructuring and other charges	**6,406**	**4,176**	**0.08**
Benefit associated with the reversal of reserves for uncertain tax positions due to the expiration of statutes of limitation in various jurisdictions		**(2,239)**	**(0.04)**
Benefit from a tax law change in Ontario, Canada		**(4,100)**	**(0.07)**
Charges related to impairment of international asset[(1)]	**6,676**	**6,676**	**0.12**
Comparable earnings from continuing operations	**$ 156,851**	**$ 94,630**	**$ 1.70**
2008			
Earnings / EPS from Continuing Operations	$ 409,288	$ 257,579	$ 4.51
Restructuring and other charges	21,480	17,493	0.31
Benefit associated with the reversal of reserves for uncertain tax positions due to the expiration of statutes of limitation in various jurisdictions		(7,931)	(0.14)
Benefit from a tax law change primarily in Massachusetts		(1,614)	(0.03)
Charges related to impairment of international asset[(1)]	1,617	1,617	0.03
Comparable earnings from continuing operations	$ 432,385	$ 267,144	$ 4.68

(1) Refer to Note 26, Other Items Impacting Comparability, in the Notes to Consolidated Financial Statements.

Excluding the special items listed above, comparable earnings from continuing operations were down 65% to $95 million in 2009. Comparable earnings per diluted common share from continuing operations were down 64% to $1.70 in 2009. Results reflect significantly lower earnings in FMS, driven by the current economic slowdown and freight recession, which resulted in a decline in global commercial rental and full service lease performance and lower used vehicle sales results. Results in 2009 were also impacted by higher pension expense. Earnings were favorably impacted by cost reduction initiatives, including workforce reductions implemented in early 2009.

Free cash flow was up 80% to $614 million in 2009. This increase reflects lower capital expenditures partially offset by lower earnings and higher pension contributions. With our strong cash flows, we repurchased a total of 2.7 million shares of common stock in 2009 for $116 million and made voluntary pension contributions of approximately $100 million. We also increased our annual dividend by 9% to $1.00 per share of common stock.

Capital expenditures decreased 52% to $611 million in 2009. The decrease in capital expenditures reflects reduced full service lease vehicles spending due to lower new and replacement sales in the current environment, and planned minimal spending on transactional commercial rental vehicles. Our debt balances decreased 13% to $2.50 billion at December 31, 2009 due to the utilization of free cash flow to repay debt. Our debt to equity ratio also decreased to 175% from 213% in 2008. Our total obligations (including off-balance sheet debt) to equity ratio also decreased to 183% from 225% in 2008.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

2010 Outlook

In 2010, we plan to manage through the cumulative impacts of a prolonged recession on full service lease, while driving benefits from actions taken in 2009 as well as new initiatives. Earnings per share growth is expected from improved commercial rental performance, productivity initiatives, better used vehicle sales operations, stronger SCS results, lower annual pension expense and the benefit of 2009 stock repurchases. These items are partially offset by significantly reduced full service lease results, the negative impact of vehicle residual value changes and some currently intended compensation restoration.

Total revenue for the full-year 2010 is forecast to be $4.90 billion, which is flat compared with 2009. Operating revenue for the full-year 2010 is forecast to be down 2% to $4.00 billion compared with 2009. In FMS, core contractual leasing and maintenance revenue is expected to decline 4%, or down 5% excluding foreign exchange, reflecting the cumulative effect of customer fleet downsizing. Commercial rental revenue is forecast to grow by 9%, driven by moderately higher demand, somewhat higher pricing and improved utilization. Total SCS revenue is forecast to decrease by 2%. SCS operating revenue is anticipated to decrease by 3%, or 6% excluding the impacts of foreign exchange and fuel, reflecting the impact of non-renewed contracts. Total DCC revenue is expected to be unchanged. DCC operating revenue is expected to decrease by 1%, or 2% excluding the impact of fuel due to lower freight volumes.

ITEMS AFFECTING COMPARABILITY BETWEEN PERIODS

Revenue Reporting

In transportation management arrangements where we act as principal, revenue is reported on a gross basis for subcontracted transportation services billed to our customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation. Determining whether revenue should be reported as gross (within total revenue) or net (deducted from total revenue) is based on an assessment of whether we are acting as the principal or the agent in the transaction and involves judgment based on the terms and conditions of the arrangement. Effective January 1, 2008, our contractual relationship with a significant customer for certain transportation management services changed, and we determined, after a formal review of the terms and conditions of the services, that we were acting as an agent based on the revised terms of the arrangement. This contract modification required a change in revenue recognition from a gross basis to a net basis for subcontracted transportation beginning on January 1, 2008. This contract represented $640 million of total revenue for the year ended December 31, 2007.

Accounting Changes

See Note 2, Accounting Changes, for a discussion of the impact of changes in accounting standards.

ACQUISITIONS

We completed five FMS acquisitions in the past three years, under which we acquired a company s fleet and contractual customers. The FMS acquisitions operate under Ryder s name and complemented our existing market coverage and service network. The results of these acquisitions have been included in our consolidated results since the dates of acquisition.

Company Acquired	Business Segment	Date	Vehicles	Contractual Customers	Market
Edart Leasing LLC	FMS	February 2, 2009	1,600	340	Northeast U.S.
Gordon Truck Leasing	FMS	August 29, 2008	500	130	Pennsylvania
Gator Leasing, Inc.	FMS	May 12, 2008	2,300	300	Florida
Lily Transportation Corp.	FMS	January 11, 2008	1,600	200	Northeast U.S.
Pollock NationaLease	FMS/SCS	October 5, 2007	2,000	200	Canada

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

On December 19, 2008, we acquired substantially all of the assets of Transpacific Container Terminal Ltd. and CRSA Logistics Ltd. (CRSA) in Canada, as well as CRSA operations in Hong Kong and Shanghai, China. This strategic acquisition added complementary solutions to our SCS capabilities including consolidation services in key Asian hubs, as well as deconsolidation operations in Vancouver, Toronto and Montreal.

FULL YEAR CONSOLIDATED RESULTS

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Earnings from continuing operations before income taxes	**$ 143,769**	409,288	402,204	**(65)%**	2%
Provision for income taxes	**53,652**	151,709	150,425	**(65)**	1
Earnings from continuing operations	**90,117**	257,579	251,779	**(65)**	2
Loss from discontinued operations, net of tax	**(28,172)**	(57,698)	2,082	**NM**	NM
Net earnings	**$ 61,945**	199,881	253,861	**(69)%**	(21)%
Earnings (loss) per common share Diluted					
Continuing operations	**$ 1.62**	4.51	4.19	**(64)%**	8%
Discontinued operations	**(0.51)**	(1.01)	0.03	**NM**	NM
Net earnings	**$ 1.11**	3.50	4.22	**(68)%**	(17)%
Weighted-average shares outstanding Diluted	**55,094**	56,539	59,728	**(3)%**	(5)%

Earnings from continuing operations before income taxes (NBT) decreased 65% in 2009 to $144 million. Excluding restructuring and other items, comparable NBT declined 64% in 2009 to $157 million, and comparable earnings from continuing operations declined 65% to $95 million. The decrease in comparable NBT and earnings from continuing operations reflects significantly lower earnings in our FMS business segment because of a decline in commercial rental, full service lease and used vehicle sales as well as higher pension expense. NBT was also negatively impacted by lower global automotive industry volumes. Net earnings decreased 69% in 2009 to $62 million or $1.11 per diluted common share. Net earnings in 2009 included losses from discontinued operations for SCS South America and Europe of $28 million.

NBT increased 2% in 2008 to $409 million. Excluding restructuring and other items, comparable NBT increased 8% in 2008 to $432 million, and comparable earnings from continuing operations increased 8% to $267 million. The improvement in comparable NBT was driven by better operating performance in our FMS contractual business partially offset by a decline in commercial rental results and reduced profitability in our SCS business segment. Net earnings decreased 21% in 2008 to $200 million or $3.50 per diluted common share. Net earnings in 2008 included losses from discontinued operations for SCS South America and Europe of $58 million.

See subsequent discussion within Full Year Consolidated Results and Full Year Operating Results by Business Segment and refer to our Notes to Consolidated Financial Statements for other items impacting comparability related to discontinued operations, restructuring and other charges and income taxes.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

	Years ended December 31			Change	
				2009/	2008/
	2009	2008	2007	**2008**	2007
	(Dollars in thousands)				
Revenue:					
Fleet Management Solutions	**$ 3,567,836**	4,454,251	4,167,301	**(20)%**	7%
Supply Chain Solutions	**1,139,911**	1,429,632	2,038,186	**(20)**	(30)
Dedicated Contract Carriage	**470,956**	547,751	567,640	**(14)**	(4)
Eliminations	**(291,449)**	(432,593)	(409,997)	**33**	(6)
Total	**$ 4,887,254**	5,999,041	6,363,130	**(19)%**	(6)%
Operating revenue[(1)]	**$ 4,062,512**	4,590,080	4,515,080	**(11)%**	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 increases or decreases 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 revenue in our SCS and DCC business segments is excluded from the operating revenue computation as subcontracted transportation is largely a pass-through to our customers and we realize minimal changes in profitability as a result of fluctuations in subcontracted transportation. Refer to the section titled Non-GAAP Financial Measures for a reconciliation of total revenue to operating revenue.*

Total revenue decreased 19% to $4.89 billion in 2009 reflecting lower fuel services and operating revenue. Operating revenue decreased 11% to $4.06 billion in 2009 primarily due to lower commercial rental revenue and SCS automotive production volumes. To a lesser extent, operating revenue was also negatively impacted by lower SCS and DCC fuel pass-throughs, unfavorable foreign currency movements and lower FMS contractual revenues partially offset by the benefit of acquisitions. Total revenue in 2009 included an unfavorable foreign exchange impact of 1.4% due primarily to the weakening of the British pound and Mexican peso.

Total revenue decreased 6% to $6.00 billion in 2008 and was impacted by a change, effective January 1, 2008, in our contractual relationship with a significant customer that required a change in revenue recognition from a gross basis to a net basis for subcontracted transportation. This change did not impact operating revenue or earnings. During 2007, total revenue from this contractual relationship was $640 million. Excluding this item, total revenue increased 5% during 2008 primarily as a result of higher fuel services revenue. Operating revenue increased 2% to $4.59 billion in 2008 primarily due to FMS contractual revenue growth, including acquisitions, which more than offset a decline in commercial rental revenue. Total revenue in 2008 included an unfavorable foreign exchange impact of 0.3% due primarily to the weakening of the British pound.

Our FMS segment leases revenue earning equipment and provides fuel, maintenance and other ancillary services to our SCS and DCC segments. Eliminations relate to inter-segment sales that are accounted for at rates similar to those executed with third parties. The decrease in eliminations in 2009 reflects primarily the pass-through of lower average fuel costs. The increase in eliminations in 2008 reflects primarily the pass-through of higher average fuel costs.

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Operating expense (exclusive of items shown separately)	**$2,229,539**	2,959,518	2,739,952	**(25)%**	8%
Percentage of revenue	**46%**	49%	43%		

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating expense and operating expense as a percentage of revenue decreased in 2009 primarily as a result of lower fuel costs. The reduction in fuel costs was driven by a decline in average U.S. fuel prices as well as lower fuel volumes. Fuel costs are largely a pass-through to customers for which we realize minimal changes in profitability during periods of steady market fuel prices.

The decrease in operating expense as a percentage of revenue in 2009 was partially offset by higher maintenance costs and safety and insurance costs. The growth in maintenance costs reflects the impact of an aging global fleet. The growth in safety and insurance costs reflects less favorable development in self-insured loss reserves. In recent years, our development has been favorable compared with historical selected loss development factors because of improved safety performance, payment patterns and settlement patterns. During 2009, 2008 and 2007, we recorded a benefit of $1 million, $23 million, and $24 million, respectively, to reduce estimated prior years self-insured loss reserves for the reasons noted above.

