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

FORM 10-K

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission File Number: 1-4364

RYDER SYSTEM, INC.

(Exact name of registrant as specified in its charter)

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

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 ☐ NO ☑

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 ☑ NO ☐

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 ☑

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

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, 2017 was $ 3,774,013,558 . The number of shares of Ryder System, Inc. Common Stock ($0.50 par value per share) outstanding at January 31, 2018 was 52,977,548 .

Documents Incorporated by Reference into this Report	Part of Form 10-K into which Document is Incorporated
Ryder System, Inc. 2018 Proxy Statement	**Part III**

RYDER SYSTEM, INC.
FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

		Page No.
PART I		
ITEM 1	Business	1
ITEM 1A	Risk Factors	13
ITEM 1B	Unresolved Staff Comments	21
ITEM 2	Properties	21
ITEM 3	Legal Proceedings	21
ITEM 4	Mine Safety Disclosures	21
PART II		
ITEM 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
ITEM 6	Selected Financial Data	25
ITEM 7	Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
ITEM 7A	Quantitative and Qualitative Disclosures About Market Risk	66
ITEM 8	Financial Statements and Supplementary Data	67
ITEM 9	Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	121
ITEM 9A	Controls and Procedures	121
ITEM 9B	Other Information	121
PART III		
ITEM 10	Directors, Executive Officers and Corporate Governance	121
ITEM 11	Executive Compensation	121
ITEM 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	122
ITEM 13	Certain Relationships and Related Transactions, and Director Independence	122
ITEM 14	Principal Accountant Fees and Services	122
PART IV		
ITEM 15	Exhibits and Financial Statement Schedules	123
	Exhibit Index	124
SIGNATURES		128

PART I

ITEM 1. BUSINESS

OVERVIEW

Ryder System, Inc. (Ryder) is a global leader in transportation and supply chain management solutions. Our operating segments are aggregated into reportable business segments based upon similar economic characteristics, products, services, customers and delivery methods. We are reporting our financial performance based on three business segments: (1) Fleet Management Solutions (FMS), which provides full service leasing and leasing with flexible maintenance options, commercial rental, and contract or transactional maintenance services of trucks, tractors and trailers to customers principally in the U.S., Canada and the U.K.; (2) Dedicated Transportation Solutions (DTS), which provides vehicles and drivers as part of a dedicated transportation solution in the U.S.; and (3) Supply Chain Solutions (SCS), which provides comprehensive supply chain solutions including distribution and transportation services in North America and Singapore. Dedicated transportation services provided as part of an integrated, multi-service, supply chain solution to SCS customers are reported in the SCS business segment.

For financial information and other information relating to each of our business segments and about our geographic areas, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this report and Note 28 , " Segment Reporting ," in the Notes to Consolidated Financial Statements.

MISSION AND STRATEGY

Ryder's mission is to provide innovative fleet management and supply chain solutions that are reliable, safe and efficient, enabling our customers to deliver on their promises. We seek to deliver valuable solutions that will compel customers to outsource their fleet management and supply chain needs to us. Our primary strategy is to grow our fleet management and supply chain outsourcing services by targeting private fleets not currently outsourcing their fleet-related services (FMS and DTS), as well as companies who have outsourced to other providers, and key industries (SCS) with innovative solutions, operational excellence, best in class talent and information technology. This strategy is supported by:

- offering innovative products, solutions and support services that will create and strengthen customer relationships;
- delivering operational excellence through continuous productivity and process improvements;
- attracting, developing and retaining the best talent; and
- deploying technology that will enable growth while improving operational efficiencies.

INDUSTRY AND OPERATIONS

Fleet Management Solutions

Value Proposition

Through our FMS business, we provide our customers with a variety of fleet solutions that are designed to improve their competitive position. By outsourcing these services to us, our customers can focus on their core business, improve their efficiency and productivity, and lower their costs. Our FMS product offering is comprised of longer-term full service leasing as well as leasing with flexible maintenance options; shorter-term commercial truck rental; contract or transactional maintenance services; and value-added fleet support services such as insurance, vehicle administration and fuel services. In addition, we provide our customers the ability to purchase a large selection of used trucks, tractors and trailers through our used vehicle sales program. FMS also provides maintenance, fuel and other services for all vehicles used in DTS and SCS solutions.

Market Trends

The U.S. commercial fleet market is estimated to include 8.3 million vehicles , of which 4.3 million vehicles are with privately held companies, 1.5 million vehicles are with for-hire carriers, 0.5 million vehicles are leased from banks or other financial institutions, and 0.8 million vehicles are in the lease and rental market [(1)] . The 4.3 million vehicles privately owned by companies provide all or a portion of the transportation services for themselves rather than outsourcing those services to third parties such as Ryder. Several trends have been increasing the need for outsourcing: increased demand for efficiency and reliability; increased complexity and cost of buying and maintaining vehicles including technology, diagnostics, and training; labor issues including a shortage of qualified truck drivers and mechanics; as well as increased regulation and enforcement of safety requirements. Because of these trends, we believe the privately held fleets and the for-hire carriers will increasingly decide to outsource. Ryder also targets customers who are already outsourcing with other providers.

Similar trends apply to outsourcing in Canada, and the Canadian commercial fleet is estimated at 500,000 vehicles, of which approximately 17,000 vehicles are in the lease and rental market [(2)] . In the U.K., the commercial rental and lease market is estimated at 229,000 units [(3)] . The total lease and rental market in Ryder's major markets totals over 1 million units. However, due to the trends described above, combined with our success in converting owners to outsourcing, the total market potential for Ryder is significantly higher.

Over the last several years, many key trends have been reshaping the transportation industry. We strongly believe these trends increase the value of our product offering. Companies that own and manage their own fleet of vehicles have put greater emphasis on the quality of their preventive maintenance and safety programs because of increased demand for efficiency and reliability. The maintenance and operation of commercial vehicles has become more complicated and expensive, requiring companies to spend a significant amount of time and money to keep up with new technology, diagnostics, retooling and training. Increased regulation and active enforcement efforts by federal and state governments require more stringent and costly operational processes and oversight. Fluctuating energy prices and alternative fuel technologies make it difficult for businesses to predict and manage fleet costs.

Operations

For the year ended December 31, 2017 , our global FMS business accounted for 58% of our consolidated revenue.

U.S. Ryder was founded in the U.S. in 1933. Our FMS customers in the U.S. range from small businesses to large national enterprises operating in a wide variety of industries, the most significant of which are transportation and warehousing, food and beverage, housing, business and personal services, and industrial. At December 31, 2017 , we had 533 operating locations, excluding ancillary storage locations, in 50 states and Puerto Rico. A location consists of a maintenance facility or "shop". Our maintenance facilities typically include a shop for preventive maintenance and repairs, a service island for fueling, safety inspections and preliminary maintenance checks, offices for sales and other personnel, and in many cases, a commercial rental vehicle counter. We also operate on-site at 172 customer locations, which primarily provide vehicle maintenance.

Canada . We have been operating in Canada for over 50 years. At December 31, 2017 , we had 36 operating locations throughout 9 Canadian provinces. We also operated 14 maintenance facilities on-site at customer properties in Canada.

Europe. We began operating in the U.K. in 1971. At December 31, 2017 , we had 60 operating locations primarily throughout the U.K. We also managed a network of 426 independent maintenance facilities in the U.K. to serve our customers when it is more effective than providing the service in a Ryder location. In addition to our typical FMS operations, we supply and manage vehicles, equipment and personnel for military organizations in the U.K. and Germany.

(1) U.S. Fleet as of June 2017 , Class 3-8, IHS Markit Ltd. (formerly RL Polk)
(2) Canada Outsourced Fleet Market as of September 2017 , Class 3-8, IHS Markit Ltd. (formerly RL Polk)
(3) U.K. Lease and Rental HGV Market, Projection for December 2017 , Source: The Society of Motor Manufacturers & Traders (SMMT) 2010 & Ryder Internal Estimates

FMS Product Offerings

ChoiceLease . Our lease offering, ChoiceLease, provides customers with vehicles, maintenance services, 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. The ChoiceLease offering allows customers to select the terms of their lease alongside the level of maintenance they prefer, from full service or total bumper-to-bumper coverage to on-demand or pay-as-you-go maintenance. Our ChoiceLease customers receive the following benefits:

- We are able to leverage our vehicle buying power for the benefit of our customers because we purchase a large number of vehicles from a limited number of manufacturers. Once we have signed an agreement with the customer, 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 typically ten years for trailers.
- We offer ChoiceLease customers a complete maintenance program designed to reduce vehicle downtime through a preventive maintenance plan that is based on vehicle type and time or mileage intervals. Alternatively, we offer flexible maintenance options to our customers designed to provide them with choices on their preferred level of maintenance. Given our continued focus on improving the efficiency and effectiveness of our maintenance services, particularly in light of changing technology and increased regulation, we provide our ChoiceLease customers with a cost effective alternative to maintaining their own fleet of vehicles and the flexibility to choose the maintenance program that works for them.
- Our customers have access to our extensive network of maintenance facilities and trained technicians for maintenance, vehicle repairs, 24-hour emergency roadside service, and replacement vehicles for vehicles that are temporarily out of service.
- We typically retain vehicle residual risk exposure.
- Customers have an opportunity to enhance their standard lease with additional fleet support services including our fuel and related services as described below; liability insurance coverage under our existing insurance policies and related insurance services; safety services including safety training, driver certification and loss prevention consulting; vehicle use and other tax reporting, permitting and licensing, and regulatory compliance (including hours of service administration); environmental services; and access to *RydeSmart* ® , a full-featured GPS fleet location, tracking, and vehicle performance management system and to our web-based fleet tool that provides customers with 24/7 access to key operational and maintenance management information about their fleets.

For the year ended December 31, 2017 , ChoiceLease revenue accounted for 57% of our FMS total revenue. Prior to 2017, FMS reported this product as "full service lease."

Commercial Rental . We target rental customers that have a need to supplement their private fleet of vehicles on a short-term basis (one day up to one year in length), either because of seasonal increases in their business or discrete projects that require additional transportation resources. ChoiceLease customers also utilize our commercial rental fleet to handle their peak or seasonal business needs, as substitute vehicles while their lease vehicles are undergoing maintenance, and while they are awaiting delivery of new lease vehicles. Although a portion of our commercial rental business is purely occasional in nature, we focus on building long-term relationships with customers so that we become their preferred source for commercial vehicle rentals. Our rental representatives assist in selecting a vehicle that satisfies a 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 may extend liability insurance coverage under our existing policies to our rental customers as well as the benefits of cost savings and convenience of our comprehensive fuel services program. For the year ended December 31, 2017 , commercial rental revenue accounted for 17% of our FMS total revenue.

SelectCare . Through our SelectCare product line, we provide maintenance services to customers who do not choose to lease vehicles from us. Our SelectCare customers commit to utilizing our extensive network of maintenance facilities and trained technicians to maintain the vehicles they own or lease from third parties. There are several bundles of services available to SelectCare customers including full service contract maintenance and preventive only maintenance. We can also customize the services to include ancillary maintenance and/or fleet support services. 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.

Additionally, our lease and contract maintenance customers periodically require additional maintenance and repair services that are not included in their lease or contract maintenance agreements. For example, additional maintenance and repair services may arise when a customer damages a leased vehicle. In addition, because of our existing relationships with the customer, we may provide service on their owned vehicles and charge the customer on an hourly basis for work performed. By servicing all of our customers' maintenance needs, we create stronger, long-term relationships and have greater opportunity to provide customers with a wide range of outsourcing solutions. For the year ended December 31, 2017 , SelectCare revenue accounted for 10% of our FMS total revenue. Prior to 2017, FMS reported this product as “contract maintenance” and “contract-related maintenance.”

The following table provides information regarding the number of vehicles and customers by FMS product offering at December 31, 2017 :

	U.S.		Foreign		Total	
	Vehicles	Customers	Vehicles	Customers	Vehicles	Customers
ChoiceLease	115,200	11,500	23,900	2,400	139,100	13,900
Commercial rental (1)	31,000	30,700	6,800	5,700	37,800	36,400
SelectCare (2)	48,400	1,700	6,000	400	54,400	2,100

(1) Commercial rental customers include customers who rented a vehicle for more than 3 days during the year and includes approximately 7,400 ChoiceLease customers
(2) SelectCare customers include approximately 1,020 ChoiceLease customers

More recently, we have contracted with large private fleet operators and for-hire carriers to provide maintenance on demand, particularly in geographic areas where these customers do not have their own maintenance operations. The contract for on-demand maintenance services is based on a maintenance program that is designed to meet the customers' specific needs and all maintenance is performed only when and as requested by the customer. This product allows us to expand our customer base to include customers that have traditionally chosen to own and maintain their fleet of vehicles.

Fuel Services. We provide our FMS customers with access to diesel fuel at competitive prices at approximately 450 of our maintenance facilities across the United States and Canada. We also provide fuel services such as fuel planning, fuel tax reporting, centralized billing, fuel cards and fuel monitoring. Although fuel sales do not have a significant impact on our FMS earnings, as it is largely a pass-through cost to customers, we believe allowing customers to leverage our fuel buying power is a significant and valuable benefit to our customers. For the year ended December 31, 2017 , fuel services revenue accounted for 15% of our FMS total revenue.

Used Vehicles. We primarily sell our used vehicles at one of our 53 retail sales centers throughout North America (14 of which are co-located at an 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 ensure that the vehicles are *Road Ready* ® , which means that they have passed a comprehensive, multi-point performance inspection based on specifications formulated through our maintenance program. Our retail sales centers throughout North America allow us to leverage our maintenance expertise and strong brand reputation to realize higher sales proceeds than in the wholesale market. Given our focus on maximizing sales proceeds, we generally sell our used vehicles through retail centers for prices in excess of book value. However, the extent to which we are able to realize a gain on the sale of used vehicles is dependent upon various other factors, including the general state of the used vehicle market, the supply and demand for used commercial vehicles in retail and wholesale markets, the age and condition of the vehicle at the time of its disposal and vehicle depreciation estimates.

FMS Business Strategy

Our FMS business strategy is to be the leading provider of fleet management outsourcing services for light, medium and heavy duty commercial highway vehicles. This strategy revolves around the following interrelated goals and priorities:

- Drive profitable fleet growth by (1) successfully implementing sales and marketing initiatives designed to compel private fleet operators and for-hire carriers to outsource all or some portion of their fleet management needs to us; (2) offering innovative products, solutions and support services that will create and strengthen new and existing customer relationships; and (3) completing targeted acquisitions;
- Deliver a consistent, industry-leading and cost-effective maintenance program to our customers through continued process improvement and re-design, productivity initiatives and technology improvements; and
- Optimize asset utilization and management, particularly with respect to our rental fleet, used vehicle operations and maintenance facility infrastructure.

Successfully driving our fleet growth strategy will require significant capital investments in lease and commercial rental vehicles. As a result, during periods of significant growth, our free cash flow may be negative due to capital outlay upfront to purchase vehicles which are leased over 3 to 10 year periods.

Competition

As an alternative to using our fleet management services, companies choose to provide these services for themselves or 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, truck and trailer manufacturers and independent dealers who provide full service lease products, finance leases, extended warranty maintenance, rental and other transportation services. With the growth of our on-demand maintenance product, we also face competition from managed maintenance providers who are hired to coordinate and manage the maintenance of large fleets of vehicles through a network of third-party maintenance providers. Value-added differentiation of the ChoiceLease, SelectCare and commercial rental services, as well as continued commitment to offer innovative products and solutions, such as natural gas and electric vehicles, have been and will continue to be our emphasis.

Dedicated Transportation Solutions

Value Proposition

Through our DTS business segment, we combine equipment, maintenance, drivers, administrative services and additional services to provide customers 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, labor challenges associated with maintaining a private fleet of vehicles, such as driver recruitment and retention, government regulation, including electronic logging devices and hours of service regulations, Department of Transportation (DOT) audits and workers' compensation. Our DTS 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 and integrated transportation needs.

Market Trends

The U.S. dedicated contract carriage market is estimated to be $14 billion [1] . This market is affected by many of the same trends that impact our FMS business, including the tightening of capacity in the current U.S. trucking market. The administrative requirements relating to regulations issued by the DOT regarding driver screening, training and testing, as well as record keeping and other costs associated with the hours of service requirements, make our DTS product an attractive alternative to private fleet and driver management. With the changes in the regulatory environment, including the electronic logging device mandate that became effective in late 2017, there continues to be increased pressure on the availability of qualified truck drivers, whose supply continues to tighten, and shippers are seeking dedicated capacity from quality transportation and logistics providers. 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 offered as part of our DTS services.

Operations/Product Offerings

For the year ended December 31, 2017 , our global DTS business accounted for 15% of our consolidated revenue. At December 31, 2017 , we had 184 DTS customer accounts in the U.S. Because it is highly customized, our DTS product is particularly attractive to companies that operate in industries that have time-sensitive deliveries or special handling requirements, as well as companies who require specialized equipment. Because DTS 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 DTS operations are located at customer facilities, our DTS business also utilizes and benefits from our extensive network of FMS facilities, including the FMS maintenance network which services all vehicles used in DTS solutions.

In order to customize an appropriate DTS transportation solution for our customers, our DTS 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 each customized plan is to create a distribution system that optimizes freight flow while meeting a customer's service goals. A team of DTS transportation specialists can then implement the plan by leveraging the resources, expertise and technological capabilities of both our FMS and SCS businesses.

[1] *Armstrong & Associates - Third-Party Logistics Market Results and Trends for 2017, June 2017*

To the extent a distribution plan includes multiple modes of transportation (air, rail, sea and highway), our DTS 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 DTS 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).

DTS Business Strategy

Our DTS business strategy is to focus 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, and food and beverage industries;
- Leverage the support and talent of the FMS sales team to compel private fleet operators to outsource all or some of their transportation needs to us;
- Align the DTS 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 DTS 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, driver availability and operations expertise. We are able to differentiate the DTS product offering by leveraging FMS and integrating the DTS services with those of SCS to create a more comprehensive transportation solution for our customers. Our strong safety record and focus on customer service enable us to uniquely meet the needs of customers with high-value products that require specialized handling in a manner that differentiates us from truckload carriers.

Supply Chain Solutions

Value Proposition

Through our SCS business, we offer a broad range of innovative logistics management services that are designed to optimize customers' supply chain and address customers' key business requirements. The organization is aligned by industry verticals (Automotive, Technology and Healthcare, Consumer Packaged Goods and Retail, and Industrial) to enable our teams to focus on the specific needs of their customers. Our SCS product offerings are organized into four categories: dedicated services, distribution management, transportation management and professional services. These offerings are supported by a variety of information technology and engineering solutions that are an integral part of our SCS services. These product offerings can be provided independently or as an integrated solution to optimize supply chain effectiveness. A key aspect of our value proposition is our operational execution, which is an important differentiator in the marketplace.

Market Trends

Global logistics is an approximately $8.5 trillion market, of which approximately $826 billion is outsourced. Logistics spending in the markets we are targeting in North America and Singapore equates to approximately $2.0 trillion , of which $209 billion is outsourced [(1)] . Outsourced logistics is a market with significant growth opportunity. More sophisticated supply chain practices are required as supply chains expand and become more complex, product needs continue to proliferate and companies look for lower cost supply chain alternatives. In addition, disruptions from unexpected events such as natural disasters have caused companies to focus on risk management of their supply chains. The more complicated the supply chain or the product requirements, the greater the need for companies to utilize the expertise of supply chain solution providers.

[(1)] *Armstrong & Associates - Third-Party Logistics Market Results and Trends for 2017, June 2017*

Operations

For the year ended December 31, 2017 , our global SCS business accounted for 27% of our consolidated revenue.

U.S. At December 31, 2017 , we had 294 SCS customer accounts in the U.S., most of which are large enterprises that maintain large, complex supply chains. Most of our core SCS business operations are geographically located to maximize efficiencies and reduce costs. At December 31, 2017 , managed warehouse space totaled approximately 44 million square feet for the U.S. We also concentrate certain logistics expertise in locations not associated with specific customer sites. For example, our carrier procurement, contract management, freight bill audit and payment services, and transportation optimization and execution groups operate out of our logistics centers in Novi, Michigan and Fort Worth, Texas.

Mexico . At December 31, 2017 , we had 120 SCS customer accounts and managed warehouse space totaling approximately 4.7 million square feet. Our Mexico operations offer a full range of SCS services and manage approximately 17,900 border crossings each month between Mexico and the U.S. and Canada, often highly integrated with our distribution and transportation operations.

Canada. At December 31, 2017 , we had 43 SCS customer accounts and managed warehouse space totaling approximately 1.2 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.

Singapore. At December 31, 2017 , we had 82 SCS customer accounts and managed warehouse space totaling approximately 363,000 square feet.

SCS Product Offerings

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, including support for e-commerce networks. 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, 2017 , distribution management solutions accounted for 47% of our SCS revenue.

Dedicated Services. Dedicated services are offered as part of an integrated supply chain solution to our customers. We fulfill transportation needs for our customers with a combination of outside carriers and dedicated services. The dedicated services offering combines the equipment, maintenance, drivers and additional services to provide a customer with a dedicated transportation solution, which combined with outside transportation, 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 computer, and other technical support. These additional services allow us to address, on behalf of our customers, labor challenges associated with maintaining a private fleet of vehicles, such as driver recruitment and turnover, government regulation (including hours of service regulations), DOT audits and workers' compensation. Our dedicated services 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 and integrated transportation needs. Dedicated services operations are located at our customer facilities, and our dedicated offering utilizes and benefits from our extensive network of FMS facilities, which provides maintenance for all Ryder vehicles used in SCS solutions. For the year ended December 31, 2017 , approximately 34% of our SCS revenue was related to dedicated 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 with capacity management services that are designed to meet backhaul opportunities and minimize excess miles. For the year ended December 31, 2017 , we purchased and/or executed $5.2 billion in freight moves on our customers' behalf. For the year ended December 31, 2017 , transportation management solutions accounted for 14% of our SCS revenue.

Professional Services . In conjunction with providing the SCS core services described previously, 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, 2017 , knowledge-based professional services accounted for 5% of our 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:

- Provide customers with best in class execution and quality through reliable and flexible supply chain solutions;
- Develop innovative solutions and capabilities that drive value for our customer within our targeted industry verticals;
- Create a culture of innovation and collaboration to share capabilities and solutions to meet our client’s needs;
- Consistent focus on network optimization and continuous improvement; and
- Successfully execute targeted sales and marketing growth strategies.

Competition

As an alternative to using our services, most companies choose to internally manage their own supply chains and logistics operations, although some choose to obtain similar or alternative services from other third-party vendors.

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. We compete with a handful of large, multi-service companies across all of our service offerings and industries. We also compete against other companies on specific service offerings (for example, in transportation management, distribution management or dedicated services) or in a specific industry. We face different competitors in each country or region where they may have a greater operational presence. Competitive factors include price, service, market knowledge, expertise in logistics-related technology and overall performance (e.g. timeliness, accuracy, and flexibility).

ACQUISITIONS

In addition to our continued focus on organic growth, acquisitions play an important role in enhancing our growth strategy. In assessing potential acquisition targets in our FMS business segment, we look for companies that would create value through operating synergies, leveraging our existing facility infrastructure, improving our geographic coverage and diversifying our customer base. In our DTS business segment, we are focusing on strategies for growth, including acquisitions that expand our capabilities and vertical market sector. In our SCS business segment, we focus on adding capabilities and product offerings, potentially expanding into new industries, diversifying our customer base within our current industries, and improving our competitive position.

CYCLICALITY

Ryder's business is impacted by economic and market conditions. In a strong economic cycle, there is generally more demand for our fleet management, dedicated and supply chain services. In a weak or volatile economy, demand for our services decreases and is inconsistent and considerably more unpredictable. Because of these factors, we have continued to focus on increasing the diversity of our customer base and strengthening our long-term business partnerships with our customers. Although we believe these efforts help mitigate the immediate impact of an economic downturn, during a protracted or severe economic downturn, customers are often unwilling to commit to a full-service lease or long-term supply chain contract. Because commercial rental and used vehicle sales are transactional, they are more cyclical in nature, and results can vary significantly in both the short- and long-term. We mitigate some of the potential impact of an economic downturn through a disciplined and centralized approach to asset management. This approach allows us to manage the size, mix and location of our operating fleet and used vehicle inventories to try and maximize asset utilization and used vehicle proceeds in both strong and weak market conditions.

ADMINISTRATION

Our financial administrative functions for the U.S. and Canada, including credit, billing and collections are consolidated into our Shared Services Center, 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 enhance customer service through process standardization, create an organizational structure that will improve market flexibility and allow future reengineering efforts to be attained more easily at lower implementation costs.

REGULATION

Our business is subject to regulation by various federal, state, local and foreign governmental entities. The DOT 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. The Federal Motor Carrier Safety Administration (FMCSA), under the DOT, manages a compliance and enforcement initiative partnering with state agencies designed to monitor and improve commercial vehicle motor safety, which uses roadside inspections and violations to measure motor carriers and drivers. In 2017, the FMCSA regulations mandating electronic logging devices in commercial motor vehicles went into effect for various aspects of our dedicated, supply chain and rental businesses.

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, which regulate safety, the management of hazardous materials, water discharges and air emissions, solid waste disposal and the release and cleanup of regulated substances. We must comply with 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, wage and hour requirements, security including data privacy and cyber security and ergonomics.

ENVIRONMENTAL

We have a long-standing commitment 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 have maintained an environmental policy since 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 proactive 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 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 (1) the needs of our customers; (2) the communities in which we provide services; and (3) relevant laws and regulations. We regularly review and update our environmental management procedures, and information regarding our environmental activities is routinely disseminated throughout Ryder. In 2016, we published our 2014/2015 Corporate Sustainability Report Supplement, which includes new metrics related to our environmental and safety performance for the years 2014 and 2015. The report is publicly available on the company website at *www.ryder.com* by clicking on About Us and then selecting Sustainability. In addition, we have voluntarily responded to the Carbon Disclosure Project (CDP) since 2008, disclosing direct and indirect emissions resulting from our operations, and earned leadership status for the quality of our disclosure report submitted in 2017 for the 2016 performance year.

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 has made us a long-standing industry leader in safety. Safety is an integral part of our business strategy because preventing injuries and collisions improves employee quality of life, eliminates service disruptions to our customers, increases efficiency and improves customer satisfaction. As a core value, our focus on safety is embedded in our day-to-day operations, reinforced by many safety programs and continuous operational improvement and supported by a talented and dedicated safety organization.

We deploy relevant vehicle safety systems in the vehicles we operate, including active brake assistance, lane departure warning systems, stability control, and others, to enhance safety performance. We also install aftermarket safety monitoring systems that provide effective means for our operations teams to measure and improve driver performance. Training is also a key component of our safety program. Monthly safety training delivered by location safety committees cover specific and relevant safety topics and managers receive annual safety leadership training. In driving operations, we use certified driver trainers to on-board and train our drivers using first hand experienced certified driver trainers. Quarterly and remedial training is also delivered online to each driver through our highly interactive Ryder Pro-TREAD comprehensive lesson platform. Regular safety behavioral observations are conducted by managers throughout the organization everyday and remedial training and coaching takes place on the spot. Our safety policies require that all managers, supervisors and employees incorporate safe 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, RyderSafetyNet *SM* , delivers proactive safety programs tailored to every location and helps measure safety activity effectiveness across the organization.