Operating expense increased 8% to $2.96 billion in 2008 as a result of higher fuel costs. The increase in fuel costs was due to higher average market prices.

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Salaries and employee-related costs	**$1,233,243**	1,345,216	1,348,212	**(8)%**	%
Percentage of revenue	**25%**	22%	21%		
Percentage of operating revenue	**30%**	29%	30%		

Salaries and employee-related costs decreased 8% to $1.23 billion in 2009 primarily due to lower headcount, favorable foreign exchange rate changes and lower incentive-based compensation and commissions partially offset by higher pension expense and the impact of acquisitions. Average headcount, excluding discontinued operations, decreased 9% in 2009. The number of employees at December 31, 2009 decreased to approximately 22,900 compared to 25,500 (excluding those from discontinued operations) at December 31, 2008. The lower headcount was driven by reduced volumes in our SCS and DCC business segments and workforce reductions made as part of restructuring initiatives announced in the fourth quarter of 2008.

Pension expense totaled $66 million in 2009 compared to $2 million in 2008. Increased pension expense was primarily a result of significant negative pension asset returns in 2008. Our Board of Directors has approved amendments to freeze U.K. and Canadian pension plans effective in 2010. The Canadian pension plan was frozen for current participants who did not meet certain grandfathering criteria. As a result, these employees will cease accruing further benefits after the freeze and begin participating in defined contribution plans. See Note 24, Employee Benefit Plans, in the Notes to Consolidated Financial Statements, for additional information regarding these items. We expect 2010 pension expense to decrease approximately $23 million primarily because of higher than expected return on assets in 2009, the favorable impact from voluntary pension contributions made in the fourth quarter of 2009, and the freeze of the U.K. and Canadian pension plans. However, we expect this pension decrease to be partially offset by increased defined contribution plan expense. Our 2010 pension expense estimates are subject to change based upon the completion of the actuarial analysis for all pension plans. See the section titled Critical Accounting Estimates

Pension Plans for further discussion on pension accounting estimates.

Salaries and employee-related costs decreased slightly to $1.35 billion in 2008 primarily due to lower headcount, including cost savings initiatives from 2007. Average headcount decreased 3% in 2008 compared with 2007. Pension expense decreased by $25 million as the result of a freeze of our U.S. and Canadian pension plans; however, this benefit was partially offset by an increase of $20 million in defined contribution plan expense.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Subcontracted transportation	**$198,860**	233,106	868,437	**(15)%**	(73)%
Percentage of revenue	**4%**	4%	14%		

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. Subcontracted transportation expense decreased 15% to $199 million in 2009 as a result of decreased freight volumes in the current economic environment.

Subcontracted transportation expense decreased 73% to $233 million in 2008 as a result of net reporting from a contract change. Effective January 1, 2008, our contractual relationship with a significant customer changed, and we determined, after a formal review of the terms and conditions of the services, we were acting as an agent based on the revised terms of the arrangement. As a result, the amount of total revenue and subcontracted transportation expense decreased by $640 million in 2008 due to the reporting of revenue net of subcontracted transportation expense for this particular customer contract.

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Depreciation expense	**$881,216**	836,149	810,544	**5%**	3%
Gains on vehicle sales, net	**(12,292)**	(39,020)	(44,090)	**(68)**	(11)
Equipment rental	**65,828**	78,292	86,415	**(16)**	(9)

Depreciation expense relates primarily to FMS revenue earning equipment. Depreciation expense increased 5% to $881 million in 2009 because of increased write-downs in the carrying value of vehicles held for sale of $24 million, accelerated depreciation of $10 million on certain classes of vehicles expected to be sold through 2010, the impact of recent acquisitions, higher average vehicle investments and impairment charges on a Singapore facility, partially offset by the impact of foreign exchange rates and a lower number of owned vehicles. Depreciation expense increased 3% to $836 million in 2008 reflecting the impact of recent acquisitions and increased capital spending. These increases were partially offset by lower write-downs in the carrying value of vehicles held for sale of $13 million.

We periodically review and adjust residual values, reserves for guaranteed lease termination values and useful lives of revenue earning equipment based on current and expected operating trends and projected realizable values. See the section titled Critical Accounting Estimates Depreciation and Residual Value Guarantees for further discussion. While we believe that the carrying values and estimated sales proceeds for revenue earning equipment are appropriate, there can be no assurance that deterioration in economic conditions or adverse changes to expectations of future sales proceeds will not occur, resulting in lower gains or losses on sales. In 2009, based on current and expected market conditions, we accelerated depreciation on certain classes of vehicles expected to be sold through 2010. The impact of this change increased depreciation by $10 million in 2009. At the end of 2009, 2008 and 2007, we completed our annual depreciation review of the residual values and useful lives of our revenue earning equipment. Our annual review is established with a long-term view considering historical market price changes, current and expected future market price trends, expected life of vehicles and extent of alternative uses. Based on the results of the 2008 and 2007 review, the adjustment to depreciation was not significant for 2009 and 2008, respectively. Based on the results of our 2009 analysis, we adjusted the residual values of certain classes of our revenue earning equipment effective

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

January 1, 2010. The residual value changes will decrease pre-tax earnings for 2010 by approximately $14 million compared with 2009.

Gains on vehicle sales, net decreased 68% to $12 million in 2009 due to lower average pricing on vehicles sold. Gains on vehicle sales, net decreased 11% to $39 million in 2008 due to a 32% decline in the number of vehicles sold partially offset by improved gains per unit sold.

Equipment rental consists primarily of rent expense for FMS revenue earning equipment under lease by us as lessee. Equipment rental decreased 16% to $66 million in 2009 and decreased 9% to $78 million in 2008 because of a reduction in the average number of vehicles leased from third parties.

	Years ended December 31			Change	
				2009/	2008/
	2009	2008	2007	**2008**	2007
	(Dollars in thousands)				
Interest expense	**$144,342**	152,448	155,970	**(5)%**	(2)%
Effective interest rate	**5.4%**	5.3%	5.5%		

Interest expense decreased 5% to $144 million in 2009 because of lower average debt balances partially offset by a higher effective interest rate. Interest expense decreased 2% to $152 million in 2008 because of lower average cost of debt principally from lower commercial paper borrowing rates. A hypothetical 10 basis point change in short-term market interest rates would change annual pre-tax earnings by $0.6 million.

	Years ended December 31		
	2009	2008	2007
	(In thousands)		
Miscellaneous (income) expense, net	**$ (3,657)**	2,564	(15,309)

Miscellaneous (income) expense, net consists of investment (income) losses on securities held to fund certain benefit plans, interest income, (gains) losses from sales of property, foreign currency transaction (gains) losses, and non-operating items. Miscellaneous (income) expense, net improved $6 million in 2009 due to better market performance of our investment securities partially offset by lower foreign currency transaction gains in 2009.

Miscellaneous expense (income), net decreased $18 million in 2008 primarily due to a $10 million gain on sale of property recognized in the prior year. See Note 26, Other Items Impacting Comparability, in the Notes to Consolidated Financial Statements for additional information on the property sale. Miscellaneous expense in 2008 was also negatively impacted by $6 million due to the decline in market performance of our investment securities and was partially offset by foreign currency transaction gains compared to losses in 2007.

Years ended December 31

	2009	2008	2007
		(In thousands)	
Restructuring and other charges, net	**$ 6,406**	21,480	10,795

See Note 5, Restructuring and Other Charges, in the Notes to Consolidated Financial Statements for further discussion around the charges related to these actions.

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Provision for income taxes	**$53,652**	151,709	150,425	**(65)%**	1%
Effective tax rate from continuing operations	**37.3%**	37.1%	37.4%		

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The 2009 effective income tax rate benefited from enacted tax law changes in Ontario, Canada, the favorable settlement of a foreign tax audit and reversal of reserves for uncertain tax positions for which the statute of limitation in various jurisdictions had expired. In the aggregate, these items reduced the effective rate by 6.5% of pre-tax earnings. The current year tax rate benefits were partially offset by the impact of non-deductible expenses on lower pre-tax earnings from continuing operations. The 2008 effective income tax rate benefited from enacted tax law changes in Massachusetts and the reversal of reserves for uncertain tax positions for which the statute of limitation in various jurisdictions had expired which, in the aggregate, totaled 3.3% of pre-tax earnings. The benefits in 2008 were partially offset by the adverse impact of non-deductible restructuring and other charges. The 2007 effective income tax rate included a net tax benefit of $5 million (1.4% of pre-tax earnings) from the reduction of deferred income taxes as a result of enacted changes in tax laws in various jurisdictions.

	Years ended December 31		
	2009	2008	2007
	(In thousands)		
(Loss) earnings from discontinued operations, net of tax	**$ (28,172)**	(57,698)	2,082

Pre-tax (loss) earnings from discontinued operations in 2009, 2008 and 2007 included operating (losses) income of $(11) million, $(12) million and $6 million, respectively. During 2009, 2008 and 2007, we also incurred $17 million, $47 million, and $2 million, respectively, of pre-tax restructuring and other charges (primarily exit-related) related to discontinued operations. See Note 4, Discontinued Operations, in the Notes to Consolidated Financial Statements for further discussion.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

FULL YEAR OPERATING RESULTS BY BUSINESS SEGMENT

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Revenue:					
Fleet Management Solutions	$ **3,567,836**	4,454,251	4,167,301	**(20)**%	7%
Supply Chain Solutions	**1,139,911**	1,429,632	2,038,186	**(20)**	(30)
Dedicated Contract Carriage	**470,956**	547,751	567,640	**(14)**	(4)
Eliminations	**(291,449)**	(432,593)	(409,997)	**33**	(6)
Total	$ **4,887,254**	5,999,041	6,363,130	**(19)**%	(6)%
Operating Revenue:					
Fleet Management Solutions	$ **2,817,733**	3,038,923	2,983,398	**(7)**%	2%
Supply Chain Solutions	**955,409**	1,207,523	1,184,498	**(21)**	2
Dedicated Contract Carriage	**456,598**	536,754	552,891	**(15)**	(3)
Eliminations	**(167,228)**	(193,120)	(205,707)	**13**	6
Total	$ **4,062,512**	4,590,080	4,515,080	**(11)**%	2%
NBT:					
Fleet Management Solutions	$ **140,400**	395,909	370,503	**(65)**%	7%
Supply Chain Solutions	**35,700**	56,953	60,229	**(37)**	(5)
Dedicated Contract Carriage	**37,643**	49,628	47,409	**(24)**	5
Eliminations	**(21,058)**	(31,803)	(31,248)	**34**	(2)
	192,685	470,687	446,893	**(59)**	5
Unallocated Central Support Services	**(35,834)**	(38,302)	(44,004)	**6**	13
Restructuring and other charges, net and other items(1)	**(13,082)**	(23,097)	(685)	**NM**	NM
Earnings from continuing operations before income taxes	$ **143,769**	409,288	402,204	**(65)**%	2%

(1) *See Note 5, Restructuring and Other Charges and Note 26, Other Items Impacting Comparability, in the Notes to Consolidated Financial Statements for a discussion of items excluded from our segment measure of profitability.*

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 CSS and excludes restructuring and other charges, net.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

Description	Consolidated Statements of Earnings Line Item[1]	Years ended December 31 **2009**	2008 (In thousands)	2007
Severance and employee-related costs[2]	Restructuring	$ **(2,206)**	(11,209)	(8,924)
Contract termination costs[2]	Restructuring		(29)	(591)
Early retirement of debt[2]	Restructuring	**(4,178)**		(1,280)
Asset impairments[2]	Restructuring	**(22)**	(10,242)	
Restructuring and other charges, net		**(6,406)**	(21,480)	(10,795)
International asset impairment[3]	Depreciation expense	**(6,676)**	(1,617)	
Gain on sale of property[3]	Miscellaneous income			10,110
Restructuring and other charges, net and other items		$ **(13,082)**	(23,097)	(685)

(1) *Restructuring refers to the Restructuring and other charges, net; and Miscellaneous income refers to Miscellaneous (income) expense, net on our Consolidated Statements of Earnings.*

(2) *See Note 5, Restructuring and Other Charges, in the Notes to Consolidated Financial Statements for additional information.*

(3) *See Note 26, Other Items Impacting Comparability, in the Notes to Consolidated Financial Statements 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 segments:

	Years ended December 31 **2009**	2008	2007

		(In thousands)	
Equipment Contribution:			
Supply Chain Solutions	**$ 9,461**	16,701	16,282
Dedicated Contract Carriage	**11,597**	15,102	14,966
Total	**$ 21,058**	31,803	31,248

CSS represents those costs incurred to support all business segments, including human resources, finance, corporate services and public affairs, information technology, health and safety, legal and corporate communications. The objective of the NBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment and each operating segment within each business segment accountable for their allocated share of CSS costs. Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Certain costs are considered to be overhead not attributable to any segment and remain unallocated in CSS. Included within the unallocated overhead remaining within CSS are the costs for investor relations, public affairs and certain executive compensation. See Note 29, Segment Reporting, in the Notes to Consolidated Financial Statements for a description of how the remainder of CSS costs is allocated to the business segments.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Fleet Management Solutions

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Full service lease	**$ 1,989,676**	2,041,513	1,965,308	**(3)%**	4%
Contract maintenance	**167,182**	168,157	159,635	**(1)**	5
Contractual revenue	**2,156,858**	2,209,670	2,124,943	**(2)**	4
Contract-related maintenance	**163,306**	193,856	198,747	**(16)**	(2)
Commercial rental	**431,058**	557,491	583,336	**(23)**	(4)
Other	**66,511**	77,906	76,372	**(15)**	2
Operating revenue(1)	**2,817,733**	3,038,923	2,983,398	**(7)**	2
Fuel services revenue	**750,103**	1,415,328	1,183,903	**(47)**	20
Total revenue	**$ 3,567,836**	4,454,251	4,167,301	**(20)%**	7%
Segment NBT	**$ 140,400**	395,909	370,503	**(65)%**	7%
Segment NBT as a % of total revenue	**3.9%**	8.9%	8.9%	**(500) bps**	bps
Segment NBT as a % of operating revenue(1)	**5.0%**	13.0%	12.4%	**(800) bps**	60 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 sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on market fuel costs.*

2009 versus 2008

Total revenue decreased 20% in 2009 to $3.57 billion due primarily to lower fuel services revenue. Fuel services revenue decreased 47% in 2009 because of lower average fuel prices as well as reduced gallons pumped. Operating revenue decreased 7% in 2009 to $2.82 billion reflecting declines in all product lines, especially commercial rental, in light of the deterioration in global economic conditions in the past year, partially offset by the benefit of acquisitions. Total and operating revenue in 2009 also included an unfavorable foreign exchange impact of 1.2% and 1.7%, respectively.

Full service lease revenue declined 3% and contract maintenance revenue declined 1% as a result of fleet downsizing decisions and lower variable revenue from fewer miles driven by our customers with their fleets. We expect unfavorable contractual revenue comparisons next year based on the carryover effect of 2009 fleet downsizings actions. Commercial rental revenue decreased 23% in 2009 reflecting weak global market demand and lower pricing. In 2009, we reduced the size and mix of our rental fleet in order to better align with market demand. The average global rental fleet size declined 13% in 2009 and year-end fleet counts decreased by 15% compared with 2008. As a result of our fleet right-sizing actions, rental fleet utilization in the fourth quarter of 2009 improved over the prior-year period for the first time in 2009. In light of current economic conditions, we expect favorable commercial rental comparisons next year driven by moderately higher demand, somewhat higher pricing and improved utilization.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table provides rental statistics on our global fleet:

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Non-lease customer rental revenue	**$ 265,143**	329,875	330,198	**(20)%**	%
Lease customer rental revenue[1]	**$ 165,915**	227,616	253,138	**(27)%**	(10)%
Average commercial rental power fleet size in service[2],[3]	**22,900**	25,700	25,600	**(11)%**	%
Commercial rental utilization power fleet	**68.0%**	71.4%	71.0%	**(340) bps**	40 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 average counts.*

(3) *Fleet size excluding trailers.*

FMS NBT decreased 65% in 2009 to $140 million driven primarily by the current economic slowdown and freight recession, which resulted in a decline in global commercial rental demand, lower full service lease performance and lower used vehicle sales results. Results in 2009 were also impacted by significantly higher pension expense. These items were partially offset by cost reduction initiatives, including workforce reductions implemented in early 2009. Commercial rental results were impacted by weak global demand which drove lower utilization and, to a lesser extent, reduced pricing on a smaller fleet. Full service lease results were adversely impacted by the protracted length and severity of the current freight recession, which has resulted in reduced customer demand for new leases and downsizing of customer fleets. Customers also operated fewer miles with their existing fleets, which lowered our variable revenue and fuel gallons sold. However, lease mileage comparisons showed sequential improvement in the second half of the year. Used vehicle sales results declined primarily due to weak market demand which drove lower pricing, as well as higher average inventory levels. However, our used vehicle inventory levels improved during the second half of the year and our year-end inventory counts were 10% below the prior year. Pension expense significantly increased in 2009 because of poor performance in the overall stock market in 2008.

2008 versus 2007

Total revenue increased 7% in 2008 to $4.45 billion due to higher fuel services revenue and contractual revenue growth. Fuel services revenue increased 20% in 2008 because of higher fuel prices partially offset by reduced fuel volumes. Operating revenue increased 2% in 2008 to $3.04 billion as a result of contractual revenue growth, including acquisitions, which more than offset a decline in commercial rental revenue. Total and operating revenue in 2008 also included an unfavorable foreign exchange impact of 0.5% and 0.7%, respectively.

Revenue growth was realized in both contractual FMS product lines in 2008. Full service lease revenue grew 4% reflecting increases in the North American market primarily due to acquisitions. Contract maintenance revenue increased 5% due primarily to new contract sales. Commercial rental revenue decreased 4% in 2008, reflecting weak global market demand and reduced pricing particularly in the fourth quarter of 2008. The average global rental fleet size declined 5% in 2008 compared with 2007.

FMS NBT increased 7% in 2008 to $396 million due primarily to improved contractual business performance, including acquisitions, and to a lesser extent, from higher fuel margins associated with unusually volatile fuel prices and better used vehicle sales results. This improvement was partially offset by a decline in commercial rental results, especially in the fourth quarter of 2008, as weak market demand drove lower

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

pricing. Used vehicle sales results improved $9 million in 2008 primarily because of lower average used vehicle inventories.

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):

	December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
End of period vehicle count					
By type:					
Trucks[1]	**63,600**	68,300	62,800	**(7)%**	9%
Tractors[2]	**50,300**	51,900	50,400	**(3)**	3
Trailers[3]	**35,400**	39,900	40,400	**(11)**	(1)
Other	**3,100**	3,300	7,100	**(6)**	(54)
Total	**152,400**	163,400	160,700	**(7)%**	2%
By ownership:					
Owned	**147,200**	158,100	155,100	**(7)%**	2%
Leased	**5,200**	5,300	5,600	**(2)**	(5)
Total	**152,400**	163,400	160,700	**(7)%**	2%
By product line:					
Full service lease	**115,100**	120,600	115,500	**(5)%**	4%
Commercial rental	**27,400**	32,300	34,100	**(15)**	(5)
Service vehicles and other	**3,000**	2,800	3,600	**7**	(22)
Active units	**145,500**	155,700	153,200	**(7)**	2
Held for sale	**6,900**	7,700	7,500	**(10)**	3
Total	**152,400**	163,400	160,700	**(7)**	2
Customer vehicles under contract maintenance	**34,400**	35,500	31,500	**(3)%**	13%
Average vehicle count					
By product line:					
Full service lease	**118,800**	118,100	116,400	**1%**	1%
Commercial rental	**29,400**	33,900	35,800	**(13)**	(5)
Service vehicles and other	**2,900**	3,300	3,500	**(9)**	(6)

Active units	**151,100**	155,300	155,700	**(2)**	
Held for sale	**8,400**	6,200	9,700	**35**	(36)
Total	**159,500**	161,500	165,400	**(1)**	(2)
Customer vehicles under contract maintenance	**35,200**	33,900	30,800	**4%**	10%

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

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

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

(4) Amounts were computed using a 24-point average based on monthly information.

Note: Prior year vehicle counts have been reclassified to conform to current year presentation.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The totals in the previous table include the following non-revenue earning equipment for the global fleet (number of units rounded to the nearest hundred):

Number of Units	December 31 **2009**	2008	2007	Change **2009/ 2008**	2008/ 2007
Not yet earning revenue (NYE)	**700**	1,500	1,300	**(53)%**	15 %
No longer earning revenue (NLE):					
Units held for sale	**6,900**	7,700	7,500	**(10)**	3
Other NLE units	**2,900**	2,900	2,400		21
Total	**10,500**	12,100	11,200	**(13)%**	8 %

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 2009, the number of NYE units decreased compared with prior year consistent with lower new replacement lease activity. NLE units represent all vehicles held for sale and vehicles for which no revenue has been earned in the previous 30 days. Accordingly, these vehicles may be temporarily out of service, being prepared for sale or awaiting redeployment. For 2009, the number of NLE units decreased compared with the prior year because of lower used vehicle inventory levels. For 2008, the number of NLE units increased slightly compared with the prior year because of the decline in commercial rental demand. We expect NLE levels in 2010 to be consistent with 2009.

Supply Chain Solutions

	Years ended December 31 **2009**	2008	2007	Change **2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
U.S. operating revenue:					
Automotive	$ **335,119**	499,389	506,264	**(33)%**	(1)%
High-tech and Consumer	**210,659**	257,591	234,931	**(18)**	10
Industrial and Other	**158,379**	139,095	132,044	**14**	5
U.S. operating revenue	**704,157**	896,075	873,239	**(21)**	3
International operating revenue	**251,252**	311,448	311,259	**(19)**	
Total operating revenue(1)	**955,409**	1,207,523	1,184,498	**(21)**	2
Subcontracted transportation	**184,502**	222,109	853,688	**(17)**	(74)

Total revenue	**$ 1,139,911**	1,429,632	2,038,186	**(20)%**	(30)%
Segment NBT	**$ 35,700**	56,953	60,229	**(37)%**	(5)%
Segment NBT as a % of total revenue	**3.1%**	4.0%	3.0%	**(90) bps**	100 bps
Segment NBT as a % of operating revenue(1)	**3.7%**	4.7%	5.1%	**(100) bps**	(40) bps
Memo: Fuel costs(2)	**$ 64,915**	136,400	114,773	**(52)%**	19 %

(1) *We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our SCS business segment and as a measure of sales activity. Subcontracted transportation is excluded from our operating revenue computation as subcontracted transportation is largely a pass-through to customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation.*

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

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

2009 versus 2008

Total revenue decreased 20% in 2009 to $1.14 billion and operating revenue decreased 21% in 2009 to $955 million. Total revenue and operating revenue decreased as a result of lower automotive production, overall freight volumes and fuel cost pass-throughs. For 2009, SCS total revenue and operating revenue included an unfavorable foreign currency exchange impact of 2.4% and 2.0%, respectively. We expect unfavorable operating revenue comparisons next year reflecting the impact of non-renewed automotive contracts. General Motors Corporation (GM) accounted for approximately 13% and 14% of SCS total and operating revenue in 2009, respectively, and is comprised of multiple contracts in North America. In the U.S., we provide supply chain management and other transportation-related solutions supporting twelve GM plants and operations; three of these operations closed in 2009 as a result of GM s U.S. reorganization plan. For 2009, revenue associated with the three closed Ryder-supported GM locations totaled approximately $20 million, representing 2% of SCS revenue and 14% of GM revenue.