EMPLOYEES

At December 31, 2017 , we had approximately 36,100 full-time employees worldwide, of which 34,300 were employed in North America, 1,400 in Europe and 400 in Singapore. Currently we employ approximately 8,100 drivers and 5,900 technicians. We have approximately 23,200 hourly employees in the U.S., approximately 4,100 of which are organized by labor unions. Those employees organized by labor unions 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 101 separate labor agreements which are renegotiated periodically. Although we have not experienced a material work stoppage or strike, these events can potentially occur given the types of businesses in which we currently engage. We consider the relationship with our employees to be good.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Robert E. Sanchez	52	Chair and Chief Executive Officer
Art A. Garcia	56	Executive Vice President and Chief Financial Officer
Dennis C. Cooke	53	President, Global Fleet Management Solutions
John J. Diez	46	President, Dedicated Transportation Solutions
J. Steven Sensing	50	President, Global Supply Chain Solutions
Robert D. Fatovic	52	Executive Vice President, Chief Legal Officer and Corporate Secretary
Frank Lopez	43	Senior Vice President and Chief Human Resources Officer
Karen M. Jones	55	Executive Vice President and Chief Marketing Officer
John Gleason	61	Executive Vice President and Chief Sales Officer
Rajeev Ravindran	52	Senior Vice President and Chief Information Officer
Frank Mullen	48	Vice President and Controller

Robert E. Sanchez was appointed Chair of Ryder's Board in May 2013 and promoted to Chief Executive Officer and became a Board member in January 2013. Previously, Mr. Sanchez served as President and Chief Operating Officer from February 2012 to December 2012. He served as President, Global Fleet Management Solutions from September 2010 to February 2012 and as Executive Vice President and Chief Financial Officer from October 2007 to September 2010. He also 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 other positions of increasing responsibility, including leadership positions in all three of Ryder's business segments.

Art A. Garcia has served as Executive Vice President and Chief Financial Officer since September 2010. Previously, Mr. Garcia served as Senior Vice President and Controller from October 2005 to August 2010, and as Vice President and Controller from February 2002 to September 2005. Mr. Garcia joined Ryder in 1997 and has held various other positions within Corporate Accounting.

Dennis C. Cooke has served as President, Global Fleet Management Solutions since February 2012. Previously, Mr. Cooke served as Senior Vice President and Chief of Operations, U.S. and Canada Fleet Management Solutions from July 2011 to February 2012. Prior to joining Ryder in July 2011, Mr. Cooke held various positions with General Electric (GE) and related companies, including Vice President and General Manager of GE Healthcare's Global MRI business from 2000 to 2005. He then served as President and Chief Executive Officer of GE Security's Homeland Protection business from 2005 to 2009, and continued serving in those roles from 2009 to 2011 after the business was acquired by the Safran Group and became Morpho Detection, Inc.

John J. Diez has served as President of Dedicated Transportation Solutions since March 2015. Previously, Mr. Diez served as Senior Vice President of Ryder Dedicated from March 2014 to February 2015, and as Senior Vice President of Asset Management from January 2011 to February 2014. Mr. Diez joined Ryder's Finance department in 2002 and has since held various positions within Finance including Senior Vice President Global Field Finance and Vice President and Chief Financial Officer of Fleet Management Solutions.

J. Steven Sensing has served as President of Global Supply Chain Solutions since March 2015. Previously, Mr. Sensing served as Vice President and General Manager of the Technology industry group from February 2007 to February 2015. In July 2014, he also added the Retail industry group under his leadership. Mr. Sensing joined Ryder in 1992 and has since held various positions within Dedicated Services, Transportation Management and Distribution Management.

Robert D. Fatovic has served as Executive Vice President, Chief Legal Officer and Corporate Secretary since May 2004. He previously served as Senior Vice President, U.S. Supply Chain Operations, Hi-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 other positions within the Law department including Vice President and Deputy General Counsel.

Frank Lopez was appointed to Chief Human Resources Officer in February 2016. Previously, Mr. Lopez held the position of Senior Vice President, Global Human Resources Operations since July 2013. Mr. Lopez joined Ryder in 2002 and has since held various positions within the Human Resources, Labor Relations and Legal functions.

Karen M. Jones has served as Executive Vice President and Chief Marketing Officer since October 2014. She joined Ryder in September 2013 as Senior Vice President and Chief Marketing Officer. Prior to joining Ryder, Ms. Jones was Chief Marketing Officer for NRG/Reliant Energy, Inc from 2010 to 2013. Previously, Ms. Jones served as Senior Vice President of Marketing and Corporate Communications for DHL Express U.S. from 2006 to 2009 and as Vice President of Advertising, Brand Management and Promotion from 2004 to 2006. In addition, Ms. Jones has served in key positions responsible for worldwide brand advertising, sponsorship, and strategic alliances for Hewlett Packard.

John Gleason was appointed Executive Vice President and Chief Sales Officer in November 2015. Previously, Mr. Gleason served as Senior Vice President of Global Fleet Management Solutions from October 2009, when he joined Ryder, to October 2015. Prior to joining Ryder, Mr. Gleason served as Chief Sales Officer for Automatic Data Processing (ADP) from April 2005 to September 2009 and as Senior Vice President of Sales from July 1998 to April 2005.

Rajeev Ravindran joined Ryder and was appointed Senior Vice President and Chief Information Officer in January 2018. Mr. Ravindran has over 20 years of IT leadership experience and was previously the CIO and Group Vice President at JM Enterprises. Prior to JM, Rajeev worked in IT leadership roles at various companies including Interactive Metronome, Asista.com, and AutoNation. Rajeev has a degree in Electrical & Computer Engineering from the University of Miami.

Frank Mullen was appointed Vice President and Controller in September 2017. Mr. Mullen joined Ryder from Global Eagle Entertainment, a global provider of media, content, connectivity and data analytics, where he held the position of Senior Vice President and Chief Accounting Officer since 2016. From 2015 to 2016, he served as Vice President and Controller of Pinnacle Foods Inc., a manufacturer, marketer and distributor of branded food products. Prior to joining Pinnacle, Mr. Mullen held roles of increasing responsibility at Aramark, a provider of food service, facilities and uniform services, from 2000 through 2015, including Vice President and Assistant Controller from 2014 to 2015 and Associate Vice President – Corporate Accounting from 2006 to 2014. Mr. Mullen began his career in the Audit & Assurance practice of Arthur Andersen LLP. He holds a Bachelor of Science degree in accounting from Villanova University and is a Certified Public Accountant.

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. The SEC maintains an Internet site that contains our reports, proxy and information statements, and our other SEC filings. The address of the SEC's website is *www.sec.gov* .

In addition, our Corporate Governance Guidelines, Principles of Business Conduct and Board committee charters are posted on the Corporate Governance page of our website at *www.ryder.com* . Upon request to our Investor Relations page on our website at *www.ryder.com,* we will provide a copy of these documents to anyone, free of charge.

ITEM 1A. RISK FACTORS

The following contains all known material risks that could affect our business.

Uncertain or unfavorable economic and industry conditions could adversely impact our business and operating results .

Although macro-economic risk affects most industries, the transportation industry is particularly susceptible to changes in economic and market conditions as our business relies on the strength of our customers' businesses and the level of confidence our customers have about future market conditions. Because of this, our business may begin to slow before market slowdowns, at the point of customer uncertainty, and may recover later than market recoveries, as our customers may continue to feel uncertain about future market conditions. The long-term ChoiceLease product offering and short-term rental of commercial vehicles comprise a large portion of our business. Our vehicles are leased or rented to customers that transport goods commercially so the demand for our products is directly tied to the production and sale of goods by our customers. As a result, when fewer goods are sold by our customers, demand for our services may decrease. Also, sudden changes in fuel prices and fuel shortages may adversely impact the total vehicle miles driven by our customers. If uncertainty and lack of customer confidence around macroeconomic and transportation industry conditions increase, they may impact our future growth prospects and our business and results of operations could be materially adversely affected.

In a weak or volatile economy, demand for our longer-term contractual services may decrease, waver or become less predictable as customers are often unwilling to commit to long-term lease, maintenance, dedicated services or supply chain contracts. Contractual-based services include ChoiceLease and SelectCare contracts in our FMS business segment, dedicated services in our DTS business segment and supply chain contracts in our SCS business segment. Accordingly, any sustained weakness in demand or a protracted economic downturn can negatively impact performance and operating results in our contractual-based service offerings. Although we experienced continued growth in ChoiceLease during 2017 , our customers still remain cautious about entering into long-term leases.

Customer uncertainty may serve to increase demand for our transactional services because they do not require a long-term commitment. Transactional-based services include commercial rental and used vehicle sales in our FMS business segment. Although commercial rental demand began to stabilize in the second half of 2017 , following a period of soft demand and uncertainty in the latter part of 2015 through the first half of 2017, rental demand may decline again or face more unexpected volatility in the future.

Our capital intensive business requires us to make capital decisions based upon projected customer activity levels .

We make significant investments in rental vehicles to support our rental business based on anticipated customer demand. We make commitments to purchase the vehicles months in advance. We must predict fleet requirements and make commitments based on demand projections and various other factors. Missing our projections could result in too much or too little capacity in our rental fleet. Overcapacity could require us to dispose of vehicles at lower than anticipated pricing levels or result in asset write-downs and undercapacity could negatively impact our ability to reliably provide rental vehicles to our customers.

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

Impact on Used Vehicle Sales. We generally bear the residual risk on the value of our vehicles. Beginning in the latter part of 2015 and continuing through 2017, we saw a weakening of conditions in the used vehicle sales market, which adversely affected used vehicle sales volume and pricing, especially for tractors. If the market for used vehicles further declines, or there is a concern regarding the quality, maintenance or condition of our vehicles, we may obtain lower sales proceeds upon the sale of used vehicles, which may impact the residual value estimates of our operating fleet.We sell our used vehicles through various channels, including retail sales centers, at our branch locations, through our website at *www.UsedTrucks.Ryder.com* , as well as through the wholesale market. Pricing and demand for used vehicles varies among selling channels, particularly between the retail and wholesale markets, as we generally obtain lower proceeds on vehicles sold through wholesale channels. If we are unable to meet our targeted fleet counts through our projected mix of retail versus wholesale sales, we may be required to sell more vehicles than planned through the wholesale market, which will impact our sales proceeds. In the latter part of 2016, we increased wholesaling activity which contributed to lower used vehicle sales results in 2016 and 2017.

Impact on our ChoiceLease Product Line . Changes in residual values also impact the overall competitiveness of our ChoiceLease product line, as estimated sales proceeds are a significant component of the overall price of the lease. 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 designed to maintain the value of our used vehicles, 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 “Critical Accounting Estimates - Depreciation and Residual Value Guarantees” section in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our inability to maintain appropriate commercial rental fleet utilization rates could adversely impact our profitability .

In our commercial rental product line, 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. In contrast, in our ChoiceLease product line, we typically do not purchase vehicles until we have an executed contract with a customer.

Failure to execute our growth strategy and develop, market and consistently deliver high-quality services that meet customer expectations, may cause our revenue and earnings to suffer .

Our long-term strategy includes growing our outsourcing services by targeting private fleets new to outsourcing and key industries with innovative solutions, operational excellence, and best-in-class talent and information technology. To successfully execute on this strategy, we must continue to focus on developing effective solutions that meet our existing and target customers’ evolving needs. This requires the skills, experience and efforts of our management team and continued investment in new technology, sales and marketing. Expanding our service offerings may also require us to enter into new markets and encounter new competitive challenges, which may strain our management, capital resources, information systems and customer service.

Notwithstanding our efforts, these new or changed service offerings may not meet customer demands, prove to be profitable or succeed in the long term. If we do not make the right strategic investments to respond to current customer needs and establish and develop new customer relationships, our ability to develop and maintain a competitive advantage and continue to grow could be negatively affected.

Even with the right solutions, our growth strategy depends on delivering consistent operational excellence and strong customer service. Our inability to deliver our services and solutions as promised on a consistent basis, or our customers having a negative experience or otherwise becoming dissatisfied, can impair our relationships with new or existing customers and adversely affect our brand and reputation, which could, in turn, adversely affect revenue and earnings growth.

We may fail to respond adequately or in a timely manner to innovative changes in new technology in our industry .

In recent years, our industry has been characterized by rapid changes in technology, leading to innovative transportation and logistics concepts that could change the way our industry does business. For example, new concepts are currently under development for more advanced electric vehicles, automatic or semi-automatic self-driving vehicles and drones. There may be additional innovations impacting the transportation, trucking and supply chain/logistics industries that we cannot yet foresee. Our inability to quickly adapt to and adopt new innovations in products and processes desired by our customers may result in a significant loss of demand for our service offerings. In addition, advances in technology may require us to increase investments in order to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments. Our lease and rental fleets could become unfavorable with our customers or obsolete within a relatively short period of time, and we may no longer be able to find buyers for our used vehicles. An increase in customer use of electric vehicles could reduce the need for our vehicle maintenance services, diesel vehicles and related offerings. Likewise, self-driving vehicles may reduce the need for our dedicated service offerings, where, in addition to a vehicle, Ryder provides a driver as part of an integrated, full service customer solution.

Failure to maintain, upgrade and consolidate our information technology networks could adversely affect us .

The success of our strategic initiatives designed to increase our sales and capture a greater percentage of the outsourced transportation and supply chain markets is dependent in varying degrees on the timely delivery and the functionality of information technology systems to support them. Extended delays or cost overruns in securing, developing and otherwise implementing technology solutions to support the new business initiatives we are developing now, and will be developing in the future, would delay and possibly even prevent us from realizing the projected benefits of these initiatives. 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. In addition, our reputation with our customers may suffer if outages, system failures or delays in timely access to data occur in legacy information technology systems that support key business processes.

We are continuously upgrading and consolidating our systems, including enhancing legacy systems, replacing legacy systems with successor systems and acquiring new systems with newer functionality. These types of activities subject us to additional costs and inherent risks associated with replacing and modifying these systems, including impairment of our ability to provide our services, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new systems or integrating new systems into our current systems. Our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the implementation of new technology systems may cause disruptions in our business operations and have an adverse effect on our business and operations, if not anticipated and appropriately mitigated.

We may be subject to cybersecurity risks, some of which are beyond our control .

We depend on the proper functioning and availability of our information systems in operating our business, including communications and data processing systems. It is important that the data processed by these systems remains confidential, as it often includes competitive customer information, confidential customer transaction data, employee records, and key financial and operational results and statistics. Failure to prevent or mitigate data loss or system intrusions from cybersecurity attacks or other security breaches could expose us or our vendors or customers to a risk of loss or misuse of such information, adversely affect our operating results, result in litigation or potential liability for us and otherwise harm our business. Likewise, data privacy breaches by employees and others who access our systems may pose a risk that sensitive customer or vendor data may be exposed to unauthorized persons or to the public, adversely impacting our customer service, employee relationships and our reputation.

In addition, portions of our business utilize information systems that provide critical services to both our employees and our customers. Cyber incidents that impact the availability, reliability, speed, accuracy, or other proper functioning of these information systems could have a significant impact on our operations. Some of our software applications are utilized by third parties who provide outsourced administrative functions, which may increase the risk of a cybersecurity incident. Our information systems are protected through physical and software safeguards as well as backup systems considered appropriate by management. However, we may be unable to fully protect against the possibility of damage or breach created by natural disasters, power loss, telecommunications failures, cybersecurity or other security attacks in every potential circumstance that may arise.

We and the vehicle and equipment manufacturers in our FMS business rely on a small number of suppliers .

We buy vehicles and related equipment from a relatively small number of original equipment manufacturers (OEMs) in our FMS business. Some of our vehicle manufacturers rely on a small concentration of suppliers for certain vehicle parts, components and equipment. A discrete event in a particular OEM's or supplier's industry or location, or adverse regional economic conditions impacting an OEM or supplier's ability to provide vehicles or a particular component, could adversely impact our FMS business and profitability. In addition, our business and reputation could also be negatively impacted if any parts, components or equipment from one of our suppliers suffer from broad-based quality control issues or become the subject of a product recall and we are unable to obtain replacement parts from another supplier in a timely manner.

<u>We derive a significant portion of our SCS and DTS segment revenue from a relatively small number of customers</u> .

During 2017 , sales to our top ten SCS customers representing all of the industry groups we service accounted for 53% of our SCS total revenue and 48% of our SCS operating revenue (total revenue less fuel and subcontracted transportation). Additionally, approximately 40% of our global SCS revenue is from the automotive industry and is directly impacted by automotive vehicle production. Our top ten DTS customers accounted for 46% of DTS total revenue and 39% of DTS operating revenue. The loss of any of these customers or a significant reduction in the services provided to any of these customers could impact our operations and adversely affect our SCS or DTS segment 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.

We are also subject to credit risk associated with the concentration of our accounts receivable from our SCS and DTS customers. If one or more of these customers were to become bankrupt, insolvent or otherwise were unable to pay for the services provided by us, we may incur significant write-offs of accounts receivable or incur lease or asset impairment charges that could adversely affect our operating results and financial condition.

In addition, many of our customers operate in cyclical or seasonal industries, or operate in industries, including the food and beverage industry, that may be impacted by unanticipated weather, growing conditions (such as drought, insects or disease), natural disasters and other conditions over which we have no control. A downturn in our customers' businesses or unanticipated events impacting their businesses could cause a reduction in freight volume shipped by those customers or a reduction in their need for our SCS or DTS services.

<u>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</u> .

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

- our inability to obtain expected customer retention levels or sales growth targets;
- we compete with many other transportation and logistics service providers, some of which have greater capital resources than we do;
- customers may choose to provide the services we provide for themselves;
- some of our competitors periodically reduce their prices to gain business, and some of our smaller competitors may have lower cost structures than we do, which may limit our ability to maintain or increase prices; and
- because cost of capital is a significant competitive factor, any increase in either the cost of our debt or equity as a result of reductions in our debt rating or stock price volatility could have a significant impact on our competitive position.

<u>Our profitability could be negatively impacted if the key operational assumptions and pricing structure prove to be invalid</u> .

Substantially all of our ChoiceLease, SelectCare, DTS and SCS services are provided under contractual arrangements with our customers. The pricing structure for our ChoiceLease and SelectCare business is based on certain assumptions regarding capital costs, our ability to acquire equipment at competitive rates from our suppliers, maintenance expense over the life of the contract, particularly in light of new engine technologies, residual values, productivity, and the mix of fixed and variable costs, many of which are derived from historical data and trends. Under most of our SCS 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 we are incorrect in our assumptions, or 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 or be unable to offer competitive products and services. Although some of our SCS contracts provide for renegotiation upon a material change, there is no assurance that we will be successful in obtaining the necessary price adjustments.

We may face difficulties in attracting and retaining drivers and technicians .

Drivers. We hire drivers primarily for our DTS business segment. There is significant competition for qualified drivers in the transportation industry. Additionally, interventions and enforcement under the Federal Motor Carrier Safety Administration (FMCSA) Compliance, Safety, Accountability program may shrink the industry's pool of drivers as those drivers with unfavorable scores may no longer be eligible to drive for us. As a result of driver shortages, we could be required to increase driver compensation, let trucks sit idle, utilize lower quality drivers or face difficulty meeting customer demands, all of which could adversely affect our growth and profitability.

Technicians. Similarly, we hire technicians in our FMS business segment to perform vehicle maintenance services on our ChoiceLease, SelectCare and rental fleets. In recent years, there has been a decrease in the overall supply of skilled maintenance technicians, particularly new technicians with qualifications from technical programs and schools, which could make it more difficult to attract and retain skilled technicians.

We may face issues with our union employees .

We have approximately 4,100 employees that are organized by labor unions whose wages and benefits are governed by 101 labor agreements that are renegotiated periodically. Some of the industries in which we currently engage have experienced a material work stoppage, slowdown or strike. Our business and operations could be impacted in the event of labor strikes or work stoppages involving our employees organized by labor unions in our FMS, DTS or SCS business segments.

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, local and foreign governmental agencies. These agencies could institute new laws, rules or regulations or issue interpretation changes to existing regulations at any time. We have also seen an increase in proactive enforcement of existing regulations by some entities. Compliance with new laws, rules or regulations could substantially impair labor and equipment productivity, increase our costs or impact our ability to offer certain services. Conversely, our failure to comply with any applicable laws, rules or regulations to which we are subject, whether actual or alleged, could expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments. We are also subject to reputational risk and other detrimental business consequences associated with noncompliance by other parties with whom we engage with, such as employees, customers, agents, suppliers or other persons using our supply chain or assets to commit illegal acts, including the use of company assets for terrorist activities, or a breach of data privacy laws.

U.S. Department of Transportation Regulations . The DOT and various local, state and federal agencies exercise broad powers over our motor carrier operations, safety and the generation, handling, storage, treatment and disposal of waste materials. Any regulatory initiatives could increase costs or operating complexity in the various states in which we operate.

Federal Motor Carrier Safety Administration (FMCSA) Compliance, Safety, Accountability Program . The FMCSA's Compliance, Safety, Accountability program may increase the cost for our customers given the potential impact to the driver pool, the additional hours of service requirements and additional investment in vehicle equipment. In addition, although Ryder's scores are below the thresholds that would trigger concern, if performance worsens, we could risk intervention that may create risk to our operating authority.

Labor and Employment Laws and Regulations . We maintain operations and employees in numerous states throughout the United Sates, which are governed by federal and state labor and employment laws and regulations relating to compensation, benefits, healthcare and various workplace issues, all of which are applicable to our employees, and in some cases, independent contractors. State labor and employment rules vary from state to state and in some states, require us to meet much stricter standards than required in other states. Also, we are parties to various class-action lawsuits related to wage and hour violations and improper pay in certain states and may become exposed to similar litigation in the future. Unfavorable or unanticipated outcomes in any of such lawsuits could subject us to increased costs and impact our profitability.

International Laws Governing Countries Where We Have Operations . We currently operate in Canada, Europe, Mexico and Singapore, where we are subject to compliance with local laws and regulatory requirements of foreign jurisdictions, including local tax laws, and compliance with the Foreign Corrupt Practices Act and similar anti-bribery laws. Local laws and regulatory requirements may vary significantly from country to country. Customary levels of compliance with local regulations and the tolerance for noncompliance by regulatory authorities may also vary in different countries and geographical locations, and impact our ability to successfully implement our compliance and business initiatives in certain jurisdictions. Also, 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. In addition, continued uncertainty resulting from the U.K.'s withdrawal from the European Union (Brexit) could adversely impact our (or our customers) business, financial condition and results of operations.

Laws Governing the Operations of our Customers. The U.S. government or governments of other nations that regulate the operations of our customers or any instituted laws relating to cross-border tariffs or other penalties could disrupt international or domestic supply chain operations. The laws could adversely affect the ability for customers to continue their international operations, which would have a negative impact on the demand for our services.

Environmental Regulations Regarding Vehicle Exhaust Emissions, Carbon Emissions and Climate Change May Negatively Impact our Business. Current and future regulations governing vehicle exhaust emissions could adversely impact our business. The Environmental Protection Agency (EPA) issued regulations that required progressive reductions in exhaust emissions from certain diesel engines. The EPA Phase 2 vehicle emission requirements for medium and heavy-duty vehicles will include technology-advancing standards that substantially reduce greenhouse gas emissions and fuel consumption, allowing vehicle manufacturers to meet standards over time through a mix of different technologies. Rules impacting 2017 - 2027 model years require reductions in carbon dioxide, which can only be reduced by improving fuel economy, and which require compliance with different emissions standards for both engines and chassis, based on vocation. OEMs may be required to install additional engine componentry, additional aerodynamics on chassis and low-rolling resistance tires to comply with the regulations, which may result in higher operating costs associated with the more complex componentry and a shorter useful tread life for tires and increased operating costs for customers and us.

Although customers may see reduced fuel consumption under new vehicle emission standards, this could be offset by higher maintenance costs per mile. Each of these requirements could also result in higher prices for vehicles, diesel engine fuel and vehicle maintenance, 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. New engine technologies may also impact the residual values of these vehicles when sold in the future.

Future regulation of other environmental matters, including potential limits on carbon emissions under climate-change legislation, could also impact our business and profitability if enacted.

Other Regulations. We may also become subject to new or more restrictive regulations imposed by the Occupational Safety and Health Administration, the Department of Homeland Security, U.S. Customs Service or other authorities.

New lease accounting rules may negatively impact customer demand for our ChoiceLease product .

Demand for our ChoiceLease product line is based in part on customers' decisions to lease rather than buy vehicles. A number of factors can impact whether customers decide to lease or buy vehicles, including economic benefits, accounting considerations, tax treatment, interest rates and operational flexibility. In February 2016, the Financial Accounting Standards Board issued a new standard on lease accounting that differs from current practice. Most notably, the new approach eliminates off-balance sheet treatment of leases and require lessees to recognize a right-of-use asset and a lease liability on their balance sheets for all leases with a term of greater than 12 months. This new accounting standard must be implemented by public companies beginning with fiscal years that start after December 15, 2018, although companies may opt to adopt the standard before this date. Implementation of the new standard could be perceived to make leasing a less attractive option for some of our ChoiceLease customers.

Changes in income tax regulations for U.S. and multinational companies may increase our tax liability.

On December 22, 2017, President Trump signed into law U.S. federal tax legislation (the "2017 Tax Cuts and Jobs Act"), which includes a broad range of tax reform measures affecting businesses, including the lowering of corporate income tax rates, limits on interest deductibility, incentives for capital spending by permitting full expensing of the purchase of qualifying assets, the loss of certain business deductions, the loss of like-kind exchange programs for our assets and modifications of international tax provisions. These changes will not only impact our company, but will impact our customers' businesses as well as the economy in general. While we currently believe these changes in the aggregate will have a positive effect on the Company and the overall economy, we cannot predict this with certainty. Further, the U.S. Congress, the Organization for Economic Co-operation and Development (OECD), the European Union, and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on the taxation of multinational companies. The OECD, which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting (BEPS) project, which is focused on a number of issues, including the shifting of profits between affiliated entities in different tax jurisdictions. The European Union has a number of on-going tax initiatives. Certain of the proposals for further tax reform, if enacted by the United States or any state thereof or by other jurisdictions in which we or our affiliates invest or do business, could adversely affect us. It is unclear what any actual legislation would provide or what its prospects for enactment would be.

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 not covered by union-administered plans, including certain employees in foreign countries. The retirement benefits under the defined benefit plans are frozen for non-grandfathered and certain non-union employees. Our major defined benefit plans are funded through qualified pension trusts, with trust assets invested in a diversified portfolio. The cash contributions made to our defined benefit trusts are required to comply with minimum funding requirements imposed by employee benefit and tax laws. The aggregate projected benefit obligations and plan assets of our global defined benefit pension plans as of December 31, 2017 , were $2.3 billion and $1.9 billion , 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. Although we have actively sought to control increases in these costs and funding requirements through investment policies and plan contributions, as well as through a lump-sum buyout offer in 2015, 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 are subject to risk of multi-employer pension plan withdrawal .

We participate in certain 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. As a result, although we have taken steps in recent years to withdraw from these MEP plans, we may still have liability for at least a period of time following our withdrawal. If the financial condition of the MEP plans were to continue to deteriorate, we could be subject to additional assessments.

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. The actual cost of claims can be different than the historical selected loss development factors because of safety performance, payment patterns and settlement patterns. For a detailed discussion on our accounting policies and assumptions relating to our self-insurance reserves, please see the "Critical Accounting Estimates - Self-Insurance Accruals" section in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Severe weather or other natural occurrences could result in significant business interruptions and expenditures in excess of available insurance coverage .

Our operations may be affected by external factors such as severe weather and other natural occurrences, including floods, fires, hurricanes and earthquakes at operating locations where we have vehicles, warehouses and other facilities. As a result, our vehicles and facilities may be damaged, our workforce may be unavailable, fuel costs may rise and significant business interruptions could occur. In addition, the performance of our vehicles could be adversely affected by extreme weather conditions. Insurance to protect against loss of business and other related consequences resulting from these natural occurrences is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of our damages or damages to others and this insurance may not continue to be available at commercially reasonable rates. Even with insurance, if any natural occurrence leads to a catastrophic interruption of service, we may not be able to mitigate a significant interruption in operations.

Our international operations subject us to operational and financial risks .

We provide services outside of the U.S., which subjects our business to various risks, including changes in tariffs, trade restrictions, trade agreements and taxes; difficulties in managing or overseeing foreign operations and agents; foreign currency fluctuations and limitations on the repatriation of funds due to foreign currency controls; different liability standards; and intellectual property laws of countries that do not protect our rights in intellectual property to the same extent as the laws of the U.S. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region. Also, if we do not correctly anticipate changes in international economic and political conditions, we may not alter our business practices in time to avoid adverse effects.

We may be negatively impacted by adverse events in the global credit and financial markets .