SCS NBT decreased 37% in 2009 to $36 million primarily due to significantly reduced North American automotive volumes which decreased NBT by $19 million, including costs incurred upon the termination of certain automotive operations. During the second quarter of 2009, several of our automotive customers filed for bankruptcy, including our largest customer, GM. We did not realize any losses on our pre-petition accounts receivable with any of these customers.

2008 versus 2007

Total revenue decreased 30% in 2008 to $1.43 billion as a result of net reporting of a transportation management arrangement previously reported on a gross basis. Effective January 1, 2008, our contractual relationship with a significant customer for certain transportation management services changed, and we determined, after a formal review of the terms and conditions of the services, that we were acting as an agent based on the revised terms of the arrangement. As a result, total revenue and subcontracted transportation expense decreased by $640 million in 2008. Operating revenue grew 2% due to new and expanded business and higher fuel cost pass-throughs and was offset by lower automotive volumes, especially in the fourth quarter of 2008. For 2008, GM accounted for approximately 16% and 18% of SCS total and operating revenue, respectively.

SCS NBT decreased 5% in 2008 to $57 million largely driven by lower operating results related to the start-up of a U.S. based operation. NBT was also impacted by higher overhead spending from increased sales and marketing investments and facility relocation costs slightly offset by lower incentive-based compensation.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Dedicated Contract Carriage

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Operating revenue[1]	**$ 456,598**	536,754	552,891	**(15)%**	(3)%
Subcontracted transportation	**14,358**	10,997	14,749	**31**	(25)
Total revenue	**$ 470,956**	547,751	567,640	**(14)%**	(4)%
Segment NBT	**$ 37,643**	49,628	47,409	**(24)%**	5%
Segment NBT as a % of total revenue	**8.0%**	9.1%	8.4%	**(110) bps**	70 bps
Segment NBT as a % of operating revenue[1]	**8.2%**	9.2%	8.6%	**(100) bps**	60 bps
Memo: Fuel costs[2]	**$ 69,858**	123,003	107,140	**(43)%**	15%

(1) *We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our DCC business segment and as a measure of sales activity. Subcontracted transportation is excluded from our operating revenue computation as subcontracted transportation is largely a pass-through to customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation.*

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

2009 versus 2008

Total revenue declined 14% in 2009 to $471 million and operating revenue declined 15% in 2009 to $457 million as a result of lower fuel cost pass-throughs, lower freight volumes and non-renewal of customer contracts. We expect unfavorable operating revenue comparisons next year because of slightly lower freight volumes.

DCC NBT decreased 24% in 2009 to $38 million as a result of lower revenue, and to a lesser extent, increased self-insurance costs. The increase in self-insurance costs reflects less favorable development in estimated prior years self-insured loss reserves.

2008 versus 2007

Total revenue declined 4% in 2008 to $548 million and operating revenue declined 3% in 2008 to $537 million as a result of the non-renewal of certain customer contracts partially offset by the pass-through of higher fuel costs.

DCC NBT increased 5% in 2008 to $50 million as a result of better operating performance partially offset by higher safety and insurance costs. The increase in safety and insurance costs reflects less favorable development in estimated prior years self-insured loss reserves.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Central Support Services

	Years ended December 31			Change	
	2009	2008	2007	**2009/ 2008**	2008/ 2007
	(Dollars in thousands)				
Human resources	**$ 14,707**	15,943	16,504	**(8)%**	(3)%
Finance	**51,353**	55,835	58,209	**(8)**	(4)
Corporate services and public affairs	**11,556**	13,117	12,124	**(12)**	8
Information technology	**52,826**	57,538	54,826	**(8)**	5
Health and safety	**6,673**	7,754	7,973	**(14)**	(3)
Other	**30,450**	34,847	40,383	**(13)**	(14)
Total CSS	**167,565**	185,034	190,019	**(9)**	(3)
Allocation of CSS to business segments	**(131,731)**	(146,732)	(146,015)	**10**	
Unallocated CSS	**$ 35,834**	38,302	44,004	**(6)%**	(13)%

2009 versus 2008

Total CSS costs decreased 9% in 2009 to $168 million reflecting lower spending across all functional areas as a result of cost reduction actions implemented in early 2009 and lower incentive-based compensation. These items were partially offset by higher professional fees on cost savings initiatives. Unallocated CSS costs decreased 6% in 2009 to $36 million due to lower incentive-based compensation offset slightly by higher spending on cost savings initiatives.

2008 versus 2007

Total and unallocated CSS costs decreased 3% and 13%, respectively, in 2008 to $185 million and $38 million, respectively, because of lower foreign currency transaction losses, reduced severance costs and lower share-based compensation expense due to a 2007 charge related to the accelerated amortization of restricted stock unit expense.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

FOURTH QUARTER CONSOLIDATED RESULTS

	Three months ended December 31		Change
	2009	2008	**2009/ 2008**
	(Dollars and shares in thousands, except per share amounts)		
Total revenue	**$ 1,246,968**	1,337,203	**(7)%**
Operating revenue	**$ 1,019,822**	1,087,253	**(6)%**
Earnings from continuing operations before income taxes	**$ 31,800**	75,351	**(58)%**
Provision for income taxes	**8,130**	24,889	**(67)**
Earnings from continuing operations	**23,670**	50,462	**(53)**
Loss from discontinued operations, net of tax	**(15,422)**	(39,817)	**(61)**
Net earnings	**$ 8,248**	10,645	**(23)%**
Earnings (loss) per common share Diluted			
Continuing operations	**$ 0.43**	0.91	**(53)%**
Discontinued operations	**(0.28)**	(0.71)	**(61)**
Net earnings	**$ 0.15**	0.19	**(21)%**
Weighted-average shares outstanding Diluted	**54,235**	55,233	**(2)%**

Total revenue decreased 7% in the fourth quarter of 2009 to $1.25 billion primarily due to lower operating revenue in all our business segments. The decrease in total revenue was also impacted by lower fuel volumes and, to a lesser extent, fuel prices, partially offset by favorable foreign exchange rate movements. Operating revenue decreased 6% to $1.02 billion in the fourth quarter of 2009 primarily due to lower full service lease and commercial rental revenue and lower automotive volumes partially offset by favorable exchange movements. Total revenue and operating revenue in the fourth quarter of 2009 included a favorable foreign exchange impact of 1.3% and 1.5%, respectively.

NBT from continuing operations decreased 58% in the fourth quarter of 2009 to $32 million which reflects significantly lower earnings in our FMS business segment. The decline was driven by decreased global full service lease results, higher pension expense, reduced global commercial rental performance and lower results from used vehicle sales operations. To a lesser extent, earnings in our SCS and DCC business segments were impacted by higher self-insurance costs.

Earnings from continuing operations in the fourth quarter of 2009 included an income tax benefit of $4 million or $0.07 per diluted common share related primarily to changes in Canadian income tax laws. Earnings from continuing operations in the fourth quarter of 2008 included an income tax benefit of $8 million, or $0.14 per diluted common share associated with reversal of reserves for uncertain tax positions due to the expiration of the statutes of limitation in various jurisdictions.

We previously announced a plan to discontinue SCS operations in South America and Europe. During the third quarter of 2009, we ceased customer operations in all South American markets and part of Europe. During the fourth quarter of 2009, we ceased SCS customer operations in all of Europe. Accordingly, results of these operations are reported as discontinued operations for all periods presented. Pre-tax losses from discontinued operations totaled $15 million ($15 million after-tax or $0.28 per diluted common share) in the fourth quarter of 2009 including accumulated foreign currency translation losses of $14 million ($14 million after-tax or $0.26 per diluted common share) associated with the substantial liquidation of investments in certain discontinued operations. Pre-tax losses from discontinued operations totaled $42 million in the fourth

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

quarter of 2008 and included $41 million of restructuring charges and other items primarily related to severance and employee-related costs, impairment charge and contract termination costs.

FOURTH QUARTER OPERATING RESULTS BY BUSINESS SEGMENT

	Three months ended December 31		Change
	2009	2008	**2009/2008**
	(Dollars in thousands)		
Revenue:			
Fleet Management Solutions	**$ 900,219**	977,122	**(8)%**
Supply Chain Solutions	**302,085**	319,040	**(5)**
Dedicated Contract Carriage	**119,267**	126,209	**(6)**
Eliminations	**(74,603)**	(85,168)	**12**
Total	**$ 1,246,968**	1,337,203	**(7)%**
Operating Revenue:			
Fleet Management Solutions	**$ 699,452**	737,498	**(5)%**
Supply Chain Solutions	**247,596**	271,069	**(9)**
Dedicated Contract Carriage	**113,444**	123,624	**(8)**
Eliminations	**(40,670)**	(44,938)	**9**
Total	**$ 1,019,822**	1,087,253	**(6)%**
NBT:			
Fleet Management Solutions	**$ 31,946**	86,071	**(63)%**
Supply Chain Solutions	**11,739**	17,126	**(31)**
Dedicated Contract Carriage	**6,922**	12,720	**(46)**
Eliminations	**(4,883)**	(8,399)	**42**
	45,724	107,518	**(57)**
Unallocated Central Support Services	**(11,253)**	(9,037)	**(25)**
Restructuring and other charges, net and other items	**(2,671)**	(23,130)	**NM**
Earnings from continuing operations before income taxes	**$ 31,800**	75,351	**(58)%**

Fleet Management Solutions

Total revenue decreased 8% to $900 million in the fourth quarter of 2009 reflecting lower operating revenue and lower fuel services revenue due to reduced volume and to a lesser extent lower prices. Operating revenue decreased 5% to $699 million in the fourth quarter of 2009 because of lower full service lease revenue from customer fleet downsizings and lower commercial rental revenue reflecting weak global market demand and lower pricing. FMS total revenue and operating revenue in the fourth quarter of 2009 included a favorable foreign exchange impact of 1.3% and 1.6%, respectively.

FMS NBT decreased 63% to $32 million in the fourth quarter of 2009 reflecting lower global full service lease results, higher pension expense, a decline in commercial rental demand and lower used vehicle sales results. These items were partially offset by cost reduction initiatives, including workforce reductions implemented in early 2009.

Supply Chain Solutions

Total revenue decreased 5% to $302 million in the fourth quarter of 2009 and operating revenue decreased 9% to $248 million in the fourth quarter of 2009. Both total revenue and operating revenue declined

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

primarily due to lower automotive and other freight volumes partially offset by favorable foreign exchange rate movements. In the fourth quarter of 2009, SCS total revenue and operating revenue both included a favorable foreign currency exchange impact of 2%.

SCS NBT decreased 31% to $12 million in the fourth quarter of 2009 because of higher self-insurance costs compared with favorable claims experience in the prior year and shutdown costs related to the termination of certain automotive operations.

Dedicated Contract Carriage

Total revenue decreased 6% to $119 million in the fourth quarter of 2009 and operating revenue decreased 8% to $113 million in the fourth quarter of 2009. Both total revenue and operating revenue decreased due to the non-renewal of customer contracts and reduced freight volumes.

DCC NBT decreased 46% to $7 million in the fourth quarter of 2009 because of higher self-insurance costs compared with favorable claims experience in the prior year and a decline in revenue.

Central Support Services

Unallocated CSS costs increased 25% to $11 million in the fourth quarter of 2009 because of higher professional fees associated with cost savings initiatives.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

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

	Years ended December 31		
	2009	2008	2007
	(In thousands)		
Net cash provided by (used in):			
Operating activities	$ **984,956**	1,248,169	1,096,559
Financing activities	**(542,016)**	(148,152)	(304,600)
Investing activities	**(448,610)**	(1,103,468)	(811,202)
Effect of exchange rate changes on cash	**1,794**	1,408	6,734
Net change in cash and cash equivalents	$ **(3,876)**	(2,043)	(12,509)

Cash provided by operating activities from continuing operations decreased $263 million in 2009 because of lower cash-based earnings and higher pension contributions. Cash used in financing activities increased $394 million in

2009 reflecting higher net debt repayments resulting from less borrowing needs to fund capital spending, including acquisitions. Cash used in investing activities decreased $655 million in 2009 compared primarily due to lower vehicle capital spending and acquisition-related payments in 2009.

Cash provided by operating activities from continuing operations increased $152 million in 2008 because of higher cash-based earnings and reduced working capital needs primarily from improved accounts receivable collections. Cash used in financing activities decreased $156 million in 2008 because of higher borrowing needs to fund net capital spending, including acquisitions. Cash used in investing activities increased $292 million in 2008 primarily due to acquisition-related payments and lower proceeds from sales of revenue earning equipment which included proceeds of $150 million from a sale-leaseback transaction in 2007. This increase was partially offset by lower vehicle capital spending.

Our principal sources of operating liquidity are cash from operations and proceeds from the sale of revenue earning equipment. We refer to the sum of operating cash flows, proceeds from the sales of revenue

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

earning equipment and operating property and equipment, sale and leaseback of revenue earning equipment, collections on direct finance leases and other cash inflows 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) 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, acquisitions 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:

	Years ended December 31		
	2009	2008	2007
		(In thousands)	
Net cash provided by operating activities	$ **984,956**	1,248,169	1,096,559
Sales of revenue earning equipment	**211,002**	257,679	354,736
Sales of operating property and equipment	**4,634**	3,727	18,725
Collections on direct finance leases	**65,242**	61,096	62,346
Sale and leaseback of revenue earning equipment			150,348
Other, net	**209**	395	1,588
Total cash generated	**1,266,043**	1,571,066	1,684,302
Purchases of property and revenue earning equipment	**(651,953)**	(1,230,401)	(1,304,033)
Free cash flow	$ **614,090**	340,665	380,269

Free cash flow increased to $614 million in 2009 compared with $341 million in 2008 as lower net capital expenditures were partially offset by lower cash-based earnings and higher pension contributions. Free cash flow decreased to $341 million in 2008 compared with $380 million in 2007 because of lower proceeds from sales of revenue earning equipment, primarily from the $150 million sale-leaseback transaction in 2007. This decrease was partially offset by higher cash flows from operations and lower cash payments for vehicle capital spending. We expect free cash flow in 2010 to be approximately $250 million reflecting higher capital expenditures, partially offset by lower pension contributions.

Capital expenditures are generally used to purchase revenue earning equipment (trucks, tractors, trailers) within our FMS segment. These expenditures primarily support the full service lease product line and also the commercial rental product line. The level of capital required to support the full service lease product line varies directly with the customer contract signings for replacement vehicles and growth. These contracts are long-term agreements that result in predictable cash flows typically over a three to seven year term for trucks and tractors and up to ten years for trailers. The commercial rental product line utilizes capital for the purchase of vehicles to replenish and expand the fleet available for shorter-term use by contractual or occasional customers. Operating property and equipment expenditures primarily relate to FMS and SCS spending on items such as vehicle maintenance facilities and equipment, computer and telecommunications equipment, investments in technologies and warehouse facilities and equipment.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following is a summary of capital expenditures:

	Years ended December 31		
	2009	2008	2007
	(In thousands)		
Revenue earning equipment:			
Full service lease	**$ 547,750**	985,924	888,734
Commercial rental	**7,436**	171,128	218,830
	555,186	1,157,052	1,107,564
Operating property and equipment	**56,216**	108,284	74,069
Total capital expenditures[1]	**611,402**	1,265,336	1,181,633
Changes in accounts payable related to purchases of revenue earning equipment	**40,551**	(34,935)	122,400
Cash paid for purchases of property and revenue earning equipment	**$ 651,953**	1,230,401	1,304,033

(1) *Capital expenditures exclude non-cash additions of approximately $2 million, $1 million, and $11 million in 2009, 2008, and 2007, respectively, in assets held under capital leases resulting from the extension of existing operating leases and other additions.*

Capital expenditures decreased 52% to $611 million in 2009 as a result of reduced full service lease vehicle spending due to lower new and replacement sales in the current global economic environment, as well as increased use of lease term extensions and used vehicle redeployments. Additionally, the decrease reflects planned minimal spending on transactional commercial rental vehicles. Capital expenditures increased 7% to $1.27 billion in 2008 as a result of higher full service lease spending for replacement and expansion of customer fleets and reduced spending on transactional commercial rental vehicles to meet market demand. We expect capital expenditures to increase to approximately $1.1 billion, including an estimated $270 million to refresh an aging commercial rental fleet. We expect to fund 2010 capital expenditures with both internally generated funds and additional financing.

Working Capital

	December 31	
	2009	2008
	(Dollars in thousands)	
Current assets	**$ 880,373**	$ 957,581
Current liabilities	**850,274**	1,111,165

Working capital	**$ 30,099**	$ (153,584)

Our net working capital (current assets less current liabilities) was $30 million at December 31, 2009 compared with negative $154 million at December 31, 2008. The increase in net working capital was primarily due to a decrease of $152 million in short-term debt. Excluding the decline in short-term debt, working capital increased $32 million in 2009 because of the payment of restructuring related reserves and incentive compensation. This increase was partially offset by a decline in accounts receivables as we discontinued operations and experienced volume declines.

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 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.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Our ability to access unsecured debt in the capital markets is linked to both our short-term and long-term debt ratings. These ratings are intended to provide guidance to fixed income 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 downgrade of our short-term debt ratings to a lower tier would impair our ability to issue commercial paper. As a result, we would have to rely on alternative funding sources. A downgrade of our debt ratings would not affect our ability to borrow amounts under our revolving credit facility described below, given ongoing compliance with the terms and conditions of the credit facility.

Our debt ratings at December 31, 2009 were as follows:

	Short-term	Long-term	Outlook
Moody s Investors Service	**P2**	**Baa1**	**Stable (reaffirmed February 2009)**
Standard & Poor s Ratings Services	**A2**	**BBB+**	**Negative (lowered January 2009)**
Fitch Ratings	**F2**	**A–**	**Stable (reaffirmed March 2009)**

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

In April 2009, we executed a new $875 million 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. This facility replaced a $870 million credit facility that was scheduled to mature in May 2010. The new 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 December 31, 2009). At our option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility s current annual facility fee is 37.5 basis points, which applies to the total facility size of $875 million. This fee ranges from 22.5 basis points to 62.5 basis points and is based on Ryder s long-term credit ratings. 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 December 31, 2009 was 155%. At December 31, 2009, $681 million was available under the credit facility. At December 31, 2009, no foreign borrowings were outstanding under the facility.

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 may sell, 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. In October 2009, we renewed the trade receivables purchase and sale program. The available proceeds amount that may be received under the program was reduced at that time from $250 million to $175 million at our election based on our projected financing requirements. If no event occurs which causes early termination, the 364-day program will expire on October 29, 2010. The program contains provisions restricting its availability

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

in the event of a material adverse change to our business operations or the collectibility of the collateralized receivables. At December 31, 2009, no amounts were outstanding under the program. At December 31, 2008, $190 million was outstanding under the program and was included within Short-term debt and current portion of long-term debt on our Consolidated Balance Sheets. At December 31, 2008, the amount of collateralized receivables under the program was $210 million.

Historically, we have established asset-backed securitization programs whereby we sell 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, 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 allows us to access the public asset-backed securities market for three years, subject to market conditions. Based on current market conditions, we do not expect to utilize this program in the near term.

On February 27, 2007, Ryder 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. We intend to file a new shelf registration with the SEC before the current registration statement expires.

In August 2008, we issued $300 million of unsecured medium-term notes maturing in September 2015. The proceeds from the notes were used for general corporate purposes. 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. Our other outstanding unsecured U.S. notes are not subject to change of control repurchase obligations. See Note 16, Debt, for other issuances under this registration statement.

In September 2009, we completed a $100 million debt tender offer at a total cost of $104 million. We purchased $50 million aggregate principal amount of outstanding 5.95% medium-term notes maturing May 2011 and $50 million aggregate principal amount of outstanding 4.625% medium-term notes maturing April 2010. We recorded a pre-tax debt extinguishment charge of $4 million which included $3 million for the premium paid, and $1 million for the write-off of unamortized original debt discount and issuance costs and fees on the transaction.

At December 31, 2009, we had the following amounts available to fund operations under the aforementioned facilities:

	(In millions)
Global revolving credit facility	**$ 681**
Trade receivables program	**175**

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table shows the movements in our debt balance:

	Years ended December 31 2009	2008
	(In thousands)	
Debt balance at January 1	**$ 2,862,799**	2,776,129
Cash-related changes in debt:		
Net change in commercial paper borrowings	**148,256**	(522,312)
Proceeds from issuance of medium-term notes		550,000
Proceeds from issuance of other debt instruments	**2,014**	194,004
Retirement of medium-term notes and debentures	**(276,000)**	(90,000)
Other debt repaid, including capital lease obligations	**(243,710)**	(28,641)
Net change from discontinued operations	**(9,427)**	(2,478)
	(378,867)	100,573
Non-cash changes in debt:		
Fair market value adjustment on notes subject to hedging	**(6,290)**	18,391
Addition of capital lease obligations	**1,949**	1,430
Changes in foreign currency exchange rates and other non-cash items	**18,100**	(33,724)
Total changes in debt	**(365,108)**	86,670
Debt balance at December 31	**$ 2,497,691**	2,862,799

In accordance with our funding philosophy, we attempt to match the aggregate average remaining re-pricing life of our debt with the aggregate average remaining re-pricing life of our assets. We utilize both fixed-rate and variable-rate debt to achieve this match and generally target a mix of 25% - 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 26% at both December 31, 2009 and 2008.

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

	December 31, 2009	**% of Equity**	December 31, 2008	% of Equity
		(Dollars in thousands)		
On-balance sheet debt	**$ 2,497,691**	**175%**	$ 2,862,799	213%
Off-balance sheet debt PV of minimum lease payments and guaranteed residual values under operating leases for vehicles[(1)]	**118,828**		163,039	

Total obligations	**$ 2,616,519**	**183%**	$ 3,025,838	225%

(1) Present value (PV) does not reflect payments we 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. The decrease in our leverage ratios in 2009 was driven by reduced funding needs to support our contractual full service lease business and our commercial rental business.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Off-Balance Sheet Arrangements

Sale and leaseback transactions. We periodically enter into sale and leaseback transactions in order to lower the total cost of funding our operations, to diversify our funding among different classes of investors (e.g., regional banks, pension plans, insurance companies, etc.) 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 increased equipment rental expense.

Our sale-leaseback transactions 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. See Note 19, Guarantees, in the Notes to Consolidated Financial Statements for additional information. In May 2007, we completed a sale-leaseback transaction of revenue earning equipment with a third party and this transaction qualified for off-balance sheet operating lease treatment. Proceeds from the sale-leaseback transaction totaled $150 million. We did not enter into any sale-leaseback transactions during the years ended December 31, 2009 and 2008.

Guarantees. We executed various agreements with third parties that contain standard indemnifications that may require us to indemnify a third party against losses arising from a variety of matters such as lease obligations, financing agreements, environmental matters, and agreements to sell business assets. In each of these instances, payment by us is contingent on the other party bringing about a claim under the procedures outlined in the specific agreement. Normally, these procedures allow us to dispute the other party s claim. Additionally, our obligations under these agreements may be limited in terms of the amount and/or timing of any claim. We have entered into individual indemnification agreements with each of our independent directors, through which we will indemnify such director acting in good faith against any and all losses, expenses and liabilities arising out of such director s service as a director of Ryder. The maximum amount of potential future payments under these agreements is generally unlimited.