In general, we rely in large part upon global credit and financial markets to fund our operations and contractual commitments and refinance existing debt. These markets can experience high levels of volatility and access to capital can be constrained for extended periods of time. Significant uncertainty, volatility, disruptions or downturns in the global credit and financial markets may result in:

- unanticipated interest rate and currency exchange rate fluctuations;
- increased risk of default by counterparties under derivative instruments and hedging agreements;
- diminished liquidity and credit availability resulting in higher short-term borrowing costs and more stringent borrowing terms; and
- restricted access to capital and increased cost of capital and financing sources.

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.

We maintain 608 FMS properties in the U.S., Puerto Rico and Canada; we own 408 of these and lease the remaining 200 . 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 186 on-site maintenance facilities, located at customer locations.

We also maintain 207 locations in the U.S. and Canada in connection with our domestic SCS business. Almost all of our SCS locations are leased and generally include a warehouse and administrative offices.

We maintain 123 international locations (locations outside of the U.S. and Canada) for our international businesses. There are 60 locations in the U.K. and Germany, 59 locations in Mexico and 4 locations in 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 three and lease the remaining seven .

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. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

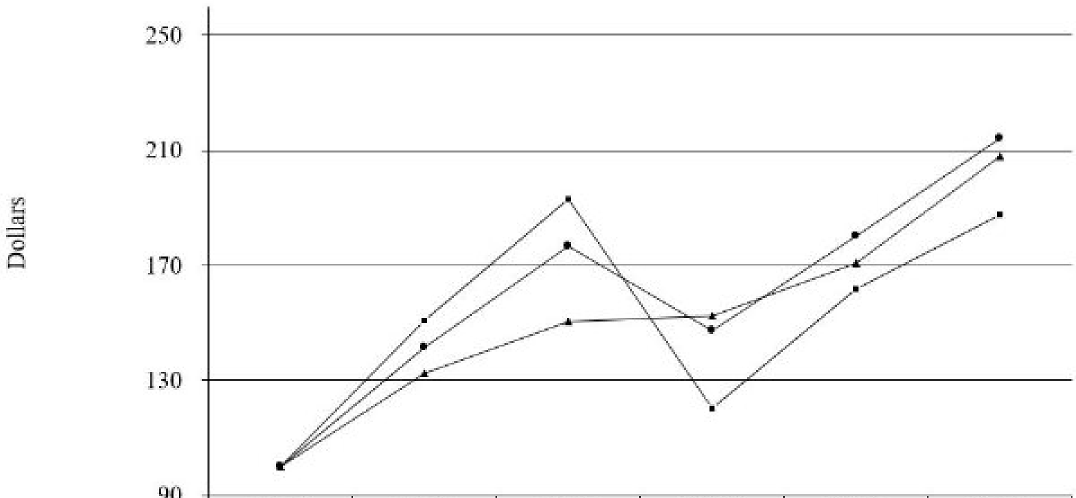
Ryder Common Stock Prices

	Stock Price			Dividends per Common Share
		High	Low	
2017				
First quarter	**$**	**79.26**	**70.89**	**0.44**
Second quarter		**79.63**	**62.52**	**0.44**
Third quarter		**84.99**	**70.24**	**0.46**
Fourth quarter		**85.77**	**76.11**	**0.46**
2016				
First quarter	$	66.36	45.12	0.41
Second quarter		71.90	56.98	0.41
Third quarter		69.78	59.57	0.44
Fourth quarter		85.42	62.03	0.44

Our common shares are listed on the New York Stock Exchange under the trading symbol "R." At January 31, 2018 , there were 6,960 common stockholders of record and our stock price on the New York Stock Exchange was $87.03 .

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, 2012 to December 31, 2017 .



	2012	2013	2014	2015	2016	2017
Ryder System, Inc.	$100.00	150.96	193.11	120.48	161.87	187.44
S&P 500 Index	$100.00	132.36	150.43	152.51	170.70	207.92
Dow Jones Index	$100.00	141.37	176.78	147.20	180.00	214.18

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, 2012 , and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.

Purchases of Equity Securities

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

	Total Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [(2)]	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program [(2)]
October 1 through October 31, 2017	**250**	**$ 81.92**	**—**	**530,734**
November 1 through November 30, 2017	**99,924**	**80.57**	**99,818**	**430,916**
December 1 through December 31, 2017	**54,530**	**81.60**	**54,115**	**376,801**
Total	**154,704**	**$ 80.94**	**153,933**	

(1) During the three months ended December 31, 2017 , we purchased an aggregate of 771 shares of our common stock in employee-related transactions. Employee-related transactions may include: (i) shares of common stock delivered as payment for the exercise price of options exercised or to satisfy the option holders' tax withholding liability associated with our share-based compensation programs and (ii) open-market purchases by the trustee of Ryder's deferred compensation plans relating to investments by employees in our stock, one of the investment options available under the plans.

(2) In December 2017, our Board of Directors authorized a new share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans. Under the December 2017 program, management is authorized to repurchase up to 1.5 million shares of common stock issued to employees under the Company's employee stock plans from December 1, 2017 through December 13, 2019. Share repurchases will be made periodically in open-market transactions using the Company's working capital, and are subject to market conditions, legal requirements, and other factors. In addition, management has been granted the authority to establish prearranged written trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the repurchase program.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial information should be read in conjunction with Items 7 and 8 of this report. During 2017, we adopted ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* , and are reporting all components of net benefit cost other than the service cost component within "Non-operating pension costs" in the Consolidated Statements of Earnings for both the current and prior year periods. We also updated our current and historical comparable earnings measures to exclude the amortization of prior service cost, in order to conform the presentation of "Non-operating pension costs" with the ASU.

		Years ended December 31				
		2017	2016	2015	2014	2013
		(Dollars and shares in thousands, except per share amounts)				
Operating Data:						
Total Revenue	$	**7,329,599**	6,786,984	6,571,893	6,638,285	6,419,285
Operating Revenue [(1)]	$	**6,040,380**	5,790,897	5,561,077	5,252,217	4,965,818
Earnings from continuing operations [(2)]	$	**791,015**	264,640	305,989	220,225	243,275
Comparable earnings from continuing operations [(3)]	$	**240,809**	290,488	326,485	294,279	255,394
Net earnings [(2), (4)]	$	**790,558**	262,477	304,768	218,341	237,871
Per Share Data:						
Earnings from continuing operations -Diluted [(2)]	$	**14.87**	4.94	5.73	4.14	4.63
Comparable earnings from continuing operations -Diluted [(3)]	$	**4.53**	5.42	6.10	5.53	4.85
Net earnings -Diluted [(2), (4)]	$	**14.87**	4.90	5.71	4.11	4.53
Cash dividends	$	**1.80**	1.70	1.56	1.42	1.30
Book value [(5)]	$	**53.54**	38.39	37.15	34.30	35.56
Financial Data:						
Total assets	$	**11,452,231**	10,902,454	10,952,580	9,837,776	9,156,175
Average assets [(6)]	$	**11,133,727**	11,056,740	10,464,001	9,594,878	8,692,120
Return on average assets (%) [(6)]		**7.1**	2.4	2.9	2.3	2.7
Long-term debt	$	**4,583,582**	4,599,864	4,868,097	4,681,240	4,010,810
Total debt	$	**5,409,651**	5,391,274	5,502,627	4,717,524	4,283,013
Shareholders' equity [(5)]	$	**2,835,016**	2,052,275	1,987,111	1,819,087	1,896,561
Debt to equity (%) [(5)]		**191**	263	277	259	226
Average shareholders' equity [(5), (6)]	$	**2,201,219**	2,052,371	1,894,917	1,925,824	1,593,942
Return on average shareholders' equity (%) [(5), (6)]		**35.9**	12.8	16.1	11.3	14.9
Adjusted return on average capital (%) [(6), (7)]		**4.2**	4.8	5.8	5.8	5.8
Net cash provided by operating activities from continuing operations	$	**1,547,986**	1,601,022	1,441,788	1,382,818	1,251,811
Net cash (used in) provided by financing activities from continuing operations	$	**(155,115)**	(185,922)	731,485	311,650	347,070
Net cash used in investing activities from continuing operations	$	**(1,366,340)**	(1,405,833)	(2,161,355)	(1,704,510)	(1,603,818)
Free cash flow [(8)]	$	**189,722**	193,675	(727,714)	(315,116)	(339,596)
Capital expenditures paid	$	**1,860,436**	1,905,157	2,667,978	2,259,164	2,122,628
Other Data:						
Average common shares — Diluted		**52,988**	53,361	53,260	53,036	52,071
Number of vehicles — Owned and leased		**186,200**	185,100	185,200	174,100	172,100
Average number of vehicles — Owned and leased		**185,200**	185,400	180,500	172,800	171,200
Number of employees		**36,100**	34,500	33,100	30,600	28,900

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section in Item 7 for a reconciliation of total revenue to operating revenue, as well as the reasons management believes these measures are important to investors.

(2) 2017 amounts reflect tax benefit as a result of the 2017 Tax Cuts and Jobs Act. Refer to Note 13 , " Income Taxes ," for additional information.

(3) Non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section in Item 7 of this report for a reconciliation of net earnings from continuing operations to comparable earnings from continuing operations and net earnings from continuing operations per diluted common share to comparable earnings per diluted common share, as well as the reasons management believes these measures are important to investors.

(4) Net earnings in 2017 , 2016 , 2015 , 2014 and 2013 , included losses from discontinued operations of $ (0.5) million , or $(0.01) per diluted common share, $(2) million , or $(0.04) per diluted common share, $(1) million , or $(0.02) per diluted common share, $(2) million , or $(0.03) per diluted common share, and $(5) million , or $(0.10) per diluted common share, respectively.

(5) Shareholders' equity at December 31, 2017 , 2016 , 2015 , 2014 and 2013 , reflected cumulative after-tax equity charges of $567 million , $627 million , $577 million , $584 million , and $474 million , respectively, related to our pension and postretirement plans.

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

(7) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section in Item 7 of this report for a reconciliation of the non-GAAP elements of this calculation and a numerical reconciliation of net earnings to adjusted net earnings and average total debt and average shareholders' equity to adjusted average total capital used to calculate adjusted return on average capital, as well as the reasons management believes these measures are important to investors.

(8) Non-GAAP financial measure. Refer to the "Non-GAAP financial measures" section in Item 7 of this report for a reconciliation of net cash provided by operating activities to free cash flow, as well as the reasons why management believes this measure is important to investors.

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. The information presented in the MD&A is for the years ended December 31, 2017 , 2016 and 2015 unless otherwise noted.

OVERVIEW

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

The FMS business, our largest segment, had total revenue (net of intercompany eliminations) and assets in 2017 of $4.26 billion and $10.39 billion , respectively, representing 58% of our consolidated revenue and 91% of consolidated assets. DTS total revenue and assets in 2017 were $1.10 billion and $277 million , respectively, representing 15% of our consolidated revenue and 2% of consolidated assets. SCS total revenue and assets in 2017 were $1.97 billion and $864 million , respectively, representing 27% of our consolidated revenue and 8% of consolidated assets.

We operate in highly competitive markets. Our customers select us based on numerous factors including service quality, price, technology and service offerings. As an alternative to using our services, customers may choose to provide these services for themselves, or may choose to obtain similar or alternative services from other third-party vendors. Our customer base includes enterprises operating in a variety of industries including food and beverage service (22%), transportation and warehousing (20%), automotive (11%), retail and consumer goods (10%), industrial (8%), housing (8%), technology (7%), business and personal services (5%) and other (9%).

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

The following discussion provides a summary of financial highlights that are discussed in more detail throughout our MD&A and within the Notes to Consolidated Financial Statements:

					Change	
		2017	2016	2015	**2017/2016**	2016/2015
		(Dollars in thousands, except per share amounts)				
Total revenue	$	**7,329,599**	6,786,984	6,571,893	**8%**	3%
Operating revenue (1)		**6,040,380**	5,790,897	5,561,077	**4%**	4%
Earnings before income taxes (EBT)	$	**313,786**	406,381	469,215	**(23)%**	(13)%
Comparable EBT (2)		**369,747**	449,048	504,571	**(18)%**	(11)%
Earnings from continuing operations (3)		**791,015**	264,640	305,989	**199%**	(14)%
Comparable earnings from continuing operations (2)		**240,809**	290,488	326,485	**(17)%**	(11)%
Net earnings (3)		**790,558**	262,477	304,768	**201%**	(14)%
Earnings per common share — Diluted						
Continuing operations (3)	$	**14.87**	4.94	5.73	**201%**	(14)%
Comparable (2)		**4.53**	5.42	6.10	**(16)%**	(11)%
Net earnings (3)		**14.87**	4.90	5.71	**203%**	(14)%

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

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

(3) 2017 amounts reflect tax benefit as a result of the 2017 Tax Cuts and Jobs Act. Refer to Note 13 , " Income Taxes ," in the Notes to Consolidated Financial Statements for additional information.

In 2017 , total revenue increased 8% to $7.33 billion and operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 4% to $6.04 billion . Total revenue increased due to higher operating revenue and increased subcontracted transportation passed through to customers, reflecting new business and higher volumes, as well as higher fuel costs passed through to customers. Operating revenue increased due to higher revenue in the SCS business and higher contractual ChoiceLease revenue, partially offset by lower commercial rental revenue. EBT decreased 23% in 2017 , primarily reflecting increased accelerated depreciation of $21 million , lower used vehicle sales results and increased maintenance costs as maintenance spending associated with vehicles being prepared for sale returned to more normal levels.

Cash provided by operating activities from continuing operations decreased 3% to $1.55 billion in 2017 compared with $1.60 billion in 2016 , primarily reflecting the impact of lower comparable earnings. Free cash flow from continuing operations (a non-GAAP financial measure) decreased 2% to $190 million in 2017 from $194 million in 2016 , primarily due to lower cash flows from operations, partially offset by lower cash paid for purchases of property and revenue earning equipment reflecting lower capital expenditures.

Capital expenditures increased 10% to $1.94 billion in 2017 , reflecting higher planned investments to refresh our commercial rental fleet, partially offset by lower ChoiceLease capital spending. Our debt balance of $5.41 billion at December 31, 2017 , was substantially unchanged from the prior year. Our debt to equity ratio decreased to 191% from 263% in 2016 , largely driven by the impact of the 2017 Tax Cuts & Jobs Act on our equity balance.

We increased our annualized dividend rate by 5% to $1.84 per share of common stock during 2017 .

2018 Outlook

In 2018 , we expect solid earnings growth across all business segments driven by robust contractual revenue growth from record sales results in 2017 , as well as the strength of our sales pipeline. We forecast a significant increase in ChoiceLease fleet growth of 6,500 vehicles, driven by a continued trend toward outsourcing, our ongoing sales and marketing initiatives, and a strengthening freight environment. We are also anticipating strong commercial rental revenue growth in this accelerating freight environment. We plan to grow the commercial rental fleet by 6% , as well as increase pricing. In DTS and SCS, we are also expecting revenue growth and margin expansion due to improved operating performance. Additionally, we instituted a zero-based budgeting process, significantly lowering overhead costs. We also anticipate 2018 earnings to benefit from the 2017 Tax Cut & Jobs Act, primarily due to a lower effective income tax rate. These expected overhead reductions and tax benefits will improve earnings and fund 2018 strategic investments in sales and marketing, new product development, and technology, which are focused on driving long term revenue and earnings growth.

These benefits are expected to be partially offset by impacts from the extended downturn in the used vehicle market as well as higher maintenance costs on certain older model year vehicles that will largely exit the fleet over the next 18 months. We anticipate a modestly improved outlook for used vehicle pricing in 2018 that will benefit year over year results; however, we still expect used vehicle sales to incur a loss for the year. We are also reducing our long term residual value estimates on vehicles in operation to reflect used vehicle market trends. Additionally, we are further accelerating depreciation on vehicles, which we expect to make available for sale through mid-2019.

We expect cash provided by operating activities from continuing operations to increase approximately $270 million to $1.8 billion in 2018 , due to growth in pre-tax earnings adjusted for non-cash items, primarily depreciation. We expect free cash flow to decrease to negative $600 million in 2018, reflecting higher capital spending, partially offset by higher cash from operations. With expected negative free cash flow, we expect our leverage to increase to just below the bottom end of our target range of 200% - 250% .

We forecast 2018 earnings from continuing operations of $5.34 to $5.64 per diluted share, compared with $14.87 per diluted share in 2017 , which included a $10.75 one-time net benefit from the 2017 Tax Cut & Jobs Act, and comparable earnings from continuing operations of $5.40 to $5.70 per diluted share, compared with $4.53 per diluted share in 2017 . Comparable earnings exclude non-operating pension costs of $0.06 per diluted share in 2018 , as well as non-operating pension, restructuring and other net benefit of $10.34 in 2017 . Total revenue for 2018 is expected to be up 6% to approximately $8 billion . Operating revenue for 2018 is forecast to be up 8% to approximately $7 billion .

FULL YEAR CONSOLIDATED RESULTS

Revenue and cost of revenue by source

Total revenue increased 8% in 2017 to $7.33 billion and increased 3% in 2016 to $6.79 billion . Operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 4% in 2017 to $6.04 billion and increased 4% in 2016 to $5.79 billion . The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	2017		2016	
	Total	**Operating**	Total	Operating
Organic, including price and volume	**7%**	**4%**	6%	5%
Fuel	**1**	**—**	(2)	—
Foreign exchange	**—**	**—**	(1)	(1)
Total increase	**8%**	**4%**	3%	4%

Lease and Rental

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
		(Dollars in thousands)			
Lease and rental revenues	**$ 3,237,685**	3,170,952	3,121,553	**2%**	2%
Cost of lease and rental	**2,355,043**	2,234,284	2,153,450	**5%**	4%
Gross margin	**882,642**	936,668	968,103	**(6)%**	(3)%
Gross margin %	**27%**	30%	31%		

Lease and rental revenues represent ChoiceLease and commercial rental product offerings within our FMS business segment. Revenues increased 2% in both 2017 and 2016 , from higher ChoiceLease revenue, driven by growth in the average ChoiceLease fleet (up 2% in 2017 and 4% in 2016) and higher prices on replacement vehicles. ChoiceLease revenue growth was partially offset by lower commercial rental revenue reflecting weaker demand. Foreign exchange did not have a significant impact on revenue in 2017 , but negatively impacted revenue growth by 100 basis points in 2016 .

Cost of lease and rental represents the direct costs related to lease and rental revenues. These costs are comprised of depreciation of revenue earning equipment, maintenance costs (primarily repair parts and labor), and other fixed costs such as licenses, insurance and operating taxes. Cost of lease and rental excludes interest costs from vehicle financing. Cost of lease and rental increased 5% in 2017 and 4% in 2016 . In both years, cost of lease and rental reflected higher depreciation and maintenance costs from a larger average lease fleet and accelerated depreciation of $30 million in 2017 and $10 million in 2016 , offset by lower depreciation and maintenance on a smaller average rental fleet. In 2017 , maintenance spending also increased as the number of vehicles being prepared for sale returned to more normal levels and due to an increase in the age of the fleet. Changes in estimated residual values and useful lives of revenue earning equipment effective January 1 of each respective year negatively impacted cost of lease and rental by $4 million in 2017 and benefited cost of lease and rental by $35 million in 2016 .

Lease and rental gross margin decreased 6% and gross margin as a percentage of revenue decreased to 27% in 2017 . The decrease in gross margin dollars and gross margin as a percentage of revenue was due to increased maintenance costs, accelerated depreciation and lower commercial rental demand. Lease and rental gross margin decreased 3% and gross margin as a percentage of revenue decreased to 30% in 2016 , due to lower commercial rental demand, partially offset by lease fleet growth, as well as benefits from improved residual values.

Services

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
	(Dollars in thousands)				
Services revenue	**$ 3,571,414**	3,152,294	2,912,063	**13%**	8%
Cost of services	**3,003,348**	2,602,978	2,413,156	**15%**	8%
Gross margin	**568,066**	549,316	498,907	**3%**	10%
Gross margin %	**16%**	17%	17%		

Services revenue represents all the revenues associated with our DTS and SCS business segments as well as SelectCare and fleet support services associated with our FMS business segment. Services revenue increased 13% in 2017 due to new business, increased volumes and higher pricing in the SCS and DTS segments. In 2017, services revenue also benefited from higher fuel costs passed through to our DTS and SCS customers. Services revenue increased 8% in 2016 due to new business, increased volumes and higher pricing in the DTS and SCS segments. In 2016 , the SelectCare product line in FMS benefited from growth in fleet size and increased volumes, which were partially offset by lower fuel prices passed through to our DTS and SCS customers. Foreign exchange did not have a significant impact on revenue in 2017 , but negatively impacted revenue growth by 200 basis points in 2016 .

Cost of services represents the direct costs related to services revenue and is primarily comprised of salaries and employee-related costs, subcontracted transportation (purchased transportation from third parties), maintenance costs and fuel. Cost of services increased 15% in 2017 due to higher volumes and higher fuel costs. Cost of services increased 8% in 2016 due to higher volumes, partially offset by lower fuel and insurance costs. Foreign exchange did not have a significant impact on cost of services in 2017 , but reduced cost of services by 100 basis points in 2016 .

Services gross margin increased 3 % in 2017 , reflecting benefits from revenue growth in our DTS and SCS segments, partially offset by lower operating performance on certain SCS contracts and increased maintenance costs on certain older model year vehicles in DTS. Services gross margin as a percentage of revenue decreased to 16% , reflecting lower operating performance on certain SCS contracts and higher maintenance costs in DTS. Services gross margin increased 10% in 2016 due to higher revenue. Services gross margin as a percentage of revenue remained at 17% in 2016 , reflecting no change from the prior year.

Fuel

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
	(Dollars in thousands)				
Fuel services revenue	**$ 520,500**	463,738	538,277	**12%**	(14)%
Cost of fuel services	**507,440**	448,306	519,843	**13%**	(14)%
Gross margin	**13,060**	15,432	18,434	**(15)%**	(16)%
Gross margin %	**3%**	3%	3%		

Fuel services revenue represents fuel services provided to our FMS customers. Fuel services revenue increased 12% in 2017 and decreased 14% in 2016 . In 2017 , the revenue increase was due to higher fuel costs passed through to customers. In 2016 , the revenue decrease was due to lower fuel costs passed through to customers.

Cost of fuel services includes the direct costs associated with providing our customers with fuel. These costs include fuel, salaries and employee-related costs of fuel island attendants and depreciation of our fueling facilities and equipment. Cost of fuel services increased 13% in 2017 due to higher fuel costs and decreased 14% in 2016 due to lower fuel costs.

Fuel services gross margin decreased 15% in 2017 and 16% in 2016 . Fuel services gross margin as a percentage of revenue remained at 3% in 2017 and 2016 . Fuel is largely a pass-through to customers for which we realize minimal changes in margin during periods of steady market fuel prices. However, fuel services margin is impacted by sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel is established based on trailing market fuel costs.

					Change	
		2017	2016	2015	**2017/2016**	2016/2015
		(In thousands)				
Other operating expenses	$	**115,507**	113,461	117,082	**2%**	(3)%

Other operating expenses include costs related to our owned and leased facilities within the FMS business segment such as depreciation, rent, insurance, utilities and taxes. These facilities are utilized to provide maintenance to our ChoiceLease, rental, SelectCare and fleet support services customers.

					Change	
		2017	2016	2015	**2017/2016**	2016/2015
		(Dollars in thousands)				
Selling, general and administrative expenses (SG&A)	$	**871,983**	805,104	822,857	**8%**	(2)%
Percentage of total revenue		**12%**	12%	13%		

SG&A expenses increased 8% in 2017 and decreased 2% in 2016 . SG&A expenses as a percent of total revenue remained at 12% in 2017 after decreasing to 12% in 2016 . The 2017 increase was primarily due to higher compensation-related costs and professional fees, as well as a $5 million estimated pension settlement charge for the exit from a U.S. multi-employer pension plan. The decrease in 2016 was due to lower compensation-related and marketing-related costs, professional fees and the effects from foreign exchange in SG&A expenses, partially offset by increased information technology costs. Foreign exchange did not significantly impact SG&A expenses in 2017 , but reduced growth in SG&A expenses by 100 basis points in 2016 .

					Change	
		2017	2016	2015	**2017/2016**	2016/2015
		(In thousands)				
Non-operating pension costs	$	**27,741**	37,593	17,797	**(26)%**	111%

Non-operating pension costs includes the components of our net periodic benefit cost other than service cost. These components include interest cost, expected return on plan assets, amortization of actuarial loss and prior service cost. Non-operating pension costs decreased 26% in 2017 , primarily due to a one-time charge of $8 million in 2016 to fully reflect pension benefit improvements made in 2009 in our pension benefit obligation that were not fully reflected in prior years. Non-operating pension costs increased by $20 million in 2016 , due to the impact of a lower asset return assumption and a higher discount rate, as well as the $8 million one-time charge.

					Change	
		2017	2016	2015	**2017/2016**	2016/2015
		(In thousands)				
Used vehicle sales, net	$	**(17,241)**	972	99,853	**NM**	(99)%

Used vehicle sales, net includes gains from sales of used vehicles, selling costs associated with used vehicles and write-downs of vehicles to fair market value. Used vehicle sales, net decreased to a loss of $17 million in 2017 , due to a drop in the market value of tractors and trucks, which resulted in lower gains on sales. We anticipate a modestly improved outlook for used vehicle pricing in 2018 that will benefit year over year results; however, we still expect used vehicle sales to incur a loss for the year. Used vehicle sales, net decreased to a gain of $1 million in 2016 , due to a drop in the market value of trucks and tractors, which resulted in lower gains on sales of used vehicles and higher fair market value write-downs.

The following table presents the used vehicle pricing changes for 2017 and 2016 compared with the respective prior years:

	Proceeds per unit change	
	2017/2016	2016/2015
Tractors	**(12)%**	(14)%
Trucks	**(12)%**	(1)%

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
	(Dollars in thousands)				
Interest expense	$ **140,350**	147,843	150,434	**(5)%**	(2)%
Effective interest rate	**2.6%**	2.7%	2.9%		

Interest expense decreased 5% to $140 million in 2017 , reflecting a lower average outstanding debt and a lower effective interest rate. Interest expense decreased 2% to $148 million in 2016 , reflecting a lower effective interest rate, partially offset by a higher average outstanding debt. The lower effective interest rate in both years reflects the replacement of higher interest rate debt with debt issuances at lower rates.

	2017	2016	2015
	(In thousands)		
Miscellaneous income, net	$ **44,245**	13,068	10,156

Refer to Note 27 , Miscellaneous Income, Net in the Notes to Consolidated Financial Statements for a discussion of the changes in miscellaneous income, net.

	2017	2016	2015
	(In thousands)		
Restructuring charges and fees, net	$ **21,405**	5,074	18,068

During the fourth quarters of 2017 , 2016 and 2015 , we approved plans to reduce our workforce in multiple locations as a result of cost containment actions. These actions resulted in pre-tax charges of $13 million in 2017 , $5 million in 2016 and $9 million in 2015 . The workforce reduction approved in 2017 will be completed during 2018 and is expected to result in annual cost savings of approximately $30 million . The workforce reduction approved in 2016 was completed during 2017, and the workforce reduction in 2015 was completed during 2016 . During the fourth quarter of 2015 , we also committed to a plan to divest our Ryder Canadian Retail Shippers Association Logistics operations and shutdown our Ryder Container Terminals business in Canada. The sale and shutdown were completed in 2016 . We recognized charges in 2015 for this action of $3 million for employee termination costs and $2 million for asset impairment to adjust assets held for sale to fair value. Refer to Note 4 , “ Restructuring Charges and Fees, Net ” in the Notes to Consolidated Financial Statements for further discussion.

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
	(Dollars in thousands)				
(Benefit from) provision for income taxes	$ **(477,229)**	141,741	163,226	**NM**	(13)%
Effective tax rate from continuing operations	**(152.1)%**	34.9%	34.8%		

Our provision for income taxes and effective income tax rates from continuing operations are impacted by discrete items such as enacted tax law changes, settlement of tax audits and the reversal of reserves for uncertain tax positions due to the expiration of statutes of limitation. In the aggregate, these items reduced the effective rate by 188.2% in 2017 , 0.8% in 2016 and 2.2% in 2015 . The other components of the effective tax rate in 2017 and 2016 remained consistent with the prior year.