We cannot predict the maximum potential amount of future payments under certain of these agreements, including the indemnification agreements, due to the contingent nature of the potential obligations and the distinctive provisions that are involved in each individual agreement. Historically, no such payments made by Ryder have had a material adverse effect on our business. We believe that if a loss were incurred in any of these matters, the loss would not result in a material adverse impact on our consolidated results of operations or financial position. The total amount of maximum exposure determinable under these types of provisions at December 31, 2009 and 2008 was $11 million and $14 million, respectively, and we accrued $9 million in 2009 and $1 million in 2008, as a corresponding liability. See Note 19, Guarantees, in the Notes to Consolidated Financial Statements for further discussion.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Contractual Obligations and Commitments

As part of our ongoing operations, we enter into arrangements that obligate us to make future payments under contracts such as debt agreements, lease agreements and unconditional purchase obligations. The following table summarizes our expected future contractual cash obligations and commitments at December 31, 2009:

	2010	2011- 2012	2013-2014	Thereafter	Total
			(In thousands)		
Debt	**$ 230,752**	**871,995**	**611,763**	**772,170**	**2,486,680**
Capital lease obligations	**1,865**	**3,356**	**3,456**	**2,334**	**11,011**
Total debt, including capital leases[(1)]	**232,617**	**875,351**	**615,219**	**774,504**	**2,497,691**
Interest on debt[(2)]	**122,191**	**192,125**	**122,864**	**167,551**	**604,731**
Operating leases[(3)]	**79,234**	**149,743**	**75,357**	**34,041**	**338,375**
Purchase obligations[(4)]	**214,829**	**20,100**	**10,997**	**12,674**	**258,600**
Total contractual cash obligations	**416,254**	**361,968**	**209,218**	**214,266**	**1,201,706**
Insurance obligations[(5)]	**111,144**	**90,779**	**34,568**	**25,698**	**262,189**
Other long-term liabilities[(6),(7),(8)]	**8,707**	**2,368**	**1,756**	**45,044**	**57,875**
Total	**$ 768,722**	**1,330,466**	**860,761**	**1,059,512**	**4,019,461**

(1) *Net of unamortized discount.*

(2) *Total debt matures at various dates through fiscal year 2025 and bears interest principally at fixed rates. Interest on variable-rate debt is calculated based on the applicable rate at December 31, 2009. Amounts are based on existing debt obligations, including capital leases, and do not consider potential refinancings of expiring debt obligations.*

(3) *Represents future lease payments associated with vehicles, equipment and properties under operating leases. Amounts are based upon the general assumption that the leased asset will remain on lease for the length of time specified by the respective lease agreements. No effect has been given to renewals, cancellations, contingent rentals or future rate changes.*

(4) *The majority of our purchase obligations are pay-as-you-go transactions made in the ordinary course of business. Purchase obligations include agreements to purchase goods or services that are legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed minimum or variable price provisions; and the approximate timing of the transaction. The most significant item included in*

the above table are purchase obligations related to vehicles. Purchase orders made in the ordinary course of business that are cancelable are excluded from the above table. Any amounts for which we are liable under purchase orders for goods received are reflected in our Consolidated Balance Sheets as Accounts payable and Accrued expenses and other current liabilities.

(5) *Insurance obligations are primarily comprised of self-insurance accruals.*

(6) *Represents other long-term liability amounts reflected in our Consolidated Balance Sheets that have known payment streams. The most significant items included were asset retirement obligations and deferred compensation obligations.*

(7) *The amounts exclude our estimated pension contributions. For 2010, our pension contributions, including our minimum funding requirements as set forth by ERISA and international regulatory bodies, are expected to be $17 million. Our minimum funding requirements after 2010 are dependent on several factors. However, we estimate that the undiscounted required global contributions over the next five years is approximately $337 million (pre-tax) (assuming expected long-term rate of return realized and other assumptions remain unchanged). We also have payments due under our other postretirement benefit (OPEB) plans. These plans are not required to be funded in advance, but are pay-as-you-go. See Note 24, Employee Benefit Plans, in the Notes to Consolidated Financial Statements for further discussion.*

(8) *The amounts exclude $76 million of liabilities associated with uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement. See Note 14, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion.*

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Pension Information

Over the past few years, we have made the following amendments to our defined benefit retirement plans:

In July 2009, our Board of Directors approved an amendment to freeze our United Kingdom (UK) 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 do not meet certain grandfathering criteria.

In January 2007, our Board of Directors approved the amendment to freeze the U.S. pension plans effective December 31, 2007 for current participants who did not meet certain grandfathering criteria.

As a result of these amendments, non-grandfathered plan participants will cease accruing benefits under the plan as of the respective amendment effective date and will begin receiving an enhanced benefit under a defined contribution plan. All retirement benefits earned as of the amendment effective date will be fully preserved and will be paid in accordance with the plan and legal requirements. The freeze of the Canadian defined benefit plan created a pre-tax curtailment gain in 2008 of $4 million. There was no material impact to our financial condition and operating results from the other plan amendments in 2009 or 2007.

Due to the underfunded status of our defined benefit plans, we had an accumulated net pension equity charge (after-tax) of $412 million and $480 million at December 31, 2009 and 2008, respectively. The lower equity charge in 2009 reflects higher actual returns compared to the expected asset returns during 2009. The total asset return for our U.S. qualified pension plan (our primary plan) was 23% in 2009.

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. During 2009, total pension contributions, including our international plans, were $131 million compared with $21 million in 2008. We made voluntary pension contributions of $102 million in 2009. We estimate 2010 required pension contributions will be $17 million. After considering the 2009 contributions and asset performance, the projected present value of estimated global pension contributions that would be required over the next 5 years totals approximately $286 million (pre-tax). Changes in interest rates and the market value of the securities held by the plans could materially change, positively or negatively, the underfunded status of the plans and affect the level of pension expense and required contributions in future years. The ultimate amount of contributions is also dependent upon the requirements of applicable laws and regulations. See Note 24, Employee Benefit Plans, in the Notes to Consolidated Financial Statements for additional information.

We participate in twelve U.S. multi-employer pension (MEP) plans that provide defined benefits to employees covered by collective bargaining agreements. At December 31, 2009, approximately 1,100 employees (approximately 5% of total employees) participated in these MEP plans. The annual net pension cost of the MEP plans is equal to the annual contribution determined in accordance with the provisions of negotiated labor contracts. Our current MEP plan contributions total approximately $5 million. Pursuant to current U.S. pension laws, if any MEP plan fails to meet certain minimum funding thresholds, we could be required to make additional MEP plan contributions, until the respective labor agreement expires, of up to 10% of current contractual requirements. Several factors could cause MEP plans not to meet these minimum funding thresholds, including unfavorable investment performance, changes in participant demographics, and increased benefits to participants. The plan administrators and trustees of the MEP plans provide us with the annual funding notice as required by law. This notice sets forth the funded status of the plan as of the beginning of the prior year but does not provide any company-specific information.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Employers participating in MEP plans can elect to withdraw from the plans, contingent upon labor union consent, and be subject to a withdrawal obligation based on, among other factors, the MEP plan s unfunded vested benefits. U.S. pension regulations provide that an employer can fund its withdrawal obligation in a lump sum or over a time period of up to 20 years based on previous contribution rates. Based on the most recently available plan information, collectively as of January 2009, we estimate our pre-tax contingent MEP plan withdrawal obligation to be approximately $28 million. We have no current intention of taking any action that would subject us to the payment of material withdrawal obligations; however, under applicable law, in very limited circumstances, the plan trustee can impose these obligations on us.

Share Repurchase Programs and Cash Dividends

As discussed in Note 20, Shareholders Equity, in the Notes to Consolidated Financial Statements, 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 employee 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 employee 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 prearranged written plans for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the December 2009 program, which allow for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. We did not repurchase any shares under this program in 2009.

In December 2007, our Board of Directors authorized a $300 million discretionary share repurchase program over a period not to exceed two years. Additionally, our Board of Directors authorized a separate two-year anti-dilutive repurchase program. The anti-dilutive program limited aggregate share repurchases to no more than 2 million shares of Ryder common stock. Towards the end of the third quarter of 2008, we paused purchases under both programs given market conditions at that time. We resumed purchases under both programs in the fourth quarter of 2009 through the end of the programs two year terms. In 2009 and 2008, we repurchased and retired 2,348,909 shares and 2,615,000 shares, respectively, under the $300 million program at an aggregate cost of $100 million and $170 million, respectively. In 2009 and 2008, we repurchased and retired 377,372 shares and 1,363,436 shares, respectively, under the anti-dilutive program at an aggregate cost of $16 million and $86 million, respectively.

Cash dividend payments to shareholders of common stock were $53 million in 2009, $52 million in 2008 and $50 million in 2007. During 2009, we increased our annual dividend to $1.00 per share of common stock.

Market Risk

In the normal course of business, we are exposed to fluctuations in interest rates, foreign currency exchange rates and fuel prices. We manage these exposures in several ways, including, in certain circumstances, the use of a variety of derivative financial instruments when deemed prudent. We do not enter into leveraged derivative financial transactions or use derivative financial instruments for trading purposes.

Exposure to market risk for changes in interest rates exists for our debt obligations. Our interest rate risk management program objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. We manage our exposure to interest rate risk primarily through the proportion of fixed-rate and variable-rate debt we hold in the total debt portfolio. From time to time, we also use interest rate swap and cap agreements to manage our fixed-rate and variable-rate exposure and to better match the repricing of debt instruments to that of our portfolio of assets. See Note 18, Financial Instruments and Risk Management, in the Notes to Consolidated Financial Statements for further discussion on interest rate swap agreements.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

At December 31, 2009, we had $1.90 billion of fixed-rate debt outstanding (excluding capital leases) with a weighted-average interest rate of 5.2% and a fair value of $1.99 billion. A hypothetical 10% decrease or increase in the December 31, 2009 market interest rates would impact the fair value of our fixed-rate debt by approximately $20 million at December 31, 2009. Changes in the relative sensitivity of the fair value of our financial instrument portfolio for these theoretical changes in the level of interest rates are primarily driven by changes in our debt maturities, interest rate profile and amount.

At December 31, 2009, we had $591 million of variable-rate debt, including the impact of interest rate swaps, which effectively changed $250 million of fixed-rate debt instruments with an interest rate of 6.0% to LIBOR-based floating-rate debt with an interest rate of 2.90%. Changes in the fair value of the interest rate swap were offset by changes in the fair value of the debt instruments and no net gain or loss was recognized in earnings. The fair value of our interest rate swap agreement at December 31, 2009 was recorded as an asset totaling $12 million. The fair value of our variable-rate debt at December 31, 2009 was $605 million. A hypothetical 10% increase in market interest rates would have impacted 2009 pre-tax earnings from continuing operations by approximately $1 million.

Exposure to market risk for changes in foreign currency exchange rates relates primarily to our foreign operations buying, selling and financing in currencies other than local currencies and to the carrying value of net investments in foreign subsidiaries. The majority of our transactions are denominated in U.S. dollars. The principal foreign currency exchange rate risks to which we are exposed include the Canadian dollar, British pound sterling and Mexican peso. We manage our exposure to foreign currency exchange rate risk related to our foreign operations buying, selling and financing in currencies other than local currencies by naturally offsetting assets and liabilities not denominated in local currencies to the extent possible. A hypothetical uniform 10% strengthening in the value of the dollar relative to all the currencies in which our transactions are denominated would result in a decrease to pre-tax earnings from continuing operations of approximately $2 million. We also use foreign currency option contracts and forward agreements from time to time to hedge foreign currency transactional exposure. We generally do not hedge the translation exposure related to our net investment in foreign subsidiaries, since we generally have no near-term intent to repatriate funds from such subsidiaries. However, we had a $78 million cross-currency swap in place to hedge our net investment in a foreign subsidiary which matured in 2007. As of December 31, 2009 the accumulated derivative net loss in Accumulated other comprehensive loss was $17 million, net of tax, and will be recognized in earnings upon sale or repatriation of our net investment. At December 31, 2008, we also had forward foreign currency exchange contracts with an aggregate fair value of negative $0.6 million used to hedge the variability of foreign currency equivalent cash flows.