On December 22, 2017, the Tax Cuts and Jobs Act was signed into law. We recognized a benefit of $586 million in the fourth quarter of 2017 associated with the adoption of tax reform. Refer to Note 13 , “ Income Taxes ” in the Notes to Consolidated Financial Statements for further discussion.

FULL YEAR OPERATING RESULTS BY BUSINESS SEGMENT

	2017	2016	2015	Change 2017/2016	Change 2016/2015
		(In thousands)			
Revenue:					
Fleet Management Solutions	**$ 4,733,571**	4,556,194	4,545,692	**4 %**	— %
Dedicated Transportation Solutions	**1,096,042**	1,020,895	895,538	**7**	14
Supply Chain Solutions	**1,969,500**	1,637,850	1,547,763	**20**	6
Eliminations	**(469,514)**	(427,955)	(417,100)	**(10)**	(3)
Total	**$ 7,329,599**	6,786,984	6,571,893	**8 %**	3 %
Operating Revenue: (1)					
Fleet Management Solutions	**$ 4,043,762**	3,947,740	3,846,046	**2 %**	3 %
Dedicated Transportation Solutions	**789,294**	774,319	714,453	**2**	8
Supply Chain Solutions	**1,507,548**	1,352,077	1,256,309	**11**	8
Eliminations	**(300,224)**	(283,239)	(255,731)	**(6)**	(11)
Total	**$ 6,040,380**	5,790,897	5,561,077	**4 %**	4 %
EBT:					
Fleet Management Solutions	**$ 312,720**	370,829	461,314	**(16)%**	(20)%
Dedicated Transportation Solutions	**55,328**	63,571	45,575	**(13)**	39
Supply Chain Solutions	**103,102**	105,532	93,575	**(2)**	13
Eliminations	**(53,275)**	(50,148)	(47,193)	**(6)**	(6)
	417,875	489,784	553,271	**(15)**	(11)
Unallocated Central Support Services	**(48,128)**	(40,736)	(48,700)	**(18)**	16
Non-operating pension costs	**(27,741)**	(29,943)	(17,797)	**7**	(68)
Restructuring charges and fees, net and other items	**(28,220)**	(12,724)	(17,559)	**NM**	NM
Earnings from continuing operations before income taxes	**$ 313,786**	406,381	469,215	**(23)%**	(13)%

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

As part of management's evaluation of segment operating performance, we define the primary measurement of our segment financial performance as EBT from continuing operations, which includes an allocation of Central Support Services (CSS), and excludes non-operating pension costs, restructuring and other charges, net, as described in Note 4 , " Restructuring Charges and Fees, Net ," and the items discussed in Note 24 , " Other Items Impacting Comparability ," in the Notes to Consolidated Financial Statements. CSS represents those costs incurred to support all business segments, including human resources, finance, corporate services and public affairs, information technology, health and safety, legal, marketing and corporate communications.

The objective of the EBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of 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 not attributable to any segment and remain unallocated in CSS, including costs for investor relations, public affairs and certain executive compensation. See Note 28 , " Segment Reporting ," in the Notes to Consolidated Financial Statements for a description of the methodology for allocating the remainder of CSS costs to the business segments.

Inter-segment revenue and EBT are accounted for at rates similar to those executed with third parties. EBT related to inter-segment equipment and services billed to DTS and SCS customers (equipment contribution) are included in both FMS and the segment that served the customer and then eliminated (presented as “Eliminations” in the table above). Refer to Note 28 , " Segment Reporting " in the Notes to Consolidated Financial Statements for additional information. Prior year amounts have been reclassified to conform to the current period presentation.

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

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
	(In thousands)				
Equipment Contribution:					
Dedicated Transportation Solutions	$ **31,029**	32,731	32,471	(5)%	1%
Supply Chain Solutions	**22,246**	17,417	14,722	28	18
Total	$ **53,275**	50,148	47,193	6%	6%

(1) Total amount is included in FMS EBT

DTS equipment contribution decreased 5% in 2017 , primarily due to higher maintenance costs on an older vehicle fleet used in DTS operations. SCS equipment contribution increased 28% in 2017 , primarily driven by new business and increased volumes. DTS equipment contribution increased slightly in 2016 . SCS equipment contribution increased 18% in 2016 , primarily driven by new business and increased volumes.

The following table provides items excluded from our segment EBT measure and their classification within our Consolidated Statements of Earnings:

Description	Consolidated Statements of Earnings Line Item	**2017**	2016	2015
			(In thousands)	
Restructuring [(1)]	Restructuring charges and fees, net	$ **(10,500)**	(5,074)	(14,225)
Fees related to cost-savings program [(2)]	Restructuring charges and fees, net	**(10,905)**	—	(3,843)
Restructuring charges and fees, net		**(21,405)**	(5,074)	(18,068)
Non-operating pension costs [(3)]	Non-operating pension costs	**(27,741)**	(29,943)	(17,797)
Tax reform related bonus [(2)]	SG&A	**(23,278)**	—	—
Operating tax adjustment [(2)]	SG&A	**(2,205)**	—	—
Gain on sale of property [(2)]	Miscellaneous income	**24,122**	—	—
Pension related adjustment [(4)]	SG&A	**(5,454)**		509
Pension related adjustment [(4)]	Non-operating pension costs	**—**	(7,650)	—
		$ **(55,961)**	(42,667)	(35,356)

(1) See Note 4 , " Restructuring Charges and Fees, Net ," in the Notes to Consolidated Financial Statements for additional information.
(2) See Note 24 , “ Other Items Impacting Comparability ,” in the Notes to Consolidated Financial Statements for additional information.
(3) See Note 28 “ Segment Reporting ,” in the Notes to Consolidated Financial Statements for additional information.
(4) See Note 22 , “ Employee Benefit Plans ,” in the Notes to Consolidated Financial Statements for additional information.

Fleet Management Solutions

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
	(Dollars in thousands)				
ChoiceLease	**$ 2,688,717**	2,573,638	2,406,711	**4%**	7%
SelectCare	**464,056**	449,729	421,665	**3**	7
Commercial rental	**813,539**	846,331	940,045	**(4)**	(10)
Other	**77,450**	78,042	77,625	**(1)**	1
Fuel services revenue	**689,809**	608,454	699,646	**13**	(13)
FMS total revenue (1)	**$ 4,733,571**	4,556,194	4,545,692	**4%**	—%
FMS operating revenue (2)	**$ 4,043,762**	3,947,740	3,846,046	**2**	3
FMS EBT	**$ 312,720**	370,829	461,314	**(16)%**	(20)%
FMS EBT as a % of FMS total revenue	**6.6%**	8.1%	10.1%	**(150) bps**	(200) bps
FMS EBT as a % of FMS operating revenue (1)	**7.7%**	9.4%	12.0%	**(170) bps**	(260) bps

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

FMS total revenue increased 4% to $4.73 billion in 2017 and increased slightly in 2016 to $4.56 billion . FMS operating revenue (a non-GAAP measure excluding fuel) increased 2% in 2017 to $4.04 billion and 3% in 2016 to $3.95 billion . The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	2017		2016	
	Total	**Operating (1)**	Total	Operating (1)
Organic, including price and volume	**2%**	**2%**	3%	4%
Fuel	**2**	**—**	(2)	—
Foreign exchange	**—**	**—**	(1)	(1)
Total increase	**4%**	**2%**	—%	3%

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

2017 versus 2016

ChoiceLease revenue increased 4% in 2017 , reflecting a larger average fleet size and higher prices on replacement vehicles. The average number of ChoiceLease vehicles increased 2% from the prior year, reflecting continued solid sales activity. We expect favorable ChoiceLease comparisons to continue next year due to strong 2017 sales activity, as well as expected sales in 2018. Commercial rental revenue decreased 4% in 2017 due to lower demand. However, we expect favorable commercial rental comparisons next year based on a stronger demand environment experienced in the latter half of 2017. SelectCare revenue increased 3% in 2017 , due to new business and higher volumes. Fuel services revenue increased 13% in 2017 due to higher fuel costs passed through to customers.

FMS EBT decreased 16% in 2017 , due to increased accelerated depreciation of $21 million , lower used vehicle sales and commercial rental results. These decreases were partially offset by improved SelectCare and ChoiceLease performance. The increase in accelerated depreciation reflects a full year of accelerated depreciation and the expansion of acceleration to vehicles expected to be made available for sale through June 2019. Used vehicle sales results declined primarily due to lower pricing. Commercial rental performance declined 4% in 2017 , reflecting lower demand. However, rental power fleet utilization was 75.6% in 2017 , up from 74.7% in 2016 , on a 6% smaller average rental power fleet, reflecting fleet right-sizing actions taken during the year. SelectCare performance was driven by new business and increased volumes. ChoiceLease comparisons benefited from growth in fleet size and higher per vehicle pricing.

2016 versus 2015

ChoiceLease revenue increased 7% in 2016 , reflecting a larger average fleet size and higher prices on replacement vehicles. Foreign exchange negatively impacted ChoiceLease revenue growth by 100 basis points. The average number of ChoiceLease vehicles increased 4% from the prior year, reflecting strong sales activity. Commercial rental revenue decreased 10% in 2016 , due to lower demand. Foreign exchange negatively impacted commercial rental revenue growth by 100 basis points. SelectCare revenue increased 7% , primarily due to higher volumes and new business. Fuel services revenue declined 13% due to lower fuel costs passed through to customers.

FMS EBT decreased 20% in 2016 , reflecting lower used vehicle sales results, decreased commercial rental performance and accelerated depreciation on vehicles expected to be made available for sale through June 2018 of $10 million, partially offset by higher ChoiceLease performance and lower overhead costs. Used vehicle sales results declined due to lower pricing, primarily on tractors and higher fair market value write-downs on vehicles held for sale. Commercial rental performance declined 10% in 2016 , reflecting decreased demand. Rental power fleet utilization was 74.7% in 2016 , down from 76.5% in 2015 on a 7% smaller average rental power fleet. ChoiceLease comparisons benefited from growth in fleet size and higher per vehicle pricing. ChoiceLease and commercial rental results benefited from lower depreciation of $35 million due to residual value changes implemented on January 1, 2016 .

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

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
		(Dollars in thousands)			
Rental revenue from non-lease customers	**$ 517,874**	528,892	571,985	**(2)%**	(8)%
Rental revenue from lease customers [1]	**$ 295,665**	317,439	368,060	**(7)%**	(14)%
Average commercial rental power fleet size – in service [2], [3]	**29,700**	31,500	33,800	**(6)%**	(7)%
Commercial rental utilization – power fleet [2]	**75.6%**	74.7%	76.5%	**90 bps**	(180) bps

(1) Represents revenue from rental vehicles provided to our existing ChoiceLease customers, generally in place of a lease vehicle.
(2) Number of units rounded to nearest hundred and calculated using quarterly average unit counts.
(3) Excluding trailers.

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

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
End of period vehicle count					
By type:					
Trucks (1)	**76,400**	73,300	72,800	**4%**	1%
Tractors (2)	**66,000**	67,900	68,700	**(3)**	(1)
Trailers (3), (4)	**42,600**	42,800	42,400	**—**	1
Other	**1,200**	1,100	1,300	**9**	(15)
Total	**186,200**	185,100	185,200	**1%**	—%
By ownership:					
Owned	**184,900**	183,700	184,700	**1%**	(1)%
Leased	**1,300**	1,400	500	**(7)**	180
Total	**186,200**	185,100	185,200	**1%**	—%
By product line: (4)					
ChoiceLease	**139,100**	136,500	131,800	**2%**	4%
Commercial rental	**37,800**	37,800	42,100	**—**	(10)
Service vehicles and other	**3,300**	3,300	3,300	**—**	—
Active units	**180,200**	177,600	177,200	**1**	—
Held for sale	**6,000**	7,500	8,000	**(20)**	(6)
Total	**186,200**	185,100	185,200	**1**	—
Customer vehicles under SelectCare contracts	**54,400**	49,000	46,700	**11**	5
Average vehicle count					
By product line:					
ChoiceLease	**137,600**	134,400	128,800	**2%**	4%
Commercial rental	**37,500**	39,200	42,400	**(4)**	(8)
Service vehicles and other	**3,400**	3,400	3,200	**—**	6
Active units	**178,500**	177,000	174,400	**1**	1
Held for sale	**6,700**	8,400	6,100	**(20)**	38
Total	**185,200**	185,400	180,500	**—**	3
Customer vehicles under SelectCare contracts	**52,100**	49,200	43,300	**6%**	14%
Customer vehicles under SelectCare on-demand (5)	**24,500**	21,000	20,000	**17%**	5%
Total vehicles serviced	**261,800**	255,600	243,800	**2%**	5%

(1) Generally comprised of Class 1 through Class 7 type vehicles with a Gross Vehicle Weight (GVW) up to 33,000 pounds.
(2) Generally comprised of over the road on highway tractors and are primarily comprised of Class 8 type vehicles with a GVW of over 33,000 pounds.
(3) Generally comprised of dry, flatbed and refrigerated type trailers.
(4) Includes 4,900 UK trailers (3,100 ChoiceLease and 1,800 commercial rental), 5,300 UK trailers (3,300 ChoiceLease and 2,000 commercial rental) and 6,100 UK trailers (3,900 ChoiceLease and 2,200 commercial rental) as of December 31, 2017 , 2016 and 2015 , respectively.
(5) Comprised of the number of unique vehicles serviced under on-demand maintenance agreements. This does not represent averages for the periods. Vehicles included in the end of period count may have been serviced more than one time during the respective annual period.

Note: Average vehicle counts were computed using a 24-point average based on monthly information.

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):

				Change	
Number of Units	**2017**	2016	2015	**2017/2016**	2016/2015
Not yet earning revenue (NYE)	**2,900**	1,700	2,800	**71%**	(39)%
No longer earning revenue (NLE):					
Units held for sale	**6,000**	7,500	8,000	**(20)**	(6)
Other NLE units	**3,400**	4,400	3,300	**(23)**	33
Total	**12,300**	13,600	14,100	**(10)%**	(4)%

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 2017 , the number of NYE units increased 71% compared with December 31, 2016 , reflecting lease fleet growth. 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 2017 , the number of NLE units decreased 21% , reflecting lower used vehicle inventories and a lower number of vehicles being prepared for sale at the end of the year. We expect NLE units to increase slightly in 2018 , as a result of higher expected used vehicle inventories driven by the lease replacement cycle.

Dedicated Transportation Solutions

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
		(Dollars in thousands)			
DTS total revenue	**$ 1,096,042**	1,020,895	895,538	**7%**	14%
DTS operating revenue [(1)]	**$ 789,294**	774,319	714,453	**2%**	8%
DTS EBT	**$ 55,328**	63,571	45,575	**(13)%**	39%
DTS EBT as a % of DTS total revenue	**5.0%**	6.2%	5.1%	**(120) bps**	110 bps
DTS EBT as a % of DTS operating revenue [(1)]	**7.0%**	8.2%	6.4%	**(120) bps**	180 bps
Memo:					
Average fleet	**8,200**	8,200	7,700	**—%**	6%

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

DTS total revenue increased 7% in 2017 to $1.10 billion and increased 14% in 2016 to $ 1.02 billion . DTS operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 2% in 2017 to $789 million and 8% in 2016 to $774 million . We expect improved operating revenue growth next year based on strong sales activity as well as expected 2018 activity.

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

	2017		2016	
	Total	**Operating (1)**	Total	Operating (1)
Organic, including price and volume	**6%**	**2%**	16%	8%
Fuel	**1**	**—**	(2)	—
Total increase	**7%**	**2%**	14%	8%

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

2017 versus 2016

In 2017 , DTS total revenue increased 7% reflecting organic growth and, to a lesser extent, higher fuel costs passed through to our customers. DTS operating revenue increased 2% due to new business, increased volumes and higher pricing. DTS EBT decreased 13% due to higher insurance premiums, increased maintenance costs on certain older model year vehicles and higher labor costs from increased driver turnover. These items were partially offset by favorable developments of self-insurance claims from prior years.

2016 versus 2015

In 2016 , DTS total revenue increased 14% reflecting organic growth, partially offset by lower fuel prices passed through to our customers. DTS operating revenue increased 8% due to new business, increased volumes and higher pricing. DTS EBT increased 39% due to increased revenue and, to a lesser extent, lower insurance costs.

Supply Chain Solutions

				Change	
	2017	2016	2015	**2017/2016**	2016/2015
		(Dollars in thousands)			
Automotive	**$ 566,302**	548,659	469,178	**3%**	17%
Technology and healthcare	**271,551**	242,474	251,188	**12**	(3)
CPG and retail	**511,793**	436,368	431,571	**17**	1
Industrial and other	**157,902**	124,576	104,372	**27**	19
Subcontracted transportation	**386,792**	224,060	226,880	**73**	(1)
Fuel	**75,160**	61,713	64,574	**22**	(4)
SCS total revenue	**$ 1,969,500**	$ 1,637,850	$ 1,547,763	**20%**	6%
SCS operating revenue (1)	**$ 1,507,548**	1,352,077	1,256,309	**11%**	8%
SCS EBT	**$ 103,102**	105,532	93,575	**(2)%**	13%
SCS EBT as a % of SCS total revenue	**5.2%**	6.4%	6.0%	**(120) bps**	40 bps
SCS EBT as a % of SCS operating revenue (1)	**6.8%**	7.8%	7.4%	**(100) bps**	40 bps
Memo:					
Average fleet	**7,900**	7,200	6,300	**10%**	14%

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

SCS total revenue increased 20% in 2017 to $1.97 billion and 6% in 2016 to $1.64 billion . SCS operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 11% in 2017 to $1.51 billion and 8% in 2016 to $1.35 billion . We expect favorable operating revenue comparisons to continue next year, although at a lower level than realized in 2017.

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

	2017		2016	
	Total	**Operating** (1)	Total	Operating (1)
Organic, including price and volume	**19%**	**11%**	8%	9%
Foreign exchange	**—**	**—**	(2)	(1)
Fuel	**1**	**—**	—	—
Total increase	**20%**	**11%**	6%	8%

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

2017 versus 2016

SCS total revenue increased 20% in 2017 due to organic growth and, to a lesser extent, higher fuel costs passed through to our customers. SCS operating revenue increased 11% due to new business, increased volumes and higher pricing. SCS EBT decreased 2% in 2017 as benefits from increased revenue were offset by the performance of two customer accounts, higher compensation-related costs and higher overhead spending due to planned investments in information technology and sales.

2016 versus 2015

SCS total revenue increased 6% in 2016 as increased operating revenue was partially offset by a negative impact from foreign exchange. SCS operating revenue increased 8% due to new business, increased volumes and higher pricing, partially offset by a negative impact from foreign exchange. SCS EBT increased 13% in 2016 due to increased revenue.

Central Support Services

	2017	2016	2015	Change 2017/2016	Change 2016/2015
	(In thousands)				
Human resources	**$ 16,820**	17,501	20,150	**(4)%**	(13)%
Finance	**58,597**	59,445	60,998	**(1)**	(3)
Corporate services and public affairs	**12,561**	11,682	12,303	**8**	(5)
Information technology	**89,453**	82,087	84,729	**9**	(3)
Legal and safety	**25,382**	23,977	24,522	**6**	(2)
Marketing	**18,306**	18,029	22,206	**2**	(19)
Other	**34,284**	24,144	33,888	**42**	(29)
Total CSS	**255,403**	236,865	258,796	**8**	(8)
Allocation of CSS to business segments	**(207,275)**	(196,129)	(210,096)	**6**	(7)
Unallocated CSS	**$ 48,128**	40,736	48,700	**18%**	(16)%

2017 versus 2016

Total CSS costs increased 8% in 2017 to $255 million , due to higher information technology and compensation-related costs, as well as, higher professional services costs associated with strategic initiatives. Unallocated CSS costs increased 18% in 2017 to $48 million , primarily due to higher professional services costs associated with strategic initiatives.

2016 versus 2015

Total CSS costs decreased 8% in 2016 to $237 million , due to lower compensation-related expenses and lower marketing-related and information technology costs. Unallocated CSS costs decreased 16% in 2016 to $41 million , primarily due to the 2015 settlement of a customer-extended insurance claim that adversely impacted costs in the prior year and lower compensation-related expenses.

FOURTH QUARTER CONSOLIDATED RESULTS

		Three months ended December 31,		Change
		2017	2016	**2017/2016**
		(Dollars in thousands, except per share amounts)		
Total revenue	$	**1,939,693**	1,729,150	**12%**
Operating revenue (1)		**1,586,612**	1,466,878	**8**
EBT	$	**78,795**	69,196	**14%**
Comparable EBT (2)		**104,540**	82,165	**27**
Earnings from continuing operations (3)		**642,480**	49,275	**1,204**
Comparable earnings from continuing operations (2)		**72,730**	57,435	**27**
Net earnings (3)		**642,970**	48,181	**1,234**
Earnings per common share (EPS) — Diluted				
Continuing operations (3)	$	**12.10**	0.92	**1,215%**
Comparable (2)		**1.37**	1.07	**28**
Net earnings (3)	$	**12.11**	0.91	**1,231**

(1) Non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section of this MD&A for a reconciliation of total revenue to operating revenue and the reasons why management believes this measure is important to investors.
(2) Non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section for a reconciliation of EBT, net earnings from continuing operations and earnings per diluted common share to their respective comparable measures and the reasons why management believes these measures are important to investors.
(3) 2017 amounts reflect tax benefit as a result of the 2017 Tax Cuts and Jobs Act. Refer to Note 13 , "Income Taxes ," in the Notes to Consolidated Financial Statements for additional information.

Total revenue increased 12% in the fourth quarter of 2017 to $1.94 billion . Operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 8% in the fourth quarter of 2017 to $1.59 billion . The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	Three months ended December 31, 2017	
	Total	**Operating (1)**
Organic, including price and volume	**9%**	**7%**
Foreign exchange	**1**	**1**
Fuel	**2**	**—**
Total increase	**12%**	**8%**

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

Total revenue and operating revenue grew across all three business segments reflecting new business and higher volumes. Total revenue also grew due to higher fuel costs passed through to customers. EBT increased 14% in the fourth quarter of 2017 to $79 million . The increase in EBT primarily reflects improved used vehicle sales results and higher commercial rental and lease performance, partially offset by higher restructuring and other charges. See "Fourth Quarter Operating Results by Business Segment" for further discussion of segment operating results.

FOURTH QUARTER OPERATING RESULTS BY BUSINESS SEGMENT

	Three months ended December 31,		Change
	2017	2016	**2017/2016**
	(In thousands)		
Revenue:			
Fleet Management Solutions	**$ 1,241,724**	1,151,742	**8%**
Dedicated Transportation Solutions	**284,422**	256,870	**11**
Supply Chain Solutions	**540,023**	430,185	**26**
Eliminations	**(126,476)**	(109,647)	**(15)**
Total	**$ 1,939,693**	1,729,150	**12%**
Operating Revenue: (1)			
Fleet Management Solutions	**$ 1,056,970**	992,274	**7%**
Dedicated Transportation Solutions	**198,249**	193,106	**3**
Supply Chain Solutions	**410,649**	352,650	**16**
Eliminations	**(79,256)**	(71,152)	**(11)**
Total	**$ 1,586,612**	1,466,878	**8%**
EBT:			
Fleet Management Solutions	**$ 91,747**	64,275	**43%**
Dedicated Transportation Solutions	**15,436**	15,271	**1**
Supply Chain Solutions	**27,743**	26,427	**5**
Eliminations	**(15,222)**	(13,032)	**(17)**
	119,704	92,941	**29**
Unallocated Central Support Services	**(15,163)**	(10,775)	**(41)**
Non-operating pension costs	**(6,866)**	(7,895)	**13**
Restructuring and other charges, net and other items	**(18,880)**	(5,074)	**NM**
Earnings from continuing operations before income taxes	**$ 78,795**	69,196	**14%**

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

Fleet Management Solutions

FMS total revenue increased 8% to $1.24 billion in the fourth quarter of 2017 . FMS operating revenue (a non-GAAP measure excluding fuel) increased 7% in the fourth quarter of 2017 to $1.06 billion . The following table summarizes the components of the change in revenue on a percentage basis versus the prior year.

	Three months ended December 31, 2017	
	Total	**Operating (1)**
Organic, including price and volume	**5%**	**6%**
Fuel	**2**	**—**
Foreign exchange	**1**	**1**
Total increase	**8%**	**7%**

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

ChoiceLease revenue increased 6% to $696 million in the fourth quarter of 2017 , reflecting a larger average lease fleet size and higher prices on replacement vehicles. Commercial rental revenue grew 7% in the fourth quarter of 2017 due to increased demand and higher pricing. Fuel services revenue increased 16% to $185 million in the fourth quarter of 2017 due to higher fuel costs passed through to customers.

FMS EBT increased 43% in the fourth quarter of 2017 to $92 million , reflecting improved used vehicle sales results and higher commercial rental and ChoiceLease performance. Used vehicle sales comparisons primarily reflect prior year inventory valuation adjustments of $21 million. Commercial rental performance improved due to higher pricing and increased utilization, reflecting stronger demand on a smaller fleet due to the fleet right-sizing actions taken earlier in the year. Rental power fleet utilization increased to 81.2% in the fourth quarter of 2017 from 77.3% in the year-earlier period. ChoiceLease results benefited from fleet growth. These items were partially offset by higher compensation-related costs. Additionally, FMS results in the fourth quarter included accelerated depreciation of $9 million in 2017 and $10 million in 2016 to reflect a challenging used vehicle market outlook.

Dedicated Transportation Solutions

DTS total revenue increased 11% in the fourth quarter of 2017 to $284 million and DTS operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 3% in the fourth quarter of 2017 to $198 million . The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	Three months ended December 31, 2017	
	Total	**Operating (1)**
Organic, including price and volume	**9%**	**3%**
Fuel	**2**	**—**
Total increase	**11%**	**3%**

The growth in DTS total revenue and DTS operating revenue primarily reflects increased volumes. DTS EBT increased 1% from the fourth quarter of the prior year as favorable developments of self-insurance claims from prior years largely offset by higher driver costs due to increased turnover and seasonal volumes at select customer accounts, as well as elevated maintenance costs on certain older model year vehicles.

Supply Chain Solutions

SCS total revenue increased 26% in the fourth quarter of 2017 to $540 million . SCS operating revenue (a non-GAAP measure excluding fuel and subcontracted transportation) increased 16% in the fourth quarter of 2017 to $411 million . The following table summarizes the components of the change in revenue on a percentage basis versus the prior year:

	Three months ended December 31, 2017	
	Total	**Operating (1)**
Organic, including price and volume	**24%**	**15%**
Fuel	**1**	**—**
Foreign exchange	**1**	**1**
Total increase	**26%**	**16%**

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

SCS total revenue and SCS operating revenue grew primarily as a result of new business. SCS EBT increased 5% in the fourth quarter of 2017 to $28 million reflecting the impact of revenue growth, partially offset by lower performance in two customer accounts, although to a lesser extent than in the third quarter of 2017. Additionally, results were negatively impacted by higher overhead spending due to planned investments in information technology and sales.

Central Support Services

Unallocated CSS costs increased 41% in the fourth quarter of 2017 to $15 million primarily due to higher compensation-related costs and professional fees in 2017 .

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

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

		2017	2016	2015
		(In thousands)		
Net cash provided by (used in):				
Operating activities	$	**1,547,986**	1,601,022	1,441,788
Financing activities		**(155,115)**	(185,922)	731,485
Investing activities		**(1,366,340)**	(1,405,833)	(2,161,355)
Effect of exchange rates on cash		**(5,539)**	(9,482)	37
Net change in cash and cash equivalents	$	**20,992**	(215)	11,955

Cash provided by operating activities from continuing operations decreased to $1.55 billion in 2017 , compared with $1.60 billion in 2016 , primarily reflecting the impact of lower comparable earnings. Cash used in financing activities totaled $155 million in 2017 , compared with $186 million in 2016 , driven by share repurchases and common stock dividends. Cash used in investing activities decreased to $1.37 billion in 2017 , compared with $1.41 billion in 2016 , primarily due to lower payments for capital expenditures and higher proceeds from operating property and equipment sales, partially offset by lower proceeds from revenue earning equipment sales.

Cash provided by operating activities from continuing operations increased to $1.60 billion in 2016 , compared with $1.44 billion in 2015 , reflecting higher earnings adjusted for non-cash items, primarily depreciation, and working capital improvements, partially offset by higher pension contributions. The working capital improvements were primarily driven by the timing of trade account payments to vendors. Cash used in financing activities was $186 million in 2016 , compared to cash provided from financing activities of $731 million in 2015 due to lower borrowing needs. Cash used in investing activities decreased to $1.41 billion in 2016 , compared with $2.16 billion in 2015 , primarily due to lower payments for capital expenditures.

The following table shows the components of our free cash flow:

		2017	2016	2015
		(In thousands)		
Net cash provided by operating activities	$	**1,547,986**	1,601,022	1,441,788
Sales of revenue earning equipment (1)		**376,743**	414,249	423,605
Sales of operating property and equipment (1)		**52,257**	7,051	3,891
Collections on direct finance leases and other (1)		**73,172**	76,510	70,980
Total cash generated (2)		**2,050,158**	2,098,832	1,940,264
Purchases of property and revenue earning equipment (1)		**(1,860,436)**	(1,905,157)	(2,667,978)
Free cash flow (2)	$	**189,722**	193,675	(727,714)
Memo:				
Net cash (used in) provided by financing activities	$	**(155,115)**	(185,922)	731,485
Net cash used in investing activities	$	**(1,366,340)**	(1,405,833)	(2,161,355)

(1) *Included in cash flows from investing activities.*

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

Free cash flow of $190 million in 2017 was level with $194 million in 2016 , primarily due to lower cash flows from operations, partially offset by lower cash paid for purchases of property and revenue earning equipment in 2017 . Free cash flow increased to $194 million in 2016 from $(728) million in 2015 due to lower capital expenditures in 2016 .

We expect cash provided by operating activities from continuing operations to increase approximately $270 million to $1.8 billion in 2018 , due to pre-tax earnings growth adjusted for non-cash items, primarily depreciation. We expect 2018 free cash flow to decrease to negative $600 million , reflecting capital spending to fund higher growth and replacement in the lease and rental vehicle fleets.

Capital expenditures are generally used to purchase revenue earning equipment (trucks, tractors and trailers) within our FMS segment. These expenditures primarily support the ChoiceLease and commercial rental product lines. The level of capital required to support the ChoiceLease product line varies based on 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 ten years for trailers. We utilize capital for the purchase of vehicles in our commercial rental product line to replenish and expand the fleet available for shorter-term use by contractual or occasional customers. Operating property and equipment expenditures primarily relate to spending on items such as vehicle maintenance facilities and equipment, computer and telecommunications equipment, investments in technologies, and warehouse facilities and equipment.

The following is a summary of capital expenditures:

		2017	2016	2015
			(In thousands)	
Revenue earning equipment:				
ChoiceLease	**$**	**1,456,758**	1,547,717	2,060,254
Commercial rental		**351,707**	82,580	522,940
		1,808,465	1,630,297	2,583,194
Operating property and equipment		**132,752**	132,603	112,918
Total capital expenditures (1)		**1,941,217**	1,762,900	2,696,112
Changes in accounts payable related to purchases of revenue earning equipment		**(80,781)**	142,257	(28,134)
Cash paid for purchases of property and revenue earning equipment	**$**	**1,860,436**	1,905,157	2,667,978

(1) Non-cash additions exclude approximately $7 million , $1 million and $6 million in 2017 , 2016 and 2015 , respectively, in assets held under capital leases resulting from the extension of existing operating leases and other additions.

Capital expenditures increased to $1.94 billion in 2017 , reflecting higher planned investments to refresh our commercial rental fleet, partially offset by lower ChoiceLease spending. Capital expenditures decreased in 2016 to $1.76 billion , reflecting lower planned investments in the ChoiceLease and commercial rental fleets. We expect capital expenditures to increase to approximately $2.9 billion in 2018 , primarily due to increased investments to grow our ChoiceLease fleet, and to refresh and expand our commercial rental fleet. We expect to fund 2018 capital expenditures primarily with additional debt financing.

Working Capital

		2017		2016
		(In thousands)		
Current assets	**$**	**1,322,282**	$	1,101,557
Current liabilities		**2,012,778**		1,744,069
Working capital	**$**	**(690,496)**	$	(642,512)

Our net working capital was negative $690 million at December 31, 2017 , compared with negative $643 million at December 31, 2016 . Approximately $826 million of our negative working capital is associated with debt due in the next year. Our global revolving credit facility is used primarily to finance working capital needs. See "Financing and Other Funding Transactions" for further discussion on the adequacy of our funding sources to meet our operating, investing and financing needs.

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.

Our ability to access unsecured debt in the capital markets is impacted by both our short-term and long-term debt ratings. These ratings are intended to provide guidance to 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 significant downgrade of our short-term debt ratings would impair our ability to issue commercial paper and likely require us to rely on alternative funding sources. A significant downgrade would not affect our ability to borrow amounts under our revolving credit facility described below, assuming ongoing compliance with the terms and conditions of the credit facility.

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

	Short-term		Long-term	
	Rating	Outlook	Rating	Outlook
Moody’s Investors Service	**P2**	**Stable**	**Baa1**	**Stable (affirmed May 2017)**
Standard & Poor’s Ratings Services	**A2**	**Stable**	**BBB+**	**Stable (affirmed October 2017)**
Fitch Ratings	**F2**	**Stable**	**A-**	**Stable (affirmed October 2017)**

Cash and equivalents totaled $78 million as of December 31, 2017 . Approximately $23 million was held outside the U.S. as of December 31, 2017 , and is available to fund operations and other growth of our non-U.S. subsidiaries. We have historically reinvested such earnings overseas indefinitely and may continue to reinvest future foreign earnings overseas
indefinitely. Since the 2017 Tax Cut and Jobs Act implements a territorial tax system, whereby certain foreign subsidiary earnings can be repatriated to the U.S. with no federal tax, we are reassessing whether to indefinitely reinvest our overseas earnings. If we decide to repatriate cash and equivalents held outside the U.S., we may be subject to additional U.S. income taxes and foreign withholding taxes. Refer to Note 13 , “ Income Taxes ,” in the Notes to Consolidated Financial Statements for an additional discussion.

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

At December 31, 2017 , we had the following amounts available to fund operations:

	(In millions)
Global revolving credit facility	**$577**
Trade receivables program	**$175**

Refer to Note 15 , “ Debt ,” in the Notes to Consolidated Financial Statements for a discussion of these debt facilities.The following table shows the movements in our debt balance:

	2017	2016
	(In thousands)	
Debt balance at January 1	**$ 5,391,274**	5,502,627
Cash-related changes in debt:		
Net change in commercial paper borrowings and revolving credit facilities	**89,519**	(77,798)
Proceeds from issuance of medium-term notes	**595,785**	596,283
Proceeds from issuance of other debt instruments	**277,517**	78,645
Retirement of medium-term notes	**(700,000)**	(600,000)
Other debt repaid	**(262,577)**	(69,047)
Debt issuance costs paid	**(1,738)**	(1,776)
	(1,494)	(73,693)
Non-cash changes in debt:		
Fair market value adjustment on notes subject to hedging	**(8,302)**	(4,143)
Addition of capital lease obligations	**7,057**	1,231
Changes in foreign currency exchange rates and other non-cash items	**21,116**	(34,748)
Total changes in debt	**18,377**	(111,353)
Debt balance at December 31	**$ 5,409,651**	5,391,274

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

Ryder's debt to equity ratios were 191% and 263% at December 31, 2017 and 2016 , respectively. The debt to equity ratio represents total debt divided by total equity. Our debt to equity ratio decreased as of December 31, 2017 , primarily due to a one-time net tax benefit of $586 million related to the 2017 Tax Cut and Jobs Act for the estimated impact of the change in the future tax rates on our deferred tax liabilities as of December 31, 2017 .

Off-Balance Sheet Arrangements

Guarantees. Refer to Note 17 , “ Guarantees ,” in the Notes to Consolidated Financial Statements for a discussion of our agreements involving guarantees.

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, 2017 :

	2018	2019-2020	2021-2022	Thereafter	Total
			(In thousands)		
Debt	$ 818,510	2,970,078	1,416,874	190,510	5,395,972
Capital lease obligations	7,559	9,502	3,810	—	20,871
Total debt, including capital leases (1)	826,069	2,979,580	1,420,684	190,510	5,416,843
Interest on debt (2)	148,150	201,785	71,900	32,570	454,405
Operating leases (3)	84,824	104,469	43,443	38,288	271,024
Purchase obligations (4)	26,417	29,668	6,641	259	62,985
Total contractual cash obligations	259,391	335,922	121,984	71,117	788,414
Insurance obligations (primarily self-insurance)	110,632	114,543	49,590	78,341	353,106
Other long-term liabilities (5), (6), (7)	6,771	6,957	4,547	71,308	89,583
Total	$ 1,202,863	3,437,002	1,596,805	411,276	6,647,946

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(1) Net of unamortized discount and excludes the fair market value adjustment on notes subject to hedging.

(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, 2017 . Amounts are based on existing debt obligations, including capital leases, and do not consider potential refinancing 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" and are excluded from the above table.

(5) 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.

(6) The amounts exclude our estimated pension contributions. For 2018 , our pension contributions, including our minimum funding requirements as set forth by U.S. and international regulations and legislation (including ERISA), are expected to be $34 million . Our minimum funding requirements after 2018 are dependent on several factors. However, we estimate that the undiscounted required global contributions over the next five years are approximately $296 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 22 ," Employee Benefit Plans ," in the Notes to Consolidated Financial Statements for further discussion.

(7) The amounts exclude $68 million of liabilities associated with uncertain tax positions as we are unable to reasonably estimate the ultimate amount or timing of settlement. See Note 13 , " Income Taxes ," in the Notes to Consolidated Financial Statements for further discussion.

Pension Information

We have defined benefit retirement plans which are frozen for non-grandfathered and certain non-union employees in the U.S., Canada and the United Kingdom. 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 2017 , total global pension contributions were $41 million compared with $128 million in 2016 . We estimate 2018 required pension contributions will be $34 million . The present value of estimated global pension contributions that would be required over the next 5 years totals approximately $266 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 funded 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 22 , " Employee Benefit Plans ," in the Notes to Consolidated Financial Statements for additional information.

Due to the underfunded status of our defined benefit plans, we had an accumulated net pension equity charge (after-tax) of $567 million and $627 million at December 31, 2017 and 2016 , respectively. The improvement in funded status reflects the benefit of asset returns of 15% in 2017 .

Pension expense totaled $57 million in 2017 compared to $61 million in 2016 . The increase in pension expense is primarily due to higher expense for union-administered multi-employer plans. We expect 2018 pension expense to decrease approximately $22 million primarily due to the benefit of favorable asset returns in 2017. Our 2018 pension expense estimates are subject to change based upon the completion of the actuarial analysis for all pension plans. See the "Critical Accounting Estimates — Pension Plans" section for further discussion on pension accounting estimates.

During 2017, we completed a transfer of future retiree benefits in our U.S. defined benefit plan to a third-party annuity company. We paid $71 million in connection with this transfer, which included a $66 million reduction in our projected benefit obligation and an annuity premium. We did not record a gain or loss on this transaction as the cost of all settlements during the year, including this transaction, were less than our combined service and interest costs for the year.

We participate in certain U.S. multi-employer pension (MEP) plans that provide defined benefits to employees covered by collective bargaining agreements. At December 31, 2017 , approximately 1,100 employees (approximately 3% 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 year MEP plan contributions total approximately $10 million . Pursuant to current U.S. pension laws, if any MEP plans fail 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.

Employers participating in MEP plans can elect to withdraw from the plans, contingent upon certain requirements, 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. During 2017, we recorded estimated pension settlement charges of $5 million related to our exit from a U.S. multi-employer pension plan. These charges were recorded within "Selling, general and administrative expenses" in our Consolidated Statement of Earnings and are included in the Union-administered plans expense. See Note 22 , " Employee Benefit Plans ," in the Notes to Consolidated Financial Statements for additional information.

Share Repurchase Programs and Cash Dividends

Refer to Note 18 , " Share Repurchase Programs ," in the Notes to Consolidated Financial Statements for a discussion on our share repurchase programs.

Cash dividend payments to shareholders of common stock were $96 million in 2017 , $91 million in 2016 , and $83 million in 2015 . During 2017 , we increased our annualized dividend rate 5% to $1.84 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. A hypothetical 100 basis point change in short-term market interest rates would change annual pre-tax earnings by $13 million . 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 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 16 , “ Derivatives ,” in the Notes to Consolidated Financial Statements for further discussion on interest rate swap agreements.

At December 31, 2017 , we had $3.22 billion of fixed-rate debt outstanding (excluding capital leases and U.S. asset- backed securities) with a weighted-average interest rate of 3% and a fair value of $3.26 billion . A hypothetical 10% decrease or increase in the December 31, 2017 market interest rates would impact the fair value of our fixed-rate debt by approximately $28 million at December 31, 2017 . 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, 2017 , we had $1.69 billion of variable-rate debt, including $825 million of fixed-rate debt instruments swapped to LIBOR-based floating-rate debt. Changes in the fair value of the interest rate swaps 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 agreements at December 31, 2017 was a net liability of $7 million . The fair value of our variable-rate debt at December 31, 2017 was $1.69 billion . A hypothetical 10% increase in market interest rates would have impacted 2017 pre-tax earnings from continuing operations by approximately $3 million .

We are also subject to interest rate risk with respect to our pension and postretirement benefit obligations, as changes in interest rates will effectively increase or decrease our liabilities associated with these benefit plans, which also results in changes to the amount of pension and postretirement benefit expense recognized each period.

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 $0.1 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 foreign currency exposure related to our net investment in foreign subsidiaries, since we have no near-term intent to repatriate funds from such subsidiaries.

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, 2017 , 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 trailing 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 23 , “ Environmental Matters ,” in the Notes to Consolidated Financial Statements for a discussion surrounding environmental matters.

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 review the development, selection and disclosure of these critical accounting estimates with Ryder's Audit Committee on an annual basis.

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" 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, 2017 , a 10% decline in expected vehicle residual values would increase depreciation expense in 2018 by approximately $126 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 DTS and SCS applications). As a result, future depreciation expense rates are subject to change based upon changes in these factors. 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.

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, we adjust the residual values and useful lives of certain classes of our revenue earning equipment effective January 1 of each year. The approximate (unfavorable) / favorable impact on the annual depreciation expense resulting from the residual value and useful life reviews is as follows:

2018	2017	2016
($40 million)	($4 million)	$35 million

In addition, we also monitor market trends throughout the year and assess residual values of vehicles expected to be sold in the near term and may adjust residual values for the vehicles.

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.

Depreciation expense was $1.26 billion , $1.19 billion and $1.12 billion in 2017 , 2016 and 2015 , respectively. Depreciation expense relates primarily to FMS revenue earning equipment. Depreciation expense increased 6% in 2017 , driven by a larger average full service lease fleet and accelerated depreciation on vehicles expected to be made available for sale through June 2019 of $21 million , partially offset by a smaller average commercial rental fleet. Depreciation expense increased 6% in 2016 , driven by a larger average full service lease fleet and accelerated depreciation of $10 million . The increase in 2016 was partially offset by $35 million from increases in residual values.

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 assumptions used and make adjustments to our assumptions, if warranted. In determining our annual estimate of periodic pension cost, we are required to make an evaluation of critical factors such as discount rate, expected long-term rate of return on assets, 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 estimate 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.

Assumptions as to mortality of the participants in our pension plan is a key estimate in measuring the expected payments participants may receive over their lifetime, and therefore the amount of expense we will recognize. We update our mortality assumptions as deemed necessary by taking into consideration relevant actuarial studies as they become available as well as reassessing our own historical experience.

As part of our strategy to manage future pension costs and net funded status volatility, we regularly assess our pension investment strategy. Our U.S. pension investment policy and strategy seek to reduce the effects of future volatility on the fair value of our pension assets relative to our pension liabilities by increasing our allocation of high quality, longer-term fixed income securities and reducing our allocation of equity investments as the funded status of the plan improves. The composition of our pension assets was 52% equity securities and alternative assets and 48% debt securities and other investments at December 31, 2017 . We continually evaluate our mix of investments between equity and fixed income securities and adjust the composition of our pension assets when appropriate. In 2017 , we adjusted our long-term expected rate of return assumption for our primary U.S. plan to 5.40% from 5.85% based on our expected asset mix. The expected rate of return assumption for the fixed income portion of our portfolio mirrors the discount rate in order to align the expected return on fixed income securities with the movement in the pension liability under our strategy.

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 included in "Accumulated other comprehensive loss." We had a pre-tax accumulated actuarial loss of $878 million and $961 million at the end of 2017 and 2016 , respectively. To the extent the amount of cumulative actuarial gains and losses exceed 10% of the greater of the benefit obligation or plan assets, the excess amount is amortized over the average remaining life expectancy of active participants or the remaining life expectancy of inactive participants if all or almost all of a plan's participants are inactive. The amount of the actuarial loss subject to amortization in 2018 and future years will be $649 million . We expect to recognize approximately $29 million of the net actuarial loss as a component of pension expense in 2018 . The effect on years beyond 2018 will depend substantially upon the actual experience of our plans.

Disclosure of the significant assumptions used in arriving at the 2017 net pension expense is presented in Note 22 , " Employee Benefit Plans ," in the Notes to Consolidated Financial Statements. A sensitivity analysis of 2017 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 2018 Net Pension Expense	Effect on December 31, 2017 Projected Benefit Obligation
Expected long-term rate of return on assets	**5.40%**	**+/- 0.25**	**+/- $3.0 million**	**N/A**
Discount rate increase	**3.70%**	**+ 0.25**	**+ $4.0 million**	**- $52 million**
Discount rate decrease	**3.70%**	**- 0.25**	**- $4.0 million**	**+ $52 million**

Self-Insurance Accruals. Self-insurance accruals were $349 million and $337 million as of December 31, 2017 and 2016 , 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 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. During 2017 , we recognized a $9 million benefit from the development of estimated prior years' self-insured loss reserves. For 2016 and 2015 , we recognized a charge of $9 million and $4 million , respectively, from the development of estimated prior years' self-insured loss reserves. Based on self-insurance accruals at December 31, 2017 , a 5% adverse change in actuarial claim loss estimates would increase operating expense in 2018 by approximately $16 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, 2017 , goodwill totaled $396 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. In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether further impairment testing is necessary.

We have historically performed the annual impairment test as of April 1 for all of our reporting units. However, during the three months ended December 31, 2017, we elected to change our annual impairment assessment date from April 1 to October 1 for all of our reporting units. We believe this change, which represents a change in method of applying an accounting principle, is preferable under our circumstances. The change was made to align the annual goodwill impairment test date with our strategic and business plan time lines and to reduce the risk that an interim impairment triggering event might occur between the annual goodwill impairment test date and the year-end balance sheet date. This change in assessment date required us to perform another impairment review. The following summarized the nature of our reviews:

Reporting unit:	**December 31, 2017** Goodwill (In millions)	April 1, 2017 Quantitative	April 1, 2017 Qualitative	October 1, 2017 Quantitative	October 1, 2017 Qualitative
FMS North America	**$ 211.7**	X			X
FMS Europe	**15.1**	X		X	
DTS	**40.8**		X		X
SCS U.S.	**121.8**		X		X
SCS Canada	**6.1**		X		X
Total	**$ 395.5**				

For quantitative tests, we estimated the fair value of the reporting units using a discounted cash flow model. The principal assumptions used in the discounted cash flow model were projected operating results, weighted-average cost of capital, and terminal value. Based on our quantitative analysis, we determined the fair value of the reporting units exceeded their carrying values resulting in no impairment to goodwill at both test dates. We estimated the fair value of the FMS Europe reporting unit exceeded its carrying value by approximately 25% . Given this level of excess fair value, in the event the financial performance of FMS Europe does not meet our expectations during 2018, we may be required to perform an interim impairment analysis prior to our next annual test, and based on the outcome of that analysis, could be required to take a non-cash impairment charge. As of October 1, 2017, there was $15 million of goodwill recorded related to FMS Europe.

For qualitative tests, we considered individual factors such as macroeconomic conditions, changes in our industry, and the markets in which we operate, as well as our historical and expected future financial performance. Examples of factors we considered included the results of our most recent impairment tests, declines in our financial performance, a lack of significant changes in our competitive landscape, changes in our stock price as compared to a relatively stable carrying value since our most recent impairment tests and improvements in macroeconomic conditions since our most recent impairment test. After performing the qualitative assessments, we concluded it is more likely than not that fair values are greater than carrying values and no additional testing was performed.

As of December 31, 2017 , there have been no events or changes in circumstances that indicate that it is more likely than not that a goodwill impairment has occurred since the October 1, 2017 assessment date.

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 recognized the tax benefit in the financial statements. Deferred tax assets were $448 million and $809 million at December 31, 2017 and 2016 , respectively. The reduction in deferred tax assets is primarily due to the revaluation required as part of the adoption of tax reform in the fourth quarter of 2017. We recognize a valuation allowance for deferred tax assets to reduce such assets to amounts expected to be realized. At December 31, 2017 and 2016 , the deferred tax valuation allowance, principally attributed to foreign tax loss carryforwards in the SCS business segment, was $19 million and $16 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.

As part of our calculation of the provision for income taxes, 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. We accrue the largest amount of the benefit that has a cumulative probability of greater than 50% of being sustained. These 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. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit.

A number of years may elapse before a particular matter for which we have established a reserve is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the “more likely than not” recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty is resolved under any one of the following conditions: (1) the tax position has been determined to be “more likely than not” sustained, (2) the tax position, amount and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. Settlement of any particular issue would usually require the use of cash. See Note 13 , “ Income Taxes ,” in the Notes to Consolidated Financial Statements for further discussion of the status of tax audits and uncertain tax positions.

RECENT ACCOUNTING PRONOUNCEMENTS

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

NON-GAAP AND SEGMENT FINANCIAL MEASURES

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

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

Non-GAAP Financial Measure	Comparable GAAP Measure
Operating Revenue Measures:	
Operating Revenue	Total Revenue
FMS Operating Revenue	FMS Total Revenue
DTS Operating Revenue	DTS Total Revenue
SCS Operating Revenue	SCS Total Revenue
FMS EBT as a % of FMS Operating Revenue	FMS EBT as a % of FMS Total Revenue
DTS EBT as a % of DTS Operating Revenue	DTS EBT as a % of DTS Total Revenue
SCS EBT as a % of SCS Operating Revenue	SCS EBT as a % of SCS Total Revenue
Comparable Earnings Measures:	
Comparable Earnings Before Income Tax	Earnings Before Income Tax
Comparable Earnings	Earnings from Continuing Operations
Comparable EPS	EPS from Continuing Operations
Adjusted Return on Average Capital (ROC)	Not Applicable. However, the non-GAAP elements of the calculation have been reconciled to the corresponding GAAP measures. A numerical reconciliation of net earnings to adjusted net earnings and average total debt and average shareholder's equity to adjusted average total capital is provided on page 63.
Cash Flow Measures:	
Total Cash Generated and Free Cash Flow	Cash Provided by Operating Activities

Set forth in the table below is an overview of each non-GAAP financial measure and why management believes that presentation of each non-GAAP financial measure provides useful information to investors. See reconciliations for each of these measures following this table.

Operating Revenue Measures:	
Operating Revenue FMS Operating Revenue DTS Operating Revenue SCS Operating Revenue FMS EBT as a % of FMS Operating Revenue DTS EBT as a % of DTS Operating Revenue SCS EBT as a % of SCS Operating Revenue	Operating revenue is defined as total revenue for Ryder System, Inc. or each business segment (FMS, DTS and SCS), respectively, excluding any (1) fuel and (2) subcontracted transportation. We believe operating revenue provides useful information to investors as we use it to evaluate the operating performance of our core businesses and as a measure of sales activity at the consolidated level for Ryder System, Inc., as well as for each of our business segments. We also use segment EBT as a percentage of segment operating revenue for each business segment for the same reason. Note: FMS EBT, DTS EBT and SCS EBT, our primary measures of segment performance, are not non-GAAP measures. <u>Fuel</u> : We exclude FMS, DTS and SCS fuel from the calculation of our operating revenue measures, as fuel is an ancillary service that we provide our customers, which is impacted by fluctuations in market fuel prices, and the costs are largely a pass-through to our customers, resulting in minimal changes in our profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by rapid changes in market fuel prices during a short period of time, as customer pricing for fuel services is established based on trailing market fuel costs. <u>Subcontracted transportation</u> : We also exclude subcontracted transportation from the calculation of our operating revenue measures, as these services are also typically a pass-through to our customers and, therefore, fluctuations result in minimal changes to our profitability. While our DTS and SCS business segments subcontract certain transportation services to third party providers, our FMS business segment does not engage in subcontracted transportation and, therefore, this item is not applicable to FMS.
Comparable Earnings Measures:	
Comparable earnings before income tax (EBT) Comparable Earnings Comparable earnings per diluted common share (EPS)Comparable Earnings Adjusted Return on Average Capital (ROC)	Comparable EBT, comparable earnings and comparable EPS are defined, respectively, as GAAP EBT, earnings and EPS, all from continuing operations, excluding (1) non-operating pension costs and (2) any other significant items that are not representative of our business operations. We believe these comparable earnings measures provide useful information to investors and allow for better year-over-year comparison of operating performance. <u>Non-Operating Pension Costs</u> : Our comparable earnings measures exclude non-operating pension costs, which include the amortization of net actuarial loss and prior service cost, interest cost and expected return on plan assets components of pension and postretirement benefit costs. We exclude non-operating pension costs because we consider these to be impacted by financial market performance and outside the operational performance of our business. <u>Other Significant Items</u> : Our comparable earnings measures also exclude other significant items that are not representative of our business operations as detailed in the reconciliation table below page 59. These other significant items vary from period to period and, in some periods, there may be no such significant items. <u>Calculation of comparable tax rate</u> : The comparable provision for income taxes is computed using the same methodology as the GAAP provision for income taxes. Income tax effects of non-GAAP adjustments are calculated based on the statutory tax rates of the jurisdictions to which the non-GAAP adjustments relate. <u>Adjusted ROC:</u> Adjusted ROC is defined as adjusted net earnings divided by average total capital and represents the rate of return generated by the capital deployed in our business. The adjustments represent the comparable items described above, which are excluded, as applicable, from the calculation of net earnings and average shareholders' equity (a component of average total capital). We use adjusted ROC as an internal measure of how effectively we use the capital invested (borrowed or owned) in our operations.