Exposure to market risk for fluctuations in fuel prices relates to a small portion of our service contracts for which the cost of fuel is integral to service delivery and the service contract does not have a mechanism to adjust for increases in fuel prices. At December 31, 2009, we also had various fuel purchase arrangements in place to ensure delivery of fuel at market rates in the event of fuel shortages. We are exposed to fluctuations in fuel prices in these arrangements since none of the arrangements fix the price of fuel to be purchased. Increases and decreases in the price of fuel are generally passed on 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 sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on market fuel costs. We believe the exposure to fuel price fluctuations would not materially impact our results of operations, cash flows or financial position.

ENVIRONMENTAL MATTERS

Refer to Note 25, Environmental Matters, in the Notes to Consolidated Financial Statements for a discussion surrounding environmental matters.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions. Our significant accounting policies are described in the Notes to Consolidated Financial Statements. Certain of these policies require the application of subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. These estimates and assumptions are based on historical experience, changes in the business environment and other factors that we believe to be reasonable under the circumstances. Different estimates that could have been applied in the current period or changes in the accounting estimates that are reasonably likely can result in a material impact on our financial condition and operating results in the current and future periods. We periodically review the development, selection and disclosure of these critical accounting estimates with Ryder s Audit Committee.

The following discussion, which should be read in conjunction with the descriptions in the Notes to Consolidated Financial Statements, is furnished for additional insight into certain accounting estimates that we consider to be critical.

Depreciation and Residual Value Guarantees. We periodically review and adjust the residual values and useful lives of revenue earning equipment of our FMS business segment as described in Note 1, Summary of Significant Accounting Policies Revenue Earning Equipment, Operating Property and Equipment, and Depreciation and Summary of Significant Accounting Policies Residual Value Guarantees and Deferred Gains, in the Notes to Consolidated Financial Statements. Reductions in residual values (i.e., the price at which we ultimately expect to dispose of revenue earning equipment) or useful lives will result in an increase in depreciation expense over the life of the equipment. Based on the mix of revenue earning equipment at December 31, 2009, a 10% decrease in expected vehicle residual values would increase depreciation expense in 2010 by approximately $98 million. We review residual values and useful lives of revenue earning equipment on an annual basis or more often if deemed necessary for specific groups of our revenue earning equipment. Reviews are performed based on vehicle class, generally subcategories of trucks, tractors and trailers by weight and usage. Our annual review is established with a long-term view considering historical market price changes, current and expected future market price trends, expected life of vehicles included in the fleet and extent of alternative uses for leased vehicles (e.g., rental fleet, and SCS and DCC applications). As a result, future depreciation expense rates are subject to change based upon changes in these factors. At the end of each year, we complete our annual review of the residual values and useful lives of revenue earning equipment. Based on the results of our analysis in 2009, we will adjust the residual values of certain classes of our revenue earning equipment effective January 1, 2010. The residual value change will decrease earnings in 2010 by approximately $14 million compared with 2009. Factors that could cause actual results to materially differ from the estimated results include significant changes in the used-equipment market brought on by unforeseen changes in technology innovations and any resulting changes in the useful lives of used equipment.

We also lease vehicles under operating lease agreements. Certain of these agreements contain limited guarantees for a portion of the residual values of the equipment. Results of the reviews described above for owned equipment are also applied to equipment under operating lease. The amount of residual value guarantees expected to be paid is recognized as rent expense over the expected remaining term of the lease. At December 31, 2009, total liabilities for residual value guarantees of $4 million were included in Accrued expenses and other current liabilities (for those payable in less than one year) and in Other non-current liabilities. Based on the existing mix of vehicles under operating lease agreements at December 31, 2009, a 10% decrease in expected vehicle residual values would increase rent expense in 2010 by approximately $2 million.

Pension Plans. We apply actuarial methods to determine the annual net periodic pension expense and pension plan liabilities on an annual basis, or on an interim basis if there is an event requiring remeasurement. Each December, we review actual experience compared with the more significant assumptions used and make adjustments to our assumptions, if warranted. In determining our annual estimate of periodic pension cost, we

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

are required to make an evaluation of critical factors such as discount rate, expected long-term rate of return, expected increase in compensation levels, retirement rate and mortality. Discount rates are based upon a duration analysis of expected benefit payments and the equivalent average yield for high quality corporate fixed income investments as of our December 31 annual measurement date. In order to provide a more accurate estimate of the discount rate relevant to our plan, we use models that match projected benefits payments of our primary U.S. plan to coupons and maturities from a hypothetical portfolio of high quality corporate bonds. Long-term rate of return assumptions are based on actuarial review of our asset allocation strategy and long-term expected asset returns. Investment management and other fees paid using plan assets are factored into the determination of asset return assumptions. In 2009, we adjusted our long-term expected rate of return assumption for our primary U.S. plan down to 7.9% from 8.4% based on the factors reviewed. The composition of our pension assets was 66% equity securities and 34% debt securities and other investments, considering the reallocation of excess cash. As part of our strategy to manage future pension costs and net funded status volatility, we regularly assess our pension investment strategy. We evaluate our mix of investments between equity and fixed income securities and may adjust the composition of our pension assets when appropriate. The rate of increase in compensation levels and retirement rates are based primarily on actual experience.

Accounting guidance applicable to pension plans does not require immediate recognition of the effects of a deviation between these assumptions and actual experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted and recorded within Accumulated other comprehensive loss. We had a pre-tax actuarial loss of $638 million at the end of 2009 compared with a loss of $750 million at the end of 2008. The decrease in the net actuarial loss in 2009 resulted primarily from higher than expected pension asset returns. To the extent the amount of actuarial gains and losses exceed 10% of the larger of the benefit obligation or plan assets, such amount is amortized over the average remaining service life of active participants or the remaining life expectancy of inactive participants if all or almost all of a plan s participants are inactive. The freeze of the qualified U.S. pension plan caused almost all of the plan s participants to become inactive on January 1, 2008. Consequently, by rule, the amortization period for actuarial losses on the qualified U.S. pension plan was changed to the average remaining life expectancy of plan participants (28 years) resulting in an extended amortization period. The amount of the actuarial loss subject to amortization in 2010 and future years will be $478 million. The effect on years beyond 2010 will depend substantially upon the actual experience of our plans.

Disclosure of the significant assumptions used in arriving at the 2009 net pension expense is presented in Note 24, Employee Benefit Plans, in the Notes to Consolidated Financial Statements. A sensitivity analysis of projected 2010 net pension expense to changes in key underlying assumptions for our primary plan, the U.S. pension plan, is presented below.

	Assumed Rate	Change	Impact on 2010 Net Pension Expense	Effect on December 31, 2009 Projected Benefit Obligation
Expected long-term rate of return on assets	**7.65%**	**+/– 0.25%**	**–/+ $2.0 million**	
Discount rate increase	**6.20%**	**+ 0.25%**	**– $0.5 million**	**– $37 million**
Discount rate decrease	**6.20%**	**– 0.25%**	**+ $0.3 million**	**+ $37 million**

Self-Insurance Accruals. Self-insurance accruals were $243 million and $256 million as of December 31, 2009 and 2008, respectively. The majority of our self-insurance relates to vehicle liability and workers compensation. We use a variety of statistical and actuarial methods that are widely used and accepted in the insurance industry to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, we consider such factors as frequency and severity of claims, claim development and payment patterns and changes in the nature of our business, among other factors. Such factors are analyzed for each of our business segments. Our estimates may

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

be impacted by such factors as increases in the market price for medical services, unpredictability of the size of jury awards and limitations inherent in the estimation process.

In recent years, our actual claim development has been favorable compared with historical selected loss development factors because of improved safety performance, payment patterns and settlement patterns. During 2009, 2008, and 2007, we recorded a benefit of $1 million, $23 million, and $24 million, respectively, to reduce estimated prior years self-insured loss reserves. Based on self-insurance accruals at December 31, 2009, a 5% adverse change in actuarial claim loss estimates would increase operating expense in 2010 by approximately $11 million.

Goodwill Impairment. We assess goodwill for impairment, as described in Note 1, Summary of Significant Accounting Policies Goodwill and Other Intangible Assets, in the Notes to Consolidated Financial Statements, on an annual basis or more often if deemed necessary. At December 31, 2009, goodwill totaled $216 million. To determine whether goodwill impairment indicators exist, we are required to assess the fair value of the reporting unit and compare it to the carrying value. A reporting unit is a component of an operating segment for which discrete financial information is available and management regularly reviews its operating performance.

Our valuation of fair value for each reporting unit is determined based on an average of discounted future cash flow models that use ten years of projected cash flows and various terminal values based on multiples, book value or growth assumptions. We considered the current trading multiples for comparable publicly-traded companies and the historical pricing multiples for comparable merger and acquisition transactions that have occurred in our industry. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point in time. Our discount rates reflect a weighted average cost of capital based on our industry and capital structure adjusted for equity risk premiums and size risk premiums based on market capitalization. Estimates of future cash flows are dependent on our knowledge and experience about past and current events and assumptions about conditions we expect to exist, including long-term growth rates, capital requirements and useful lives. Our estimates of cash flows are also based on historical and future operating performance, economic conditions and actions we expect to take. In addition to these factors, our SCS reporting units are dependent on several key customers or industry sectors. The loss of a key customer may have a significant impact to one of our SCS reporting units, causing us to assess whether or not the event resulted in a goodwill impairment loss. While we believe our estimates of future cash flows are reasonable, there can be no assurance that deterioration in economic conditions, customer relationships or adverse changes to expectations of future performance will not occur, resulting in a goodwill impairment loss. Our annual impairment test performed as of April 1, 2009 did not result in any impairment of goodwill. The excess of fair value over carrying value for each of our reporting units as of April 1, 2009, our annual testing date, ranged from approximately $4 million to approximately $315 million. In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, we applied a hypothetical 5% decrease to the fair values of each reporting unit. This hypothetical 5% decrease would result in excess fair value over carrying value ranging from approximately $3 million to approximately $214 million for each of our reporting units.

Revenue Recognition. In the normal course of business, we may act as or use an agent in executing transactions with our customers. The accounting issue encountered in these arrangements is whether we should report revenue based on the gross amount billed to the customer or on the net amount received from the customer after payments to third parties. To the extent revenues are recorded on a gross basis, any payments to third parties are recorded as expenses so that the net amount is reflected in net earnings. Accordingly, the impact on net earnings is the same whether we record revenue on a gross or net basis.

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

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

majority of our arrangements, we are acting as a principal and therefore report revenue on a gross basis. However, our SCS business segment engages in some transactions where we act as agents and thus record revenue on a net basis.

In transportation management arrangements where we act as principal, revenue is reported on a gross basis for subcontracted transportation billed to our customers. From time to time, the terms and conditions of our transportation management arrangements may change, which could require a change in revenue recognition from a gross basis to a net basis or vice versa. Our non-GAAP measure of operating revenue would not be impacted from this change in revenue reporting. Effective January 1, 2008, our contractual relationship for certain transportation management services changed, and we determined, after a formal review of the terms and conditions of the services, that we were acting as an agent in the arrangement. As a result, total revenue and subcontracted transportation expense decreased in 2008 due to the reporting of revenue net of subcontracted transportation expense. During 2007, revenue associated with this portion of the contract was $640 million.

Income Taxes. Our overall tax position is complex and requires careful analysis by management to estimate the expected realization of income tax assets and liabilities.

Tax regulations require items to be included in the tax return at different times than the items are reflected in the financial statements. As a result, the effective tax rate reflected in the financial statements is different than that reported in the tax return. Some of these differences are permanent, such as expenses that are not deductible on the tax return, and some are timing differences, such as depreciation expense. Timing differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the tax return in future years for which we have already recorded the tax benefit in the financial statements. Deferred tax assets amounted to $320 million and $405 million at December 31, 2009 and 2008, respectively. We record a valuation allowance for deferred tax assets to reduce such assets to amounts expected to be realized. At December 31, 2009 and 2008, the deferred tax valuation allowance, principally attributed to foreign tax loss carryforwards in the SCS business segment, was $37 million and $35 million, respectively. In determining the required level of valuation allowance, we consider whether it is more likely than not that all or some portion of deferred tax assets will not be realized. This assessment is based on management s expectations as to whether sufficient taxable income of an appropriate character will be realized within tax carryback and carryforward periods. Our assessment involves estimates and assumptions about matters that are inherently uncertain, and unanticipated events or circumstances could cause actual results to differ from these estimates. Should we change our estimate of the amount of deferred tax assets that we would be able to realize, an adjustment to the valuation allowance would result in an increase or decrease to the provision for income taxes in the period such a change in estimate was made.