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

The following table provides a reconciliation of GAAP earnings before taxes (EBT), earnings, and earnings per diluted share (EPS) from continuing operations to comparable EBT, comparable earnings and comparable EPS from continuing operations for the years ended December 31, 2017 , 2016 , 2015 , 2014 and 2013 . Certain items included in EBT, earnings and diluted EPS from continuing operations have been excluded from our comparable EBT, comparable earnings and comparable diluted EPS measures. The following table lists a summary of these items, which are discussed in more detail throughout our MD&A and within the Notes to Consolidated Condensed Financial Statements:

	Continuing Operations				
	2017	2016	2015	2014	2013
	(Dollars in thousands, except per share amounts)				
EBT	$ **313,786**	406,381	469,215	338,267	369,015
Non-operating pension costs	**27,741**	29,943	17,797	5,521	22,236
Tax reform related adjustments, net (1)	**23,278**	—	—	—	—
Restructuring charges and fees, net (2)	**21,405**	5,074	18,068	2,787	(469)
Pension lump sum settlement expense	—	—	—	97,231	—
Pension-related adjustments (3)	**5,454**	7,650	(509)	12,564	2,820
Operating tax adjustment (1)	**2,205**	—	—	—	—
Gain on sale of property (1)	**(24,122)**	—	—	—	—
Acquisition-related tax adjustment	—	—	—	1,808	—
Acquisition transaction costs	—	—	—	566	—
Superstorm Sandy vehicle-related recoveries	—	—	—	—	(600)
Foreign currency translation benefit	—	—	—	—	(1,904)
Comparable EBT	$ **369,747**	449,048	504,571	458,744	391,098
Earnings	$ **791,015**	264,640	305,989	220,225	243,275
Non-operating pension costs	**16,034**	17,518	10,136	2,822	13,046
Tax reform related adjustments, net (1), (4)	**(571,666)**	—	—	—	—
Restructuring charges and fees, net (2)	**13,371**	3,513	12,782	1,800	(360)
Pension lump sum settlement expense	—	—	—	61,333	—
Pension-related adjustments (3)	**3,303**	4,817	(309)	7,623	1,711
Operating tax adjustment (1)	**1,677**	—	—	—	—
Gain on sale of property (1)	**(14,769)**	—	—	—	—
Acquisition-related tax adjustment	—	—	—	1,808	—
Acquisition transaction costs	—	—	—	444	—
Tax law changes (4)	**1,844**	—	(2,113)	(1,776)	—
Superstorm Sandy vehicle-related recoveries	—	—	—	—	(374)
Foreign currency translation benefit	—	—	—	—	(1,904)
Comparable Earnings (5)	$ **240,809**	290,488	326,485	294,279	255,394
Diluted EPS	$ **14.87**	4.94	5.73	4.14	4.63
Non-operating pension costs	**0.31**	0.33	0.19	0.05	0.25
Tax reform related adjustments, net (1), (4)	**(10.75)**	—	—	—	—
Restructuring charges and fees, net (2)	**0.25**	0.06	0.23	0.03	(0.01)
Pension lump sum settlement expense	—	—	—	1.16	—
Pension-related adjustments (3)	**0.06**	0.09	(0.01)	0.14	0.03
Operating tax adjustment (1)	**0.03**	—	—	—	—
Gain on sale of property (1)	**(0.27)**	—	—	—	—
Acquisition-related tax adjustment	—	—	—	0.03	—
Acquisition transaction costs	—	—	—	0.01	—
Tax law changes (4)	**0.03**	—	(0.04)	(0.03)	—
Superstorm Sandy vehicle-related recoveries	—	—	—	—	(0.01)
Foreign currency translation benefit	—	—	—	—	(0.04)
Comparable EPS (5)	$ **4.53**	5.42	6.10	5.53	4.85

(1) Refer to Note 24 , " Other Items Impacting Comparability ," in the Notes to Consolidated Financial Statements for further discussion.
(2) Refer to Note 4 , " Restructuring Charges and Fees, Net ," in the Notes to Consolidated Financial Statements for additional information.

(3) Refer to Note 22 , " Employee Benefit Plans ," in the Notes to Consolidated Financial Statements for further discussion
(4) Refer to Note 13 , " Income Taxes ," in the Notes to Consolidated Financial Statements for further discussion.
(5) Refer to page 60 for information on the tax impact on our comparable earnings measures.

The following table provides a reconciliation of GAAP earnings before taxes (EBT), earnings, and earnings per diluted share (EPS) from continuing operations to comparable EBT, comparable earnings and comparable EPS from continuing operations.

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

	Continuing Operations					
	EBT		Earnings		Diluted EPS	
	2017	2016	**2017**	2016	**2017**	2016
	(Dollars in thousands except per share amounts)					
Three months ended December 31						
EBT/Earnings/EPS [(1)]	**$ 78,795**	69,196	**$ 642,480**	49,275	**$ 12.10**	0.92
Non-operating pension costs [(2)]	**6,865**	7,895	**3,969**	4,647	**0.07**	0.09
Restructuring charges and fees, net [(3)]	**19,724**	5,074	**12,716**	3,513	**0.24**	0.06
Tax reform related adjustments, net [(4)]	**23,278**	—	**(571,666)**	—	**(10.77)**	—
Gain on sale of property	**(24,122)**	—	**(14,769)**	—	**(0.27)**	—
Comparable	**$ 104,540**	82,165	**$ 72,730**	57,435	**$ 1.37**	1.07

(1) 2017 amounts reflect tax benefit as a result of the 2017 Tax Cuts and Jobs Act. Refer to Note 13 , " Income Taxes ," in the Notes to Consolidated Financial Statements for additional information.
(2) Includes the amortization of actuarial loss, interest cost and expected return on plan assets components of pension and post-retirement costs, which are tied to financial market performance.
(3) Refer to Note 4 , " Restructuring Charges and Fees, Net ," in the Notes to Consolidated Financial Statements for additional information.
(4) Refer to the table below for the information on the tax impact on our comparable earnings measures.

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

	Three months ended December 31,		Twelve months ended December 31,				
	2017	**2016**	**2017**	**2016**	**2015**	**2014**	**2013**
	(In thousands)						
Provision for income taxes [(1), (2)]	**$ 563,685**	(19,921)	**$ 477,229**	(141,741)	(163,226)	(118,042)	(125,740)
Income tax effects of non-GAAP adjustments [(1)]	**(551)**	(4,809)	**(11,223)**	(16,819)	(14,860)	(46,423)	(9,964)
Tax reform related adjustments, net [(1), (2)]	**(594,944)**	—	**(594,944)**	—	—	—	—
Comparable provision for income taxes [(1)]	**$ (31,810)**	(24,730)	**$ (128,938)**	(158,560)	(178,086)	(164,465)	(135,704)

(1) The comparable provision for income taxes is computed using the same methodology as the GAAP provision of income taxes. Income tax effects of non-GAAP adjustments are calculated based on statutory tax rates of the jurisdictions to which the non-GAAP adjustments related.
(2) 2017 amounts reflect tax benefit as a result of the 2017 Tax Cuts and Jobs Act. Refer to Note 13 , " Income Taxes ," in the Notes to Consolidated Financial Statements for additional information.

The following table provides a numerical reconciliation of net cash provided by operating activities to total cash generated and to free cash flow for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 :

		2017	2016	2015	2014	2013
		(In thousands)				
Net cash provided by operating activities	$	**1,547,986**	1,601,022	1,441,788	1,382,818	1,251,811
Sales of revenue earning equipment [(1)]		**376,743**	414,249	423,605	493,477	445,589
Sales of operating property and equipment [(1)]		**52,257**	7,051	3,891	3,486	6,782
Collections on direct finance leases [(1)]		**73,172**	76,510	70,980	65,517	70,677
Other, net [(1)]		**—**	—	—	(1,250)	8,173
Total cash generated		**2,050,158**	2,098,832	1,940,264	1,944,048	1,783,032
Purchases of property and revenue earning equipment		**(1,860,436)**	(1,905,157)	(2,667,978)	(2,259,164)	(2,122,628)
Free cash flow	$	**189,722**	193,675	(727,714)	(315,116)	(339,596)
Memo:						
Net cash (used in) provided by financing activities	$	**(155,115)**	(185,922)	731,485	311,650	347,070
Net cash used in investing activities	$	**(1,366,340)**	(1,405,833)	(2,161,355)	(1,704,510)	(1,603,818)

(1) Included in cash flows from investing activities.

The following table provides a numerical reconciliation of total revenue to operating revenue for the years ended December 31, 2017 , 2016 , 2015 , 2014 and 2013:

		2017	2016	2015	2014	2013
		(In thousands)				
Total revenue	$	**7,329,599**	6,786,984	6,571,893	6,638,285	6,419,285
Fuel		**(710,305)**	(628,525)	(722,734)	(1,049,646)	(1,098,843)
Subcontracted transportation		**(578,914)**	(367,562)	(288,082)	(336,422)	(354,624)
Operating revenue	$	**6,040,380**	5,790,897	5,561,077	5,252,217	4,965,818

The following table provides a numerical reconciliation of total revenue to operating revenue for the three months ended December 31, 2017 and 2016 :

		Three months ended December 31,	
		2017	2016
		(In thousands)	
Total revenue	$	**1,939,693**	1,729,150
Fuel		**(190,326)**	(164,349)
Subcontracted transportation		**(162,755)**	(97,923)
Operating revenue	$	**1,586,612**	1,466,878

The following table provides a reconciliation of FMS total revenue to FMS operating revenue, for the three months ended December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015:

	Three months ended December 31,		Twelve months ended December 31,		
	2017	2016	**2017**	2016	2015
	(Dollars in thousands)				
FMS total revenue	**$ 1,241,724**	1,151,742	**$ 4,733,571**	4,556,194	4,545,692
Fuel [1]	**(184,754)**	(159,468)	**(689,809)**	(608,454)	(699,646)
FMS operating revenue	**$ 1,056,970**	992,274	**$ 4,043,762**	3,947,740	3,846,046
FMS EBT	**$ 91,747**	64,275	**$ 312,720**	370,829	461,314
FMS EBT as a % of FMS total revenue	**7.4%**	5.6%	**6.6%**	8.1%	10.1%
FMS EBT as a % of FMS operating revenue	**8.7%**	6.5%	**7.7%**	9.4%	12.0%

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

The following table provides a reconciliation of DTS total revenue to DTS operating revenue, for the three months ended December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015:

	Three months ended December 31,		Twelve months ended December 31,		
	2017	2016	**2017**	2016	2015
	(Dollars in thousands)				
DTS total revenue	**$ 284,422**	256,870	**$ 1,096,042**	1,020,895	895,538
Subcontracted transportation	**(55,289)**	(36,606)	**(192,122)**	(143,502)	(61,202)
Fuel	**(30,884)**	(27,158)	**(114,626)**	(103,074)	(119,883)
DTS operating revenue	**$ 198,249**	193,106	**$ 789,294**	774,319	714,453
DTS EBT	**$ 15,436**	15,271	**$ 55,328**	63,571	45,575
DTS EBT as a % of DTS total revenue	**5.4%**	5.9%	**5.0%**	6.2%	5.1%
DTS EBT as a % of DTS operating revenue	**7.8%**	7.9%	**7.0%**	8.2%	6.4%

The following table provides a reconciliation of SCS total revenue to SCS operating revenue for the three months ended December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015:

	Three months ended December 31,		Twelve months ended December 31,		
	2017	2016	**2017**	2016	2015
	(Dollars in thousands)				
SCS total revenue	**$ 540,023**	430,185	**$ 1,969,500**	1,637,850	1,547,763
Subcontracted transportation	**(107,466)**	(61,317)	**(386,792)**	(224,060)	(226,880)
Fuel	**(21,908)**	(16,218)	**(75,160)**	(61,713)	(64,574)
SCS operating revenue	**$ 410,649**	352,650	**$ 1,507,548**	1,352,077	1,256,309
SCS EBT	**$ 27,743**	26,427	**$ 103,102**	105,532	93,575
SCS EBT as a % of SCS total revenue	**5.1%**	6.1%	**5.2%**	6.4%	6.0%
SCS EBT as a % of SCS operating revenue	**6.8%**	7.5%	**6.8%**	7.8%	7.4%

The following table provides numerical reconciliations of net earnings to adjusted net earnings and average total debt and average shareholders' equity to adjusted average total capital and of the non-GAAP elements used to calculate the adjusted return on average capital to the corresponding GAAP measures for the years ended December 31, 2017 , 2016 , 2015 , 2014 and 2013 :

		2017	2016	2015	2014	2013
				(Dollars in thousands)		
Net earnings [(1)]	$	**790,558**	262,477	304,768	218,341	237,871
Restructuring and other charges (recoveries), net and other items [(2)]		**28,221**	12,585	17,559	114,956	(154)
Income taxes		**(476,707)**	141,623	163,649	118,120	125,693
Adjusted earnings before income taxes		**342,072**	416,685	485,976	451,417	363,410
Adjusted interest expense [(3)]		**140,584**	148,043	150,640	144,991	140,738
Adjusted income taxes [(4)]		**(166,773)**	(198,248)	(224,033)	(213,738)	(177,308)
Adjusted net earnings for adjusted return on average capital **[A]**	$	**315,883**	366,480	412,583	382,670	326,840
Average total debt	$	**5,360,257**	5,549,458	5,177,012	4,653,476	4,015,178
Average off-balance sheet debt		**1,758**	1,472	1,467	1,919	961
Average shareholders’ equity		**2,201,219**	2,052,371	1,894,917	1,925,824	1,593,942
Average adjustments to shareholders’ equity [(5)]		**(69,443)**	1,728	10,843	7,758	(2,088)
Adjusted average total capital **[B]**	$	**7,493,791**	7,605,029	7,084,239	6,588,977	5,607,993
Adjusted return on average capital **[A]/[B]**		**4.2%**	4.8%	5.8%	5.8%	5.8%

(1) 2017 amounts reflect tax benefit as a result of the 2017 Tax Cuts and Jobs Act. Refer to Note 13 , " Income Taxes ," in the Notes to Consolidated Financial Statements for additional information.
(2) For 2017 , 2016 and 2015 , see Note 4 , “ Restructuring Charges and Fees, Net ” and Note 24 , “ Other Items Impacting Comparability ,” in the Notes to Consolidated Financial Statements; 2014 includes $97 million related to a pension lump sum settlement expense for unrecognized actuarial losses as a result of the partial settlement of our pension plan liability.
(3) Represents reported interest expense plus imputed interest on off-balance sheet obligations.
(4) Represents provision for income taxes plus income taxes on restructuring and other items and adjusted interest expense.
(5) Represents the impact to equity of items to arrive at comparable earnings.

The following table provides a numerical reconciliation of forecasted earnings per diluted common share from continuing operations to forecasted comparable earnings per diluted common share from continuing operations for 2018 :

	2018
EPS from continuing operations forecast	$5.34 - 5.64
Non-operating pension costs	0.06
Comparable EPS from continuing operations forecast	$5.40 - 5.70

The following table provides a numerical reconciliation of total revenue to operating revenue for 2018 :

		2018
		(In thousands)
Total revenue	$	**7,800,000**
Fuel		**(700,000)**
Subcontracted transportation		**(600,000)**
Operating revenue	$	**6,500,000**

Segment Financial Measures.

The following table reconciles FMS segment revenue to revenue from external customers for the years ended December 31, 2017 , 2016 and 2015 :

		2017	2016	2015
		(In thousands)		
ChoiceLease revenue	$	**2,688,717**	2,573,638	2,406,711
Commercial rental revenue		**813,539**	846,331	940,045
ChoiceLease and commercial rental revenue		**3,502,256**	3,419,969	3,346,756
Intercompany revenue		**(264,571)**	(249,017)	(225,203)
ChoiceLease and commercial rental revenue from external customers	$	**3,237,685**	3,170,952	3,121,553
FMS services revenue	$	**541,506**	527,771	499,290
Intercompany revenue		**(35,634)**	(34,222)	(30,528)
FMS services revenue from external customers	$	**505,872**	493,549	468,762
FMS fuel services revenue	$	**689,809**	608,454	699,646
Intercompany revenue		**(169,309)**	(144,716)	(161,369)
FMS fuel services revenue from external customers	$	**520,500**	463,738	538,277

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

- our expectations as to anticipated revenue and earnings growth specifically, total revenue, operating revenue and product line revenues, used vehicle sales, demand, pricing, inventory and volumes, contract revenues, ChoiceLease growth, SelectCare growth, commercial rental pricing and demand, and actual and planned new sales activity in lease, DTS and SCS;
- our expectations relating to further deterioration in the used vehicle sales market and residual values of used vehicles;
- the size and impact of strategic investments;
- our expected cost savings from workforce reductions and restructuring actions;
- the continuing benefits of our maintenance initiatives and a newer fleet;
- our ability to successfully achieve the operational goals that are the basis of our business strategies, including driving fleet growth, delivering a consistent, industry-leading and cost-effective maintenance program, optimizing asset utilization and management, providing differentiated quality of service and best execution, developing broad-based capabilities, creating a culture of innovation, focusing on continuous improvement and standardization and successfully implementing sales and marketing strategies;
- impact of losses from conditional obligations arising from guarantees;
- number of NLE and used vehicles in inventory and the appropriate size of our commercial rental fleet given commercial rental market expectations;
- estimates of cash flows from operations, free cash flow and capital expenditures for 2018 ;
- the adequacy of our accounting estimates and reserves for pension expense, compensation-related expense, postretirement benefit expense, depreciation and residual value guarantees, rent expense under operating leases, self-insurance reserves, goodwill impairment, accounting changes and income taxes;
- our ability to meet our operating, investing and financing needs in the foreseeable future through internally generated funds and outside funding sources;
- our expected level of use of outside funding sources, anticipated future payments under debt, lease and purchase agreements, and risk of losses resulting from counterparty default under hedging and derivative agreements;
- anticipated impact of exchange rate fluctuations;
- the anticipated impact of fuel price fluctuations on our operations, cash flows and financial position;
- our expectations as to future pension expense and contributions, as well as the continued effect of the freeze of our pension plans on our benefit funding requirements;
- the anticipated deferral of tax gains on disposal of eligible revenue earning equipment under our vehicle like-kind exchange program;
- our expectations relating to withdrawal liabilities and funding levels of multi-employer plans;
- the status of our unrecognized tax benefits related to the U.S. federal, state and foreign tax positions;
- our expectations regarding the completion and ultimate outcome of certain tax audits;
- the ultimate disposition of legal proceedings and estimated environmental liabilities;
- our expectations relating to compliance with new regulatory requirements;
- our expectations regarding the effects of the adoption of recent accounting pronouncements; and
- the impact of tax reform legislation.

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 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 of PART II of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENTS

	Page No.
Management's Report on Internal Control over Financial Reporting	68
Report of Independent Registered Public Accounting Firm	69
Consolidated Statements of Earnings	71
Consolidated Statements of Comprehensive Income (Loss)	72
Consolidated Balance Sheets	73
Consolidated Statements of Cash Flows	74
Consolidated Statements of Shareholders' Equity	75
Notes to Consolidated Financial Statements:	
Note 1. Summary of Significant Accounting Policies	76
Note 2. Recent Accounting Pronouncements	84
Note 3. Acquisitions	85
Note 4. Restructuring Charges and Fees, Net	86
Note 5. Receivables	87
Note 6. Prepaid Expenses and Other Current Assets	87
Note 7. Revenue Earning Equipment	87
Note 8. Operating Property and Equipment	88
Note 9. Goodwill	89
Note 10. Intangible Assets	90
Note 11. Direct Financing Leases and Other Assets	90
Note 12. Accrued Expenses and Other Liabilities	91
Note 13. Income Taxes	92
Note 14. Leases	95
Note 15. Debt	97
Note 16. Derivatives	99
Note 17. Guarantees	99
Note 18. Share Repurchase Programs	100
Note 19. Accumulated Other Comprehensive Loss	100
Note 20. Earnings Per Share	101
Note 21. Share-Based Compensation Plans	101
Note 22. Employee Benefit Plans	105
Note 23. Environmental Matters	113
Note 24. Other Items Impacting Comparability	113
Note 25. Other Matters	114
Note 26. Supplemental Cash Flow Information	114
Note 27. Miscellaneous Income, Net	114
Note 28. Segment Reporting	115
Note 29. Quarterly Information (unaudited)	119
Consolidated Financial Statement Schedule for the Years Ended December 31, 2017, 2016 and 2015:	
Schedule II — Valuation and Qualifying Accounts	120

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, 2017 . 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 (2013)." Based on our assessment and those criteria, management determined that Ryder maintained effective internal control over financial reporting as of December 31, 2017 .

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Ryder System, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Ryder System, Inc. and its subsidiaries as of December 31, 2017 and 2016 , and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017 , including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017 , based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016 **,** and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017 , based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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

PricewaterhouseCoopers LLP
Certified Public Accountants
Miami, Florida
February 16, 2018

We have served as the Company’s auditor since 2006.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Years ended December 31,		
	2017	2016	2015
	(In thousands, except per share amounts)		
Lease and rental revenues	$ **3,237,685**	3,170,952	3,121,553
Services revenue	**3,571,414**	3,152,294	2,912,063
Fuel services revenue	**520,500**	463,738	538,277
Total revenues	**7,329,599**	6,786,984	6,571,893
Cost of lease and rental	**2,355,043**	2,234,284	2,153,450
Cost of services	**3,003,348**	2,602,978	2,413,156
Cost of fuel services	**507,440**	448,306	519,843
Other operating expenses	**115,507**	113,461	117,082
Selling, general and administrative expenses	**871,983**	805,104	822,857
Non-operating pension costs	**27,741**	37,593	17,797
Used vehicle sales, net	**17,241**	(972)	(99,853)
Interest expense	**140,350**	147,843	150,434
Miscellaneous income, net	**(44,245)**	(13,068)	(10,156)
Restructuring charges and fees, net	**21,405**	5,074	18,068
	7,015,813	6,380,603	6,102,678
Earnings from continuing operations before income taxes	**313,786**	406,381	469,215
(Benefit from) provision for income taxes	**(477,229)**	141,741	163,226
Earnings from continuing operations	**791,015**	264,640	305,989
Loss from discontinued operations, net of tax	**(457)**	(2,163)	(1,221)
Net earnings	$ **790,558**	262,477	304,768
Earnings (loss) per common share — Basic			
Continuing operations	$ **14.98**	4.98	5.78
Discontinued operations	**(0.01)**	(0.04)	(0.02)
Net earnings	$ **14.97**	4.94	5.75
Earnings (loss) per common share — Diluted			
Continuing operations	$ **14.87**	4.94	5.73
Discontinued operations	**(0.01)**	(0.04)	(0.02)
Net earnings	$ **14.87**	4.90	5.71

See accompanying notes to consolidated financial statements.

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

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Net earnings	**$ 790,558**	262,477	304,768
Other comprehensive income (loss):			
Changes in cumulative translation adjustment and other	**66,172**	(70,590)	(99,933)
Amortization of pension and postretirement items	**31,520**	29,493	27,731
Income tax expense related to amortization of pension and postretirement items	**(11,034)**	(10,452)	(9,637)
Amortization of pension and postretirement items, net of tax	**20,486**	19,041	18,094
Change in net actuarial loss and prior service credit	**49,680**	(98,092)	(23,979)
Income tax (expense) benefit related to change in net actuarial loss and prior service credit	**(9,807)**	28,344	13,353
Change in net actuarial loss and prior service credit, net of taxes	**39,873**	(69,748)	(10,626)
Other comprehensive income (loss), net of taxes	**126,531**	(121,297)	(92,465)
Comprehensive income	**$ 917,089**	141,180	212,303

See accompanying notes to consolidated financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
	(Dollars in thousands, except share amounts)	
Assets:		
Current assets:		
Cash and cash equivalents	$ **78,348**	58,801
Receivables, net	**1,010,908**	831,947
Inventories	**73,543**	69,529
Prepaid expenses and other current assets	**159,483**	141,280
Total current assets	**1,322,282**	1,101,557
Revenue earning equipment, net	**8,355,262**	8,147,722
Operating property and equipment, net	**776,704**	745,870
Goodwill	**395,504**	386,772
Intangible assets	**42,930**	48,249
Direct financing leases and other assets	**559,549**	472,284
Total assets	$ **11,452,231**	10,902,454
Liabilities and shareholders' equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ **826,069**	791,410
Accounts payable	**599,303**	445,470
Accrued expenses and other current liabilities	**587,406**	507,189
Total current liabilities	**2,012,778**	1,744,069
Long-term debt	**4,583,582**	4,599,864
Other non-current liabilities	**812,089**	817,565
Deferred income taxes	**1,208,766**	1,688,681
Total liabilities	**8,617,215**	8,850,179
Shareholders' equity:		
Preferred stock, no par value per share — authorized, 3,800,917; none outstanding, December 31, 2017 or 2016	**—**	—
Common stock, $0.50 par value per share — authorized, 400,000,000; outstanding, December 31, 2017 — 52,955,314; December 31, 2016 — 53,463,118	**26,478**	26,732
Additional paid-in capital	**1,051,017**	1,032,549
Retained earnings	**2,465,022**	1,827,026
Accumulated other comprehensive loss	**(707,501)**	(834,032)
Total shareholders' equity	**2,835,016**	2,052,275
Total liabilities and shareholders' equity	$ **11,452,231**	10,902,454

See accompanying notes to consolidated financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Net earnings	$ **790,558**	262,477	304,768
Less: Loss from discontinued operations, net of tax	**(457)**	(2,163)	(1,221)
Earnings from continuing operations	**791,015**	264,640	305,989
Depreciation expense	**1,255,175**	1,187,050	1,121,966
Used vehicle sales, net	**17,241**	(972)	(99,853)
Amortization expense and other non-cash charges, net	**12,114**	30,667	52,965
Non-operating pension costs and share-based compensation expense	**46,708**	56,257	38,978
Deferred income tax (benefit) expense	**(499,783)**	124,886	154,042
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	**(173,840)**	(51,754)	(40,323)
Inventories	**(3,296)**	(5,906)	1,448
Prepaid expenses and other assets	**(38,878)**	(14,211)	(292)
Accounts payable	**66,149**	94,320	(74,381)
Accrued expenses and other non-current liabilities	**75,381**	(83,955)	(18,751)
Net cash provided by operating activities from continuing operations	**1,547,986**	1,601,022	1,441,788
Cash flows from financing activities from continuing operations:			
Net change in commercial paper borrowings and revolving credit facilities	**89,519**	(77,798)	323,359
Debt proceeds	**873,302**	674,928	1,283,223
Debt repaid	**(962,577)**	(669,047)	(798,311)
Dividends on common stock	**(95,813)**	(91,043)	(83,201)
Common stock issued	**20,508**	18,087	23,635
Common stock repurchased	**(78,316)**	(37,274)	(6,141)
Debt issuance costs and other items	**(1,738)**	(3,775)	(11,079)
Net cash (used in) provided by financing activities from continuing operations	**(155,115)**	(185,922)	731,485
Cash flows from investing activities from continuing operations:			
Purchases of property and revenue earning equipment	**(1,860,436)**	(1,905,157)	(2,667,978)
Sales of revenue earning equipment	**376,743**	414,249	423,605
Sales of operating property and equipment	**52,257**	7,051	3,891
Acquisitions	**(7,240)**	—	—
Collections on direct finance leases and other items	**73,172**	76,510	70,980
Changes in restricted cash	**(836)**	1,514	8,147
Net cash used in investing activities from continuing operations	**(1,366,340)**	(1,405,833)	(2,161,355)
Effect of exchange rates on cash	**(5,539)**	(9,482)	37
Increase (decrease) in cash and cash equivalents from continuing operations	**20,992**	(215)	11,955
Decrease in cash and cash equivalents from discontinued operations	**(1,445)**	(1,929)	(1,102)
Increase (decrease) increase in cash and cash equivalents	**19,547**	(2,144)	10,853
Cash and cash equivalents at January 1	**58,801**	60,945	50,092
Cash and cash equivalents at December 31	$ **78,348**	58,801	60,945

See accompanying notes to consolidated financial statements.

RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock	Common Stock				Accumulated Other	
	Amount	Shares	Par	Additional Paid-In Capital	Retained Earnings	Comprehensive Loss	Total
	(Dollars in thousands, except share amounts)						
Balance at January 1, 2015	$ —	53,039,688	$ 26,520	962,328	1,450,509	(620,270)	1,819,087
Comprehensive income	—	—	—	—	304,768	(92,465)	212,303
Common stock dividends declared and paid—$1.56 per share	—	—	—	—	(83,306)	—	(83,306)
Common stock issued under employee stock option and stock purchase plans (1)	—	519,271	260	23,292	—	—	23,552
Benefit plan stock purchases (2)	—	751	—	83	—	—	83
Common stock repurchases	—	(69,107)	(35)	(1,215)	(4,891)	—	(6,141)
Share-based compensation	—	—	—	21,181	—	—	21,181
Tax benefits from share-based compensation	—	—	—	352	—	—	352
Balance at December 31, 2015	—	53,490,603	26,745	1,006,021	1,667,080	(712,735)	1,987,111
Comprehensive income	—	—	—	—	262,477	(121,297)	141,180
Common stock dividends declared and paid—$1.70 per share	—	—	—	—	(91,100)	—	(91,100)
Common stock issued under employee stock option and stock purchase plans (1)	—	507,104	254	17,752	—	—	18,006
Benefit plan stock sales (2)	—	1,709	1	80	—	—	81
Common stock repurchases	—	(536,298)	(268)	(9,968)	(27,038)	—	(37,274)
Share-based compensation	—	—	—	18,664	—	—	18,664
Adoption of new accounting standard	—	—	—	—	15,607		15,607
Balance at December 31, 2016	—	53,463,118	26,732	1,032,549	1,827,026	(834,032)	2,052,275
Comprehensive income	**—**	**—**	**—**	**—**	**790,558**	**126,531**	**917,089**
Common stock dividends declared and paid—$1.80 per share	**—**	**—**	**—**	**—**	**(95,507)**	**—**	**(95,507)**
Common stock issued under employee stock option and stock purchase plans (1)	**—**	**578,847**	**289**	**20,200**	**—**	**—**	**20,489**
Benefit plan stock sales (2)	**—**	**250**	**—**	**19**	**—**	**—**	**19**
Common stock repurchases	**—**	**(1,086,901)**	**(543)**	**(20,718)**	**(57,055)**	**—**	**(78,316)**
Share-based compensation	**—**	**—**	**—**	**18,967**	**—**	**—**	**18,967**
Balance at December 31, 2017	**$ —**	**52,955,314**	**$ 26,478**	**1,051,017**	**2,465,022**	**(707,501)**	**2,835,016**

(1) Net of common shares delivered as payment for the exercise price or to satisfy the holders' withholding tax liability upon exercise of options.
(2) Represents open-market transactions of common shares by the trustee of Ryder's deferred compensation plans.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of Ryder System, Inc. (Ryder) and all entities in which Ryder has a controlling voting interest ("subsidiaries") and variable interest entities ("VIEs") where Ryder is determined to be the primary beneficiary. Ryder is deemed to be the primary beneficiary if we have the power to direct the activities that most significantly impact the entity's economic performance and we share in the significant risks and rewards of the entity. All significant intercompany accounts and transactions have been eliminated in consolidation. Prior year amounts related to consulting fees associated with cost-savings programs have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of historical trends, actions that we may take in the future, and other information available when the consolidated financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. Areas where the nature of the estimate make it reasonably possible that actual results could materially differ from the amounts estimated include: depreciation and residual value guarantees, employee benefit plan obligations, self-insurance accruals, impairment assessments on long-lived assets (including goodwill and indefinite-lived intangible assets), allowance for accounts receivable, income tax liabilities and contingent liabilities.

Cash Equivalents

Cash equivalents represent cash in excess of current operating requirements invested in short-term, interest-bearing instruments with maturities of three months or less at the date of purchase and are stated at cost.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, the services have been rendered to customers or delivery has occurred, the pricing is fixed or determinable, and collectibility is reasonably assured. In our evaluation of whether the price is fixed or determinable, we determine whether the total contract consideration in the arrangement could change based on one or more factors. These factors, which vary among each of our segments, are further discussed below. Generally, the judgments made for these purposes do not materially impact the revenue recognized in any period. Sales tax collected from customers and remitted to the applicable taxing authorities is accounted for on a net basis, with no impact on revenue.

Our judgments on collectibility are initially established when a business relationship with a customer is initiated and is continuously monitored as services are provided. We have a credit rating system based on internally developed standards and ratings provided by third parties. Our credit rating system, along with monitoring for delinquent payments, allows us to make decisions as to whether collectibility may not be reasonably assured. Factors considered during this process include historical payment trends, industry risks, liquidity of the customer, years in business, and judgments, liens or bankruptcies. When collectibility is not considered reasonably assured (typically when a customer is 120 days past due), revenue is not recognized until cash is collected from the customer.

We generate revenue primarily through the lease, rental and maintenance of revenue earning equipment and by providing logistics management and dedicated services. We classify our revenues in one of the following categories:

Lease and rental

Lease and rental includes ChoiceLease and commercial rental revenues from our FMS business segment. We offer a full service lease as well as a lease with more flexible maintenance options under our ChoiceLease product line which are marketed, priced and managed as bundled lease arrangements, and include equipment, service and financing components. We do not offer a stand-alone unbundled finance lease of vehicles. For these reasons, both the lease and service components of our leases are included within lease and rental revenues.

Our ChoiceLease arrangements include lease deliverables such as the lease of a vehicle and the executory agreement for the maintenance, insurance, taxes and other services related to the leased vehicles during the lease term. Arrangement consideration is allocated between lease deliverables and non-lease deliverables based on management's best estimate of the relative fair value of each deliverable. The arrangement consideration allocated to lease deliverables is accounted for pursuant to accounting guidance on leases. Our ChoiceLease arrangements provide for a fixed charge billing and a variable charge billing based on mileage or time usage. Fixed charges are typically billed at the beginning of the month for the services to be provided that month. Variable charges are typically billed a month in arrears. Costs associated with the activities performed under our leasing arrangements are primarily comprised of labor, parts, outside work, depreciation, licenses, insurance, operating taxes and vehicle financing. These costs are expensed as incurred except for depreciation. Refer to "Summary of Significant Accounting Policies – Revenue Earning Equipment, Operating Property and Equipment, and Depreciation" for information regarding our depreciation policies. Non-chargeable maintenance costs have been allocated and reflected within "Cost of lease and rental" based on the maintenance-related labor costs relative to all product lines.

Revenue from ChoiceLease and rental agreements is recognized based on the classification of the arrangement, typically as either an operating or direct financing lease (DFL).

- The majority of our leases and all of our rental arrangements are classified as operating leases and, therefore, we recognize lease and commercial rental revenue on a straight-line basis as it becomes receivable over the term of the lease or rental arrangement. Lease and rental agreements do not usually provide for scheduled rent increases or escalations. However, most lease agreements allow for rate changes based upon changes in the Consumer Price Index (CPI). ChoiceLease and rental agreements also provide for vehicle usage charges based on a time charge and/or a fixed per-mile charge. The fixed time charge, the fixed per-mile charge and the changes in rates attributed to changes in the CPI are considered contingent rentals and are not considered fixed or determinable until the effect of CPI changes is implemented or the equipment usage occurs.

- The non-lease deliverables of our ChoiceLease arrangements are comprised of access to substitute vehicles, emergency road service, and safety services. These services are available to our customers throughout the lease term. Accordingly, revenue is recognized on a straight-line basis over the lease term.

- Leases not classified as operating leases are generally considered direct financing leases. We recognize revenue for direct financing leases using the effective interest method, which provides a constant periodic rate of return on the outstanding investment on the lease. Cash receipts on impaired direct financing lease receivables are first applied to the direct financing lease receivable and then to any unrecognized income. A direct financing lease receivable is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to the contractual terms of the lease.

Services

Services include SelectCare and other revenues from our FMS business segment and all DTS and SCS revenues.

Under our SelectCare arrangements, we provide maintenance and repairs required to keep a vehicle in good operating condition, schedule preventive maintenance inspections and provide access to emergency road service and substitute vehicles. The vast majority of our services are routine services performed on a recurring basis throughout the term of the arrangement. From time to time, we provide non-routine major repair services in order to place a vehicle back in service. Revenue from SelectCare contracts is recognized on a straight-line basis as maintenance services are rendered over the terms of the related arrangements.

Through our SelectCare product line, we provide maintenance services to customers who do not choose to lease vehicles from us. SelectCare maintenance arrangements are generally cancelable, without penalty, after one year with 60 days prior written notice. Our maintenance service arrangement provides for a monthly fixed charge and a monthly variable charge based on mileage or time usage. Fixed charges are typically billed at the beginning of the month for the services to be provided that month. Variable charges are typically billed a month in arrears. Most maintenance agreements allow for rate changes based upon changes in the CPI. The fixed per-mile charge and the changes in rates attributed to changes in the CPI are recognized as earned. Costs associated with the activities performed under our maintenance arrangements are primarily comprised of labor, parts and outside work. These costs are expensed as incurred. Non-chargeable maintenance costs have been allocated and reflected within "Cost of services" based on the proportionate maintenance-related labor costs relative to all product lines.

Revenue from DTS and SCS service contracts is recognized as services are rendered in accordance with contract terms, which typically include discrete billing rates for the services. In certain contracts, a portion of the contract consideration may be contingent upon the satisfaction of performance criteria, attainment of pain/gain share thresholds or volume thresholds. The contingent portion of the revenue in these arrangements is not considered fixed or determinable until the performance criteria or thresholds have been met. In transportation management arrangements where we act as principal, revenue is reported on a gross basis, without deducting third-party purchased transportation costs. To the extent that we are acting as an agent in the arrangement, revenue is reported on a net basis, after deducting purchased transportation costs.

Fuel

Fuel services include fuel services revenue from our FMS business segment. Revenue from fuel services is recognized when fuel is delivered to customers. 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 sudden increases or decreases in market fuel prices during a short period of time as customer pricing for fuel services is established based on trailing market fuel costs.

Accounts Receivable Allowance

We maintain an allowance for uncollectible customer receivables and an allowance for billing adjustments related to certain discounts and billing corrections. Estimates are updated regularly based on historical experience of bad debts and billing adjustments processed, current collection trends and aging analysis. Accounts are charged against the allowance when determined to be uncollectible.

Inventories

Inventories, which consist primarily of fuel, tires and vehicle parts, are valued using the lower of cost and net realizable value.

Revenue Earning Equipment, Operating Property and Equipment, and Depreciation

Revenue earning equipment, comprised of vehicles and operating property and equipment are initially recorded at cost inclusive of vendor rebates. Revenue earning equipment and operating property and equipment under capital lease are initially recorded at the lower of the present value of minimum lease payments or fair value. Vehicle repairs and maintenance that extend the life or increase the value of a vehicle are capitalized, whereas ordinary maintenance and repairs (including tire replacement or repair) are expensed as incurred. Direct costs incurred in connection with developing or obtaining internal-use software are capitalized. Costs incurred during the preliminary software development project stage, as well as maintenance and training costs, are expensed as incurred.

Leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the related lease, which may include one or more option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. If a substantial additional investment is made in a leased property during the term of the lease, we re-evaluate the lease term to determine whether the investment, together with any penalties related to non-renewal, would constitute an economic penalty in such amount that renewal appears to be reasonably assured.

Provision for depreciation is computed using the straight-line method on all depreciable assets. Depreciation expense has been recognized throughout the Consolidated Statement of Earnings depending on the nature of the related asset. We periodically review and adjust, as appropriate, the residual values and useful lives of revenue earning equipment. Our review of the residual values and useful lives of revenue earning equipment is established with a long-term view considering historical market price changes, current and expected future market price trends, expected lives of vehicles and extent of alternative uses. Factors that could cause actual results to materially differ from estimates include, but are not limited to, unforeseen changes in technology innovations. In addition, we also monitor market trends throughout the year and assess residual values of vehicles expected to be sold in the near term and may adjust residual values for these vehicles.

We routinely dispose of used revenue earning equipment as part of our FMS business. Revenue earning equipment held for sale is stated at the lower of carrying amount or fair value less costs to sell. For revenue earning equipment held for sale, we stratify our fleet by vehicle type (trucks, tractors and trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. Fair value is determined based upon recent market prices obtained from our own sales experience for sales of each class of similar assets and vehicle condition, as well as anticipated market price changes. Losses on vehicles held for sale for which carrying values exceeded fair value are recognized at the time they arrive at our used truck centers and are presented within "Used vehicle sales, net" in the Consolidated Statements of Earnings.

Gains and losses on sales of operating property and equipment are reflected in “Miscellaneous income, net.”

Goodwill and Other Intangible Assets

Goodwill on acquisitions represents the excess of the purchase price over the fair value of the underlying acquired net tangible and intangible assets. Factors that contribute to the recognition of goodwill in our acquisitions include (i) expected growth rates and profitability of the acquired companies, (ii) securing buyer-specific synergies that increase revenue and profits and are not otherwise available to market participants, (iii) significant cost savings opportunities, (iv) experienced workforce and (v) our strategies for growth in sales, income and cash flows.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but rather, are tested for impairment at least annually. We have historically performed the annual impairment test as of April 1 for all of our reporting units. During the three months ended December 31, 2017, we elected to change our annual impairment assessment date from April 1 to October 1 for all of our reporting units. We believe this change, which represents a change in method of applying an accounting principle, is preferable under our circumstances. The change was made to align the annual goodwill impairment test date with our strategic and business plan time lines and to reduce the risk that an interim impairment triggering event might occur between the annual goodwill impairment test date and the year-end balance sheet date.

In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether further impairment testing is necessary. Among other relevant events and circumstances that affect the fair value of reporting units, we consider individual factors such as macroeconomic conditions, changes in our industry and the markets in which we operate, as well as our reporting units' historical and expected future financial performance. Prior to January 1, 2017, if we concluded that it is more likely than not that a reporting unit's fair value is less than its carrying value, recoverability of goodwill was evaluated using a two-step process. The first step involved a comparison of the fair value of each of our reporting units with its carrying amount. If a reporting unit’s carrying amount exceeded its fair value, the second step was performed. The second step involved a comparison of the implied fair value and carrying value of that reporting unit’s goodwill. To the extent that a reporting unit’s carrying amount exceeded the implied fair value of its goodwill, an impairment loss was recognized.

Effective January 1, 2017, we prospectively adopted the provisions of ASU 2017-04, *Simplifying the Test for Goodwill Impairment (Topic 350),* which eliminates the second step of the goodwill impairment test. Therefore, for goodwill impairment tests occurring after January 1, 2017, if the carrying value of a reporting unit exceeds its fair value, we will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Our valuation of fair value for certain reporting units is determined based on a discounted future cash flow model that uses five years of projected cash flows and a terminal value based on growth assumptions. For certain reporting units, fair value is determined based on the application of 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 based on our industry and capital structure, adjusted for equity 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 DTS and SCS reporting units are dependent on several key customers or industry sectors. The loss of a key customer may have a significant impact to our DTS or SCS reporting units, causing us to assess whether or not the event resulted in a goodwill impairment loss.

In making our assessments of fair value, we rely on our knowledge and experience about past and current events and assumptions about conditions we expect to exist in the future. These assumptions are based on a number of factors, including future operating performance, economic conditions, actions we expect to take and present value techniques. There are inherent uncertainties related to these factors and management’s judgment in applying them to the analysis of goodwill impairment. It is possible that assumptions underlying the impairment analysis will change in such a manner that impairment in value may occur in the future.

Identifiable intangible assets not subject to amortization are assessed for impairment using a similar process used to evaluate goodwill as described above. Intangible assets with finite lives are amortized over their respective estimated useful lives. Identifiable intangible assets that are subject to amortization are evaluated for impairment using a similar process used to evaluate long-lived assets described below.

Impairment of Long-Lived Assets Other than Goodwill

Long-lived assets held and used, including revenue earning equipment, operating property and equipment and intangible assets with finite lives, are tested for recoverability when circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of long-lived assets is evaluated by comparing the carrying value of an asset or asset group to management's best estimate of the undiscounted future operating cash flows (excluding interest charges) expected to be generated by the asset or asset group. If these comparisons indicate that the carrying value of the asset or asset group is not recoverable, an impairment loss is recognized for the amount by which the carrying value of the asset or asset group exceeds fair value. Fair value is determined by a quoted market price, if available, or an estimate of projected future operating cash flows, discounted using a rate that reflects the related operating segment's average cost of funds. Long-lived assets to be disposed of, including revenue earning equipment, operating property and equipment and indefinite-lived intangible assets, are reported at the lower of carrying amount or fair value less costs to sell.

Self-Insurance Accruals

We retain a portion of the accident risk under auto liability, workers' compensation and other insurance programs. Under our insurance programs, we retain the risk of loss in various amounts, generally up to $3 million on a per occurrence basis. Self-insurance accruals are based primarily on an actuarially estimated, undiscounted cost of claims, which includes claims incurred but not reported. Such liabilities are based on estimates. Historical loss development factors are utilized to project the future development of incurred losses, and these amounts are adjusted based upon actual claim experience and settlements. While we believe that the amounts are adequate, there can be no assurance that changes to our actuarial estimates may not occur due to limitations inherent in the estimation process. Changes in the actuarial estimates of these accruals are charged or credited to earnings in the period determined. Amounts estimated to be paid within the next year have been classified as "Accrued expenses and other current liabilities" with the remainder included in "Other non-current liabilities" in our Consolidated Balance Sheets.

We also maintain additional insurance at certain amounts in excess of our respective underlying retention. Amounts recoverable from insurance companies are not offset against the related accrual as our insurance policies do not extinguish or provide legal release from the obligation to make payments related to such risk-related losses. Amounts expected to be received within the next year from insurance companies have been included within "Receivables, net" with the remainder included in "Direct financing leases and other assets" and are recognized only when realization of the claim for recovery is considered probable. The accrual for the related claim has been classified within "Accrued expenses and other current liabilities" if it is estimated to be paid within the next year, otherwise it has been classified in "Other non-current liabilities" in our Consolidated Balance Sheets.

Income Taxes

Our provision for income taxes is based on reported earnings before income taxes. Deferred taxes are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using tax rates in effect for the years in which the differences are expected to reverse.

The effects of changes in tax laws on deferred tax balances are recognized in the period the new legislation is enacted. Valuation allowances are recognized to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income. We calculate our current and deferred tax position based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

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. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Such 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. We adjust these reserves as well as the impact of any related interest and penalties in light of changing facts and circumstances, such as the progress of a tax audit.

Interest and penalties related to income tax exposures are recognized as incurred and included in "(Benefits from) provision for income taxes" in our Consolidated Statements of Earnings. Accruals for income tax exposures, including penalties and interest, expected to be settled within the next year are included in "Accrued expenses and other current liabilities" with the remainder included in "Other non-current liabilities" in our Consolidated Balance Sheets. The federal benefit from state income tax exposures is included in "Deferred income taxes" in our Consolidated Balance Sheets.

Severance and Contract Termination Costs

We recognize liabilities for severance and contract termination costs based upon the nature of the cost to be incurred. For involuntary separation plans that are completed within the guidelines of our written involuntary separation plan, we recognize the liability when it is probable and reasonably estimable. For one-time termination benefits, such as additional severance pay or benefit payouts, and other exit costs, such as contract termination costs, the liability is measured and recognized initially at fair value in the period in which the liability is incurred, with subsequent changes to the liability recognized as adjustments in the period of change. Severance related to position eliminations that are part of a restructuring plan is included in "Restructuring charges and fees, net" in the Consolidated Statements of Earnings. Severance costs that are not part of a restructuring plan are recognized in the period incurred as a direct cost of revenue or within "Selling, general and administrative expenses," in the Consolidated Statements of Earnings depending upon the nature of the eliminated position.

Environmental Expenditures

We recognize liabilities for environmental assessments and/or cleanup when it is probable a loss has been incurred and the costs can be reasonably estimated. Environmental liability estimates may include costs such as anticipated site testing, consulting, remediation, disposal, post-remediation monitoring and legal fees, as appropriate. The liability does not reflect possible recoveries from insurance companies or reimbursement of remediation costs by state agencies, but does include estimates of cost sharing with other potentially responsible parties. Estimates are not discounted, as the timing of the anticipated cash payments is not fixed or readily determinable. Subsequent adjustments to initial estimates are recognized as necessary based upon additional information developed in subsequent periods. In future periods, new laws or regulations, advances in remediation technology and additional information about the ultimate remediation methodology to be used could significantly change our estimates. Claims for reimbursement of remediation costs are recognized when recovery is deemed probable.

Derivative Instruments and Hedging Activities

We use financial instruments, including forward exchange contracts and swaps to manage our exposures to movements in interest rates and foreign currency exchange rates. The use of these financial instruments modifies the exposure of these risks with the intent to reduce the risk or cost to us. We do not enter into derivative financial instruments for trading purposes. We limit our risk that counterparties to the derivative contracts will default and not make payments by entering into derivative contracts only with counterparties comprised of large banks and financial institutions that meet established credit criteria. We do not expect to incur any losses as a result of counterparty default.

On the date a derivative contract is executed, we formally document, among other items, the intended hedging designation and relationship, along with the risk management objectives and strategies for entering into the derivative contract. We also formally assess, both at inception and on an ongoing basis, whether the derivatives we used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Cash flows from derivatives that are accounted for as hedges are classified in the Consolidated Statements of Cash Flows in the same category as the items being hedged. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, we discontinue hedge accounting prospectively.

The hedging designation may be classified as one of the following:

No Hedging Designation. The unrealized gain or loss on a derivative instrument not designated as an accounting hedging instrument is recognized immediately in earnings.

Fair Value Hedge. A hedge of a recognized asset or liability or an unrecognized firm commitment is considered a fair value hedge. For fair value hedges, both the effective and ineffective portions of the changes in the fair value of the derivative, along with the gain or loss on the hedged item that is attributable to the hedged risk, are both recognized in earnings.

Cash Flow Hedge. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is considered a cash flow hedge. The effective portion of the change in the fair value of a derivative that is declared as a cash flow hedge is recognized net of tax in "Accumulated other comprehensive loss" until earnings are affected by the variability in cash flows of the designated hedged item.

Net Investment Hedge . A hedge of a net investment in a foreign operation is considered a net investment hedge. The effective portion of the change in the fair value of the derivative used as a net investment hedge of a foreign operation is recognized in the currency translation adjustment account within "Accumulated other comprehensive loss." The ineffective portion, if any, on the hedged item that is attributable to the hedged risk is recognized in earnings and reported in "Miscellaneous income, net" in the Consolidated Statements of Earnings.

Foreign Currency Translation

Our foreign operations generally use local currency as their functional currency. Assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Items in the Consolidated Statements of Earnings are translated at the average exchange rates for the year. The impact of currency fluctuations is presented in "Changes in cumulative translation adjustment and other" in the Consolidated Statements of Comprehensive Income. Upon sale or upon complete or substantially complete liquidation of an investment in a foreign operation, the currency translation adjustment attributable to that operation is removed from accumulated other comprehensive loss and is reported as part of the gain or loss on sale or liquidation of the investment for the period during which the sale or liquidation occurs. Gains and losses resulting from foreign currency transactions are recognized in "Miscellaneous income, net" in the Consolidated Statements of Earnings.

Share-Based Compensation

The fair value of stock option awards and nonvested stock awards other than restricted stock units (RSUs), is expensed on a straight-line basis over the vesting period of the awards. RSUs are expensed in the year they are granted. Windfall tax benefits and tax shortfalls are charged directly to income tax expense.

Earnings Per Share

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

Diluted earnings per common share reflect the dilutive effect of potential common shares from stock options and other nonparticipating nonvested stock. The dilutive effect of stock options is computed using the treasury stock method, which assumes any proceeds that could be obtained upon the exercise of stock options would be used to purchase common shares at the average market price for the period. The assumed proceeds include the purchase price the grantee pays and the unrecognized compensation expense at the end of each period.

Share Repurchases

Repurchases of shares of common stock are made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. The cost of share repurchases is allocated between common stock and retained earnings based on the amount of additional paid-in capital at the time of the share repurchase.

Defined Benefit Pension and Postretirement Benefit Plans

The funded status of our defined benefit pension plans and postretirement benefit plans are recognized in the Consolidated Balance Sheets. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at December 31, the measurement date. The fair value of plan assets represents the current market value of contributions made to irrevocable trusts, held for the sole benefit of participants, which are invested by the trusts. For defined benefit pension plans, the benefit obligation represents the actuarial present value of benefits expected to be paid upon retirement based on estimated future compensation levels. For postretirement benefit plans, the benefit obligation represents the actuarial present value of postretirement benefits attributed to employee services already rendered. Overfunded plans, with the fair value of plan assets exceeding the benefit obligation, are aggregated and reported as a prepaid pension asset. Underfunded plans, with the benefit obligation exceeding the fair value of plan assets, are aggregated and reported as a pension and postretirement benefit liability.

The current portion of pension and postretirement benefit liabilities represents the actuarial present value of benefits payable within the next year exceeding the fair value of plan assets (if funded), measured on a plan-by-plan basis. These liabilities are recognized in “Accrued expenses and other current liabilities” in the Consolidated Balance Sheets.

Pension and postretirement benefit expense includes service cost, interest cost, expected return on plan assets (if funded). Pension costs include amortization of net prior service costs loss and net actuarial loss. Postretirement costs include amortization of net prior service credit and net actuarial gain. Service cost represents the actuarial present value of participant benefits earned in the current year. The expected return on plan assets represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the obligation. Prior service credit represents the impact of negative plan amendments. Net actuarial losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Net actuarial loss and prior service credit not recognized as a component of pension and postretirement benefit expense as they arise are recognized as "Change in net actuarial loss and prior service credit, net of tax" in the Consolidated Statements of Comprehensive Income. These pension and postretirement items are subsequently amortized as a component of pension and postretirement benefit expense over the remaining service period, if the majority of the employees are active, otherwise over the remaining life expectancy, provided such amounts exceed thresholds based upon the benefit obligation or the value of plan assets.

The measurement of benefit obligations and pension and postretirement benefit expense is based on estimates and assumptions approved by management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, interest rates and mortality rates.

Fair Value Measurements

We carry various assets and liabilities at fair value in the Consolidated Balance Sheets. The most significant assets and liabilities are vehicles held for sale, which are stated at the lower of carrying amount or fair value less costs to sell, investments held in Rabbi Trusts and derivatives.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are classified based on the following fair value hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs for the asset or liability. These inputs reflect our own assumptions about the assumptions a market participant would use in pricing the asset or liability.

When available, we use unadjusted quoted market prices to measure fair value and classify such measurements within Level 1. If quoted prices are not available, fair value is based upon model-driven valuations that use current market-based or independently sourced market parameters such as interest rates and currency rates. Items valued using these models are classified according to the lowest level input or value driver that is significant to the valuation.

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the immediate or short-term maturities of these financial instruments. Revenue earning equipment held for sale is measured at fair value on a nonrecurring basis and is stated at the lower of carrying amount or fair value less costs to sell. Investments held in Rabbi Trusts and derivatives are carried at fair value on a recurring basis. Investments held in Rabbi Trusts include exchange-traded equity securities and mutual funds. Fair values for these investments are based on quoted prices in active markets. For derivatives, fair value is based on model-driven valuations using the LIBOR rate or observable forward foreign exchange rates, which are observable at commonly quoted intervals for the full term of the financial instrument.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Derivatives and Hedging

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-12, *Derivatives and Hedging (Topic 815)* , which simplifies and clarifies the accounting and disclosure for hedging activities by more closely aligning the results of cash flow and fair value hedge accounting with the risk management activities of an entity. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, with early adoption permitted. We do not expect this standard to have an impact on our consolidated financial position, results of operations or cash flows.

Share-Based Compensation

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* , which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. We will adopt the standard as of January 1, 2018, on a prospective basis. We do not expect this standard to have an impact on our consolidated financial position, results of operations or cash flows.

Employee Benefits Plans

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

Intangibles - Goodwill and Other

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment (Topic 350)* , which requires an entity to perform a one-step quantitative impairment test, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value (not to exceed the total goodwill allocated to that reporting unit). It eliminates the current two-step goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The standard is effective January 1, 2020, with early adoption as of January 1, 2017 permitted. We adopted the standard during the first quarter of 2017 and it did not have an impact on our consolidated financial position, results of operations or cash flows.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230),* which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. In November 2016, the FASB issued additional guidance related to the statement of cash flows, which requires companies to explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The standard is effective January 1, 2018, with early adoption permitted. We will adopt the standard as of January 1, 2018, on a retrospective basis. We do not expect this standard to have a material impact on the presentation of our consolidated cash flows.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to classify leases as either finance or operating leases. This classification will determine whether the related expense will be recognized based on asset amortization and interest on the obligation or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. We do not expect the lessee requirements to have a material impact on our consolidated financial position, results of operations or cash flows.