We are subject to tax audits in numerous jurisdictions in the U.S. and around the world. 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 determine whether the benefits of our tax positions are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we accrue the largest amount of the benefit that is more likely than not of being sustained in our consolidated financial statements. Such accruals 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. See Note 14, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion of the status of tax audits and uncertain tax positions.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1, Summary of Significant Accounting Policies Recent Accounting Pronouncements, in the Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements.

NON-GAAP FINANCIAL MEASURES

This Annual Report on Form 10-K includes information extracted from consolidated 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 adjusted return on average capital, 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, total obligations to equity, and comparable earnings from continuing operations and comparable earnings per diluted common share from continuing operations. We believe that the comparable earnings from continuing operations and comparable earnings per diluted common share from continuing operations measures provide useful information to investors because they exclude significant items that are unrelated to our ongoing business operations. 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 earnings from continuing operations before income taxes to comparable earnings from continuing operations before income taxes for the years ended December 31, 2007, 2006 and 2005 which was not provided within the MD&A discussion:

	Years ended December 31		
	2007	2006	2005
		(In thousands)	
Earnings from continuing operations before income taxes	**$ 402,204**	390,275	357,377
Net restructuring charges	**9,290**		
Pension accounting charge		5,872	
Gain on sale of property	**(10,110)**		
Comparable earnings from continuing operations before income taxes	**$ 401,384**	396,147	357,377

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table provides a numerical reconciliation of earnings from continuing operations and earnings per diluted common share from continuing operations to comparable earnings from continuing operations and comparable earnings per diluted common share from continuing operations for the years ended December 31, 2007, 2006 and 2005 which was not provided within the MD&A discussion:

	Years ended December 31		
	2007	2006	2005
	(In thousands)		
Earnings from continuing operations	$ **251,779**	246,694	228,768
Net restructuring charges	**5,935**		
Tax law changes	**(3,333)**	(6,796)	(7,627)
Pension accounting charge		3,720	
Gain on sale of property	**(6,154)**		
Comparable earnings from continuing operations	$ **248,227**	243,618	221,141
Earnings per diluted common share from continuing operations	$ **4.19**	3.99	3.53
Net restructuring charges	**0.10**		
Tax law changes	**(0.06)**	(0.11)	(0.12)
Pension accounting charge		0.06	
Gain on sale of property	**(0.10)**		
Comparable earnings per diluted common share from continuing operations	$ **4.13**	3.94	3.41

The following table provides a numerical reconciliation of total revenue to operating revenue for the years ended December 31, 2009, 2008 and 2007 which was not provided within the MD&A discussion:

	Years ended December 31		
	2009	2008	2007
	(In thousands)		
Total revenue	$ **4,887,254**	5,999,041	6,363,130
FMS fuel services and SCS/DCC subcontracted transportation revenue	**(948,963)**	(1,648,434)	(2,052,340)
Fuel eliminations	**124,221**	239,473	204,290
Operating revenue	$ **4,062,512**	4,590,080	4,515,080

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table provides a numerical reconciliation of return on average shareholders equity to adjusted return on average capital for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 which was not provided within the MD&A discussion:

	Years ended December 31				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Net earnings **[A]**	**$ 61,945**	199,881	253,861	248,959	226,929
Cumulative effect of change in accounting principle					2,440
Restructuring and other charges (recoveries), net and other items(1)	**29,943**	70,447	1,467		(1,741)
Income taxes	**53,737**	150,075	151,603	144,014	129,460
Adjusted net earnings before income taxes	**145,625**	420,403	406,931	392,973	357,088
Adjusted interest expense(2)	**149,968**	164,975	169,060	146,565	127,072
Adjusted income taxes(3)	**(121,758)**	(230,456)	(219,971)	(207,183)	(185,917)
Adjusted net earnings **[B]**	**$ 173,835**	354,922	356,020	332,355	298,243
Average total debt	**$ 2,691,569**	2,881,931	2,847,692	2,480,314	2,147,836
Average off-balance sheet debt	**141,629**	170,694	150,124	98,767	147,855
Average obligations **[C]**	**2,833,198**	3,052,625	2,997,816	2,579,081	2,295,691
Average shareholders equity **[D]**	**1,395,629**	1,778,489	1,790,814	1,610,328	1,554,718
Average adjustments to shareholders equity(4)	**15,645**	9,608	855	(5,114)	(4,680)
Average adjusted shareholders equity **[E]**	**1,411,274**	1,788,097	1,791,669	1,605,214	1,550,038
Average adjusted capital	**$ 4,244,473**	4,840,722	4,789,485	4,184,295	3,845,729
Return on average shareholders equity (%) **[A/D]**	**4.4**	11.2	14.2	15.5	14.6
	4.1	7.3	7.4	7.9	7.8

Adjusted return on average capital (%)
[B]/[C+E]

(1) *For 2009 and 2008, see Note 4, Discontinued operations, Note 5, Restructuring and Other Charges and Note 26, Other Items Impacting Comparability, in the Notes to Consolidated Financial Statements; 2007 includes restructuring and other charges (recoveries) of $11 million in the second half of 2007 and a gain of $10 million related to the sale of property in the third quarter. Restructuring and other charges (recoveries), net and other items not presented in this reconciliation were not significant in the respective periods.*

(2) *Includes interest on off-balance sheet vehicle obligations.*

(3) *Calculated by excluding taxes related to restructuring and other charges (recoveries), net and other items, impacts of tax law changes or reserve reversals and interest expense.*

(4) *Represents comparable earnings adjustments for respective periods.*

SPECIAL NOTE REGARDING 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

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

similar expressions. This Annual Report contains forward-looking statements including, but not limited to, statements regarding:

- the status of our unrecognized tax benefits for 2009 related to the U.S. federal, state and foreign tax positions and the impact of recent state tax law changes;
- our expectations as to anticipated revenue and earnings trends and future economic conditions specifically, earnings per share, operating revenue, used vehicle sales results, contract revenue declines, non-renewal of automotive contracts, commercial rental growth and freight volume projections;
- the economic and business impact of our strategy to continue supply chain operations in the U.S., Canada, Mexico and Asia markets, discontinue supply chain operations in South America and Europe and carry out workforce reductions;
- the anticipated pre-tax cost annual savings from our global cost savings initiatives;
- our ability to successfully achieve the operational goals that are the basis of our business strategies, including offering competitive pricing and value-added differentiation, diversifying our customer base, optimizing asset utilization, leveraging the expertise of our various business segments, serving our customers global needs and expanding our support services;
- impact of losses from conditional obligations arising from guarantees;
- number of NLE vehicles in inventory, and the size of our commercial rental fleet, for the remainder of the year;
- estimates of free cash flow and capital expenditures for 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;
- our ability to fund all of our operations for the foreseeable future through internally generated funds and outside funding sources;
- our expected level of use of outside funding sources;
- the anticipated impact of fuel price fluctuations;
- our expectations as to future pension expense and contributions, the impact of pension legislation, as well as the effect of the freeze of our pension plans on our benefit funding requirements;
- our expectations relating to withdrawal liability and funding levels of multi-employer plans;
- 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 completion and ultimate outcome of certain tax audits;

the anticipated effects of our decision to resume our share repurchase program;

the ultimate disposition of legal proceedings and estimated environmental liabilities;

our expectations relating to compliance with new regulatory requirements; and

our expectations regarding the effect of the adoption of recent accounting pronouncements.

These statements, as well as other forward-looking statements contained in this Annual 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

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

expressed in any forward-looking statements. For a detailed description of certain of these risk factors, please see Item 1A. Risk Factors of this Annual Report.

The risks included in the Annual Report 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 Annual Report. We do not intend, or assume any obligation, to update or revise any forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by ITEM 7A is included in ITEM 7 (page 50) of PART II of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

TO THE SHAREHOLDERS OF RYDER SYSTEM, INC.:

Management of Ryder System, Inc., together with its consolidated subsidiaries (Ryder), is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a- 15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Ryder s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

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

Management assessed the effectiveness of Ryder s internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control Integrated Framework. Based on our assessment and those criteria, management determined that Ryder maintained effective internal control over financial reporting as of December 31, 2009.

Ryder s independent registered certified public accounting firm has audited the effectiveness of Ryder s internal control over financial reporting. Their report appears on page 63.

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
RYDER SYSTEM, INC.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, shareholders equity, and cash flows present fairly, in all material respects, the financial position of Ryder System, Inc. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, in 2007 the Company changed its method of accounting for uncertainty in income taxes.

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

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

/s/ PricewaterhouseCoopers LLP

February 12, 2010
Miami, Florida

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RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years ended December 31		
	2009	2008	2007
	(In thousands, except per share amounts)		
Revenue	$ **4,887,254**	5,999,041	6,363,130
Operating expense (exclusive of items shown separately)	**2,229,539**	2,959,518	2,739,952
Salaries and employee-related costs	**1,233,243**	1,345,216	1,348,212
Subcontracted transportation	**198,860**	233,106	868,437
Depreciation expense	**881,216**	836,149	810,544
Gains on vehicle sales, net	**(12,292)**	(39,020)	(44,090)
Equipment rental	**65,828**	78,292	86,415
Interest expense	**144,342**	152,448	155,970
Miscellaneous (income) expense, net	**(3,657)**	2,564	(15,309)
Restructuring and other charges, net	**6,406**	21,480	10,795
	4,743,485	5,589,753	5,960,926
Earnings from continuing operations before income taxes	**143,769**	409,288	402,204
Provision for income taxes	**53,652**	151,709	150,425
Earnings from continuing operations	**90,117**	257,579	251,779
(Loss) earnings from discontinued operations, net of tax	**(28,172)**	(57,698)	2,082
Net earnings	$ **61,945**	199,881	253,861
Earnings (loss) per common share Basic			
Continuing operations	$ **1.62**	4.54	4.22
Discontinued operations	**(0.51)**	(1.02)	0.03
Net earnings	$ **1.11**	3.52	4.25
Earnings (loss) per common share Diluted			
Continuing operations	$ **1.62**	4.51	4.19
Discontinued operations	**(0.51)**	(1.01)	0.03
Net earnings	$ **1.11**	3.50	4.22

See accompanying notes to consolidated financial statements.

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RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2009	2008
	(Dollars in thousands, except per share amount)	
Assets:		
Current assets:		
Cash and cash equivalents	$ **98,525**	120,305
Receivables, net	**598,661**	635,376
Inventories	**50,146**	48,324
Prepaid expenses and other current assets	**133,041**	153,576
Total current assets	**880,373**	957,581
Revenue earning equipment, net of accumulated depreciation of $3,013,179 and $2,749,654, respectively	**4,178,659**	4,565,224
Operating property and equipment, net of accumulated depreciation of $855,657 and $842,427, respectively	**543,910**	546,816
Goodwill	**216,444**	198,253
Intangible assets	**39,120**	36,705
Direct financing leases and other assets	**401,324**	384,929
Total assets	$ **6,259,830**	6,689,508
Liabilities and shareholders equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ **232,617**	384,262
Accounts payable	**262,712**	295,083
Accrued expenses and other current liabilities	**354,945**	431,820
Total current liabilities	**850,274**	1,111,165
Long-term debt	**2,265,074**	2,478,537
Other non-current liabilities	**681,613**	837,280
Deferred income taxes	**1,035,874**	917,365
Total liabilities	**4,832,835**	5,344,347