The new standard continues to require lessors to separate the lease component from the non-lease component; however, it provides clarification on the scope of non-lease components (e.g., maintenance services). The new standard also provides more guidance on how to identify and separate the components. The lease component will be accounted for using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The non-lease component will be accounted for in accordance with the revenue recognition guidance, see below section "Revenue Recognition." The adoption of the new lease standard will primarily impact our ChoiceLease product line, which includes a vehicle lease as well as maintenance and other services related to the vehicle. We will generally continue to recognize revenue for the lease portion of the product line on a straight-line basis. Revenue from maintenance services will be recognized at the time the maintenance services are performed, which will generally require the deferral of some portion of the customer's lease payments when received, as maintenance services are not performed evenly over the life of a ChoiceLease contract.

We will adopt the standard effective January 1, 2019, using the modified retrospective transition method. Upon adoption, we will record a cumulative-effect adjustment to recognize deferred revenue related to the maintenance services on the opening balance sheet for 2017 and restate all prior periods presented (2017 and 2018). We expect the cumulative-effect adjustment will have a significant impact on our consolidated financial position. We continue to evaluate the impact of adoption of this standard on our results of operations. We do not expect the adoption of this standard to have an impact on our cash flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* , which together with related, subsequently issued guidance, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. We will adopt the revenue standard on January 1, 2018, using the full retrospective transition method.

This standard will primarily impact lease revenue from our ChoiceLease product line, specifically the non-lease component (primarily maintenance services). However, we will continue to apply the existing lease accounting guidance to our lease revenue, which includes maintenance revenue as a part of the lease, until the adoption of the lease standard on January 1, 2019.

With respect to other revenue sources, we completed our final assessment of the impact, including the timing of recognition of variable consideration, principal versus agent considerations and accounting for costs to obtain and fulfill contracts. The adoption of this standard on these items and as it relates to revenue sources other than the maintenance component of our ChoiceLease product line will not have a material impact on our consolidated financial position or results of operations. The adoption of this standard will have no effect on our cash flows.

3. ACQUISITIONS

On September 29, 2017, we completed the acquisition of Dallas Service Center, Inc., an independent truck repair facility, for a purchase price of approximately $ 8 million , net of cash acquired, which includes $ 0.8 million in contingent consideration to be paid to the seller provided certain conditions are met.

4. RESTRUCTURING CHARGES AND FEES, NET

In the fourth quarters of 2017 , 2016 and 2015 , we approved plans to reduce our workforce in multiple locations as a result of cost containment actions, resulting in charges of $13 million , $5 million and $9 million in each of the respective years. In addition, in the fourth quarter of 2015 , we committed to a plan to divest our Ryder Canadian Retail Shippers Association Logistics (CRSAL) operations and shutdown our Ryder Container Terminals (RCT) business in Canada. We recognized charges for employee termination costs of $3 million and asset impairment of $2 million to adjust assets held for sale, including goodwill and intangible assets, to fair value less costs to sell. We sold CRSAL to a third party for approximately $2 million during 2016 .

The following table summarizes the activities within, and components of, restructuring liabilities for 2017 , 2016 and 2015 (in thousands):

	Employee Termination Costs	
Balance as of December 31, 2014	$	2,486
Workforce reduction charges		8,830
CRSAL divestiture and RCT shut-down		3,225
Utilization (1)		(2,208)
Balance as of December 31, 2015		12,333
Workforce reduction charges		5,074
Utilization (1)		(10,129)
Balance as of December 31, 2016		7,278
Workforce reduction charges		**13,320**
Utilization (1)		**(7,524)**
Balance as of December 31, 2017 (2)	**$**	**13,074**

Note: The restructuring liabilities shown above are included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets.
(1) Principally represents cash payments.
(2) The majority of the balance remaining for employee termination costs is expected to be paid by the end of 2018.

As discussed in Note 28 , " Segment Reporting ," our primary measure of segment financial performance excludes, among other items, restructuring charges and fees, net. However, the applicable portion of the restructuring charges and fees, net that related to each segment in 2017 , 2016 and 2015 were as follows:

	Years ended December 31,			
	2017		2016	2015
		(In thousands)		
Fleet Management Solutions	**$**	**2,995**	3,550	4,817
Dedicated Transportation Solutions		**771**	22	250
Supply Chain Solutions		**2,278**	278	7,033
Central Support Services		**15,361**	1,224	5,968
Total	**$**	**21,405**	5,074	18,068

During 2017 and 2015 , we also incurred charges of $11 million and $4 million , respectively, related to consulting fees associated with cost-savings programs and during 2017 we recognized restructuring credits of $3 million related to the gains on sales of certain UK facilities that were closed as part of prior year restructuring activities. All of these items were included within "Restructuring charges and fees, net" in our Consolidated Statement of Earnings.

5. RECEIVABLES

	December 31, 2017	December 31, 2016
	(In thousands)	
Trade	$ **898,876**	739,743
Direct financing leases	**81,996**	76,322
Other, primarily warranty and insurance	**43,883**	30,797
	1,024,755	846,862
Allowance	**(13,847)**	(14,915)
Total	$ **1,010,908**	831,947

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31, 2017	December 31, 2016
	(In thousands)	
Restricted cash	$ **4,674**	3,838
Prepaid vehicle licenses	**62,772**	50,343
Prepaid operating taxes	**14,320**	20,242
Prepaid sales commission	**12,988**	9,731
Prepaid insurance	**15,688**	12,074
Start-up costs	**8,001**	5,284
Other	**41,040**	39,768
Total	$ **159,483**	141,280

7. REVENUE EARNING EQUIPMENT

	Estimated Useful Lives	**December 31, 2017**			December 31, 2016		
		Cost	**Accumulated Depreciation**	**Net [(1)]**	Cost	Accumulated Depreciation	Net [(1)]
	(In years)	(In thousands)					
Held for use:							
ChoiceLease	3 — 12	$ **10,002,981**	**(3,367,431)**	**6,635,550**	9,486,977	(3,031,937)	6,455,040
Commercial rental	4.5 — 12	**2,616,706**	**(1,001,965)**	**1,614,741**	2,499,010	(935,346)	1,563,664
Held for sale		**403,229**	**(298,258)**	**104,971**	494,355	(365,337)	129,018
Total		$ **13,022,916**	**(4,667,654)**	**8,355,262**	12,480,342	(4,332,620)	8,147,722

(1) Revenue earning equipment, net includes vehicles under capital leases of $29 million , less accumulated depreciation of $14 million , at December 31, 2017 and $43 million , less accumulated depreciation of $22 million , at December 31, 2016 .

Depreciation expense was $1.16 billion , $1.10 billion and $1.04 billion in 2017 , 2016 and 2015 , respectively.

In 2017 , based on current and expected market conditions, we accelerated depreciation on certain classes of vehicles expected to be made available for sale through June 2019. The impact of the change increased depreciation by $ 21 million in 2017 .

In 2016, based on current and expected market conditions, we accelerated depreciation on certain classes of vehicles expected to be made available for sale through June 2018. The impact of the change increased depreciation by $10 million in 2016 .

Revenue earning equipment held for sale is stated at the lower of net book value or fair value less costs to sell. Losses on vehicles held for sale for which carrying values exceeded fair value are recognized at the time they arrive at our used truck centers and are presented within "Used vehicle sales, net" in the Consolidated Statements of Earnings. For revenue earning equipment held for sale, we stratify our fleet by vehicle type (trucks, tractors and trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. For a certain population of revenue earning equipment held for sale, fair value was determined based upon recent market prices obtained from our own sales experience for sales of each class of similar assets and vehicle condition. Expected declines in market prices were also considered when valuing the vehicles held for sale. These vehicles held for sale were classified within Level 3 of the fair value hierarchy. During 2017 , 2016 , and 2015 , we recognized losses to reflect changes in fair value of $58 million , $67 million and $18 million , respectively.

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

	December 31,		Total Losses [(2)] Year ended December 31,	
	2017	2016	**2017**	2016
Assets held for sale:	(In thousands)		(In thousands)	
Revenue earning equipment: [(1)]				
Trucks	$ **33,208**	24,178	$ **30,812**	14,645
Tractors	**27,976**	57,348	**21,261**	47,597
Trailers	**2,100**	2,532	**5,992**	5,173
Total assets at fair value	$ **63,284**	84,058	$ **58,065**	67,415

(1) Assets held for sale in the above table only include the portion of revenue earning equipment held for sale where net book values exceeded fair values and fair value adjustments were recorded. The net book value of assets held for sale not exceeding fair value was $42 million and $45 million as of December 31, 2017 and 2016 , respectively. We have revised prior year amounts to reflect only the portion of revenue earning equipment held for sale where fair value adjustments were recorded.
(2) Total losses represent fair value adjustments for all vehicles reclassified to held for sale throughout the period for which fair value was less than net book value.

For the twelve months ended December 31, 2017 , the components of used vehicle sales, net were as follows:

	Twelve months ended December 31,		
	2017	2016	2015
	(In thousands)		
Gains on vehicle sales, net	$ **(40,824)**	(68,387)	(117,809)
Losses from fair value adjustments	**58,065**	67,415	17,956
Used vehicle sales, net	$ **17,241**	(972)	(99,853)

8. OPERATING PROPERTY AND EQUIPMENT

	Estimated Useful Lives	December 31, 2017	December 31, 2016
	(In years)	(In thousands)	
Land	—	$ **217,885**	212,660
Buildings and improvements	10 — 40	**822,931**	808,909
Machinery and equipment	3 — 10	**797,084**	737,899
Other	3 — 10	**131,181**	114,442
		1,969,081	1,873,910
Accumulated depreciation		**(1,192,377)**	(1,128,040)
Total		$ **776,704**	745,870

Depreciation expense was $94 million , $88 million and $84 million in 2017 , 2016 and 2015 , respectively.

9. GOODWILL

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

	Fleet Management Solutions	Dedicated Transportation Solutions	Supply Chain Solutions	Total
	(In thousands)			
Balance at January 1, 2016				
Goodwill	$ 231,358	40,808	146,190	418,356
Accumulated impairment losses	(10,322)	—	(18,899)	(29,221)
	221,036	40,808	127,291	389,135
Foreign currency translation adjustment	(2,526)	—	163	(2,363)
Balance at December 31, 2016				
Goodwill	228,832	40,808	146,353	415,993
Accumulated impairment losses	(10,322)	—	(18,899)	(29,221)
	218,510	40,808	127,454	386,772
Acquisitions	**6,506**	**—**	**—**	**6,506**
Foreign currency translation adjustment and other	**1,838**		**388**	**2,226**
Balance at December 31, 2017				
Goodwill	**237,176**	**40,808**	**146,741**	**424,725**
Accumulated impairment losses	**(10,322)**	**—**	**(18,899)**	**(29,221)**
	$ 226,854	**40,808**	**127,842**	**395,504**

We historically assessed goodwill for impairment on April 1st of each year or more often if deemed necessary. As described in Note 1, during 2017, we changed our goodwill impairment assessment date to October 1.

We performed quantitative assessments on two reporting units as of April 1, 2017, and on one reporting unit as of October 1, 2017, and determined there was no impairment as of both assessment dates. We performed qualitative assessments for three of our reporting units as of April 1, 2017, and on four reporting units as of October 1, 2017, which considered individual factors such as macroeconomic conditions, changes in our industry and the markets in which we operate, as well as our historical and expected future financial performance. After performing the qualitative assessments, we concluded it was more likely than not that fair value is greater than the carrying value and determined there was no impairment as of both assessment dates.

10. INTANGIBLE ASSETS

	December 31, 2017	December 31, 2016
	(In thousands)	
Indefinite lived intangible assets — Trade name	$ **8,731**	8,731
Finite lived intangible assets:		
Customer relationship intangibles	**91,523**	91,523
Other intangibles, primarily trade name	**2,367**	2,367
Accumulated amortization	**(57,420)**	(51,578)
	36,470	42,312
Foreign currency translation adjustment	**(2,271)**	(2,794)
Total	$ **42,930**	48,249

The Ryder trade name has been identified as having an indefinite useful life. Customer relationship intangibles are being amortized on a straight-line basis over their estimated useful lives, generally 7 - 19 years. We recognized amortization expense associated with finite lived intangible assets of approximately $6 million in both 2017 and 2016 , and $7 million in 2015 . The future amortization expense for each of the five succeeding years related to all intangible assets that are currently reported in the Consolidated Balance Sheets is estimated to range from $3 - $5 million per year for 2018 - 2022 .

11. DIRECT FINANCING LEASES AND OTHER ASSETS

	December 31, 2017	December 31, 2016
	(In thousands)	
Direct financing leases, net	$ **364,847**	333,152
Investments held in Rabbi Trusts	**61,425**	48,451
Lease incentives	**14,857**	15,741
Insurance receivables	**15,545**	18,402
Start-up costs	**13,750**	7,422
Prepaid pension asset	**58,708**	14,049
Lease origination costs	**9,387**	9,227
Deferred tax asset	**6,736**	9,009
Other	**14,294**	16,831
Total	$ **559,549**	472,284

Investments held in Rabbi Trusts are assets measured at fair value on a recurring basis, all of which are considered Level 1 of the fair value hierarchy. The following table presents the asset classes at December 31, 2017 and 2016 :

	December 31, 2017	December 31, 2016
	(In thousands)	
Cash and cash equivalents	$ **4,956**	5,391
U.S. equity mutual funds	**39,958**	30,229
Foreign equity mutual funds	**8,001**	5,232
Fixed income mutual funds	**8,510**	7,599
Total Investments held in Rabbi Trusts	$ **61,425**	48,451

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2017			December 31, 2016		
	Accrued Expenses	**Non-Current Liabilities**	**Total**	Accrued Expenses	Non-Current Liabilities	Total
	(In thousands)					
Salaries and wages	**$ 133,733**	**—**	**133,733**	90,913	—	90,913
Deferred compensation	**4,269**	**58,411**	**62,680**	2,992	46,541	49,533
Pension benefits	**3,863**	**412,417**	**416,280**	3,796	451,940	455,736
Other postretirement benefits	**1,481**	**19,760**	**21,241**	1,506	19,459	20,965
Other employee benefits	**28,636**	**3,279**	**31,915**	29,358	5,854	35,212
Insurance obligations (1)	**130,848**	**242,473**	**373,321**	127,470	234,336	361,806
Operating taxes	**95,848**	**—**	**95,848**	92,150	—	92,150
Income taxes	**8,550**	**24,160**	**32,710**	4,197	23,174	27,371
Interest	**30,003**	**—**	**30,003**	27,277	—	27,277
Deposits, mainly from customers	**69,903**	**3,638**	**73,541**	61,225	4,569	65,794
Deferred revenue	**14,004**	**—**	**14,004**	14,064	—	14,064
Restructuring liabilities (2)	**13,074**	**—**	**13,074**	7,278	—	7,278
Other	**53,194**	**47,951**	**101,145**	44,963	31,692	76,655
Total	**$ 587,406**	**812,089**	**1,399,495**	507,189	817,565	1,324,754

(1) Insurance obligations are primarily comprised of self-insured claim liabilities.
(2) The increase in restructuring liabilities from December 31, 2016 principally represents an accrual for employee termination costs. The majority of the balance remaining in restructuring liabilities is expected to be paid by the end of 2018.

We retain a portion of the accident risk under vehicle liability and workers' compensation insurance programs. Self-insurance accruals are primarily based on actuarially estimated, undiscounted cost of claims, and include claims incurred but not reported. Such liabilities are based on estimates. Historical loss development factors are utilized to project the future development of incurred losses, and these amounts are adjusted based upon actual claim experience and settlements. While we believe the amounts are adequate, there can be no assurance that changes to our estimates may not occur due to limitations inherent in the estimation process. During 2017 , we recognized a benefit within earnings from continuing operations of $9 million from the favorable development of estimated prior years' self-insured loss reserves for the reasons noted above. During 2016 and 2015 , we recognized charges within earnings from continuing operations of $9 million and $4 million from the unfavorable development of prior year claims where costs exceeded self-insured loss reserves for the reasons noted above, as well as a settlement of a customer-extended insurance claim.

13. INCOME TAXES

The components of earnings from continuing operations before income taxes and the (benefit from) provision for income taxes from continuing operations were as follows:

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Earnings from continuing operations before income taxes:			
United States	$ **254,327**	344,614	408,757
Foreign	**59,459**	61,767	60,458
Total	$ **313,786**	406,381	469,215
Current tax expense (benefit) from continuing operations:			
Federal [1]	$ **6,752**	2,731	(1,836)
State [1]	**9,360**	7,713	5,748
Foreign	**6,442**	6,411	5,272
	22,554	16,855	9,184
Deferred tax (benefit) expense from continuing operations:			
Federal	**(509,573)**	106,513	135,585
State	**7,985**	16,259	20,111
Foreign	**1,805**	2,114	(1,654)
	(499,783)	124,886	154,042
(Benefit from) provision for income taxes from continuing operations	$ **(477,229)**	141,741	163,226

(1) Excludes federal and state tax benefits resulting from the exercise of stock options and vesting of restricted stock awards, which were credited directly to "Additional paid-in capital" for the year ended December 31, 2015.

A reconciliation of the federal statutory tax rate with the effective tax rate from continuing operations follows:

	Years ended December 31,		
	2017	2016	2015
	(Percentage of pre-tax earnings)		
Federal statutory tax rate	**35.0**	35.0	35.0
Impact of one-time deemed repatriation	**10.7**	—	—
Impact on deferred taxes for changes in tax rates	**(197.5)**	(0.7)	(0.9)
State income taxes, net of federal income tax benefit	**4.5**	5.0	5.0
Foreign rates varying from federal statutory tax rate	**(4.0)**	(3.3)	(3.3)
Tax reviews and audits	**(1.0)**	(0.7)	(1.3)
Other, net	**0.2**	(0.4)	0.3
Effective tax rate	**(152.1)**	34.9	34.8

Tax Law Changes

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the "Act") was signed into law. The Act makes broad and complex changes to the U.S. tax code and it will take time to fully interpret the changes. The Act significantly impacted our fourth quarter and full year 2017 earnings, and will impact earnings in future periods; however, we were not able to fully complete the accounting under ASC 740 for certain of the Act's new provisions. In accordance with SEC Staff Accounting Bulletin No.118, to the extent the accounting for certain income tax effects of the Act was incomplete, but we were able to determine a reasonable estimate of those effects, a provisional amount ("provisional amount") has been included in our financial statements. Conversely, where a reasonable estimate of the tax effects of the Act cannot be determined, no related provisional amounts have been included in the financial statements. We intend to adjust the tax effects for the relevant items during the allowed 2018 measurement period.

Among other changes, the Act reduces the federal corporate tax rate from 35% to 21%. The tax rate change will decrease our effective tax rate going forward. Under generally accepted accounting principles, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. As a result of the federal tax rate reduction, we remeasured our net deferred tax liability at December 31, 2017. The remeasurement, which is a provisional estimate, resulted in a reduction in the value of our net deferred tax liability of $619 million , which was recorded as an income tax benefit in our consolidated statement of income for the three months ended December 31, 2017.

The Act also requires companies to pay a one-time transition tax on unremitted earnings of certain foreign subsidiaries that had not been subject to U.S. income tax and creates new taxes on certain foreign earnings. We have included a provisional estimate of $33 million for the transition tax in the December 31, 2017 financial statements. The estimate will be adjusted during the measurement period as we refine our determination of historical earnings and profits and the amount of cash and cash equivalents held in foreign entities.

The following provides a summary of the increases to net earnings from continuing operations from changes in tax laws by tax jurisdiction:

Tax Jurisdiction	Enactment Date	Net Earnings
		(in thousands)
2017		
United States	**December 22, 2017**	**$585,912**
Illinois	**July 1, 2017**	**$(1,844)**
2016		
North Carolina	August 4, 2016	$585
2015		
Connecticut	June 30, 2015	$1,616
Other Jurisdictions	April 13, 2015 - November 18, 2015	$497

Deferred Income Taxes

The components of the net deferred income tax liability were as follows:

	December 31,	
	2017	2016
	(In thousands)	
Deferred income tax assets:		
Self-insurance accruals	**$ 75,198**	107,252
Net operating loss carryforwards	**171,053**	396,313
Alternative minimum taxes	**22,552**	13,901
Accrued compensation and benefits	**65,532**	81,454
Federal benefit on state tax positions	**11,950**	19,247
Pension benefits	**82,547**	162,141
Miscellaneous other accruals	**19,608**	28,313
	448,440	808,621
Valuation allowance	**(18,667)**	(16,387)
	429,773	792,234
Deferred income tax liabilities:		
Property and equipment basis difference	**(1,614,963)**	(2,451,151)
Other	**(16,857)**	(20,735)
	(1,631,820)	(2,471,886)
Net deferred income tax liability (1)	**$ (1,202,047)**	(1,679,652)

(1) Deferred tax assets of $7 million and $9 million have been included in "Direct financing leases and other assets" at December 31, 2017 and 2016 .

As of December 31, 2017 , we have undistributed earnings of foreign subsidiaries of $774 million , the majority of which were reinvested into non-cash property, plant and equipment. The provisional estimate of the transition tax incurred in connection with the Act will result in U.S. federal income taxes on approximately $345 million of earnings and profit for U.S. federal income tax purposes. We have historically reinvested such earnings overseas indefinitely and may continue to reinvest future foreign earnings overseas indefinitely. As such, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries. However, because the Act implements a territorial tax system, whereby certain foreign subsidiary earnings can be repatriated to the U.S. with no federal tax, we are reassessing whether to indefinitely reinvest our overseas earnings. The determination of the amount of any additional unrecognized deferred tax liability is not practicable because of the complexities associated with the hypothetical calculations used in evaluating whether we will maintain the indefinite reinvestment assertion.

At December 31, 2017 , we had U.S. federal tax effected net operating loss carryforwards of $128 million and various U.S. subsidiaries had state tax effected net operating loss carryforwards of $29 million both expiring through tax year 2037. We also had foreign tax effected net operating losses of $14 million that are available to reduce future income tax payments in several countries, subject to varying expiration rules. A valuation allowance has been established to reduce deferred income tax assets, principally foreign tax loss carryforwards, to amounts more likely than not to be realized. We had unused alternative minimum tax credits of $23 million at December 31, 2017 , which may be refundable under the Act.

Uncertain Tax Positions

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

Federal — audits of our U.S. federal income tax returns are closed through fiscal year 2009.

State — for the majority of states, tax returns are closed through fiscal year 2009.

Foreign — we are no longer subject to foreign tax examinations by tax authorities for tax years before 2010 in Canada, 2011 in Brazil, 2011 in Mexico and 2012 in the U.K., which are our major foreign tax jurisdictions.

The following table summarizes the activity related to unrecognized tax benefits (excluding the federal benefit received from state positions):

	December 31,		
	2017	2016	2015
	(In thousands)		
Balance at January 1	$ **61,649**	60,740	60,482
Additions based on tax positions related to the current year	**3,971**	3,855	4,220
Reductions due to lapse of applicable statutes of limitation	**(3,332)**	(2,946)	(3,962)
Gross balance at December 31	**62,288**	61,649	60,740
Interest and penalties	**5,860**	5,219	4,912
Balance at December 31	$ **68,148**	66,868	65,652

Of the total unrecognized tax benefits, $56 million (net of the federal benefit on state issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods. The total includes $5 million of interest and penalties at both, December 31, 2017 and 2016 , net of the federal benefit on state issues. Unrecognized tax benefits related to federal, state and foreign tax positions may decrease by $3 million by December 31, 2018 , if audits are completed or tax years close during 2018 .

Like-Kind Exchange Program

We have a like-kind exchange program for certain of our U.S.-based revenue earning equipment. Pursuant to the program, we dispose of vehicles and acquire replacement vehicles in a form whereby tax gains on disposal of eligible vehicles are deferred. To qualify for like-kind exchange treatment, we exchange through a qualified intermediary eligible vehicles being disposed of with vehicles being acquired, allowing us to generally carryover the tax basis of the vehicles sold ("like-kind exchanges"). The program results in a material deferral of federal and state income taxes, and a decrease in cash taxes in periods when we are not in a net operating loss (NOL) position. As part of the program, the proceeds from the sale of eligible vehicles are restricted for the acquisition of replacement vehicles and other specified applications. Due to the structure utilized to facilitate the like-kind exchanges, the qualified intermediary that holds the proceeds from the sales of eligible vehicles and the entity that holds the vehicles to be acquired under the program are required to be consolidated in the accompanying Consolidated Financial Statements in accordance with U.S. GAAP. The total assets, primarily revenue earning equipment, and the total liabilities, primarily vehicle accounts payable, held by these consolidated entities are equal in value as these entities are solely structured to facilitate the like-kind exchanges. At December 31, 2017 and 2016 , these consolidated entities had total assets, primarily revenue earning equipment, and total liabilities, primarily accounts payable, of $232 million and $140 million , respectively. The Act repeals like-kind exchange treatment for revenue earning equipment after December 31, 2017.

14. LEASES

Leases as Lessor

We lease revenue earning equipment to customers for periods ranging from three to seven years for trucks and tractors and up to ten years for trailers. From time to time, we may also lease facilities to third parties. The majority of our leases are classified as operating leases. However, some of our revenue earning equipment leases are classified as direct financing leases and, to a lesser extent, sales-type leases. The net investment in direct financing and sales-type leases consisted of:

	December 31,	
	2017	2016
	(In thousands)	
Total minimum lease payments receivable	**$ 713,857**	647,111
Less: Executory costs	**(216,754)**	(196,469)
Minimum lease payments receivable	**497,103**	450,642
Less: Allowance for uncollectibles	**(327)**	(248)
Net minimum lease payments receivable	**496,776**	450,394
Unguaranteed residuals	**41,937**	45,748
Less: Unearned income	**(91,870)**	(86,668)
Net investment in direct financing and sales-type leases	**446,843**	409,474
Current portion	**(81,996)**	(76,322)
Non-current portion	**$ 364,847**	333,152

Our direct financing lease customers operate in a wide variety of industries, and we have no significant customer concentrations in any one industry. We assess credit risk for all of our customers including those who lease equipment under direct financing leases. Credit risk is assessed using an internally developed model, which incorporates credit scores from third party providers and our own custom risk ratings and is updated on a monthly basis. The external credit scores are developed based on the customer's historical payment patterns and an overall assessment of the likelihood of delinquent payments. Our internal ratings are weighted based on the industry that the customer operates in, company size, years in business and other credit-related indicators (i.e., profitability, cash flow, liquidity, tangible net worth, etc.). Any one of the following factors may result in a customer being classified as high risk: i) history of late payments; ii) open lawsuits, liens or judgments; iii) in business less than three years ; and iv) operates in an industry with low barriers to entry. For those customers who are designated as high risk, we typically require deposits to be paid in advance in order to mitigate our credit risk. Additionally, our receivables are collateralized by the vehicle's fair value, which further mitigates our credit risk.

The following table presents the credit risk profile by creditworthiness category of our direct financing lease receivables at December 31, 2017 and 2016 :

	December 31, 2017	December 31, 2016
	(In thousands)	
Very low risk to low risk	$ **201,434**	192,853
Moderate	**198,464**	194,234
Moderately high to high risk	**97,205**	63,555
	$ **497,103**	450,642

As of December 31, 2017 and 2016 , the amount of direct financing lease receivables that were past due was not significant and there were no impaired receivables. Accordingly, there was no material risk of default with respect to these receivables.

Leases as Lessee

We lease facilities and office equipment. None of our leasing arrangements contain restrictive financial covenants.

During 2017 , 2016 and 2015 , rent expense (including rent of facilities and contingent rentals) was $130 million , $127 million and $132 million , respectively.

Lease Payments

Future minimum payments for leases in effect at December 31, 2017 were as follows:

	As Lessor (1) Operating Leases	As Lessor (1) Direct Financing and Sales-Type Leases	As Lessee Operating Leases
		(In thousands)	
2018	$ **1,139,552**	**110,692**	**84,824**
2019	**892,754**	**95,759**	**63,435**
2020	**649,096**	**99,470**	**41,034**
2021	**433,319**	**68,349**	**24,948**
2022	**258,381**	**54,603**	**18,495**
Thereafter	**210,213**	**68,230**	**38,288**
Total	$ **3,583,315**	**497,103**	**271,024**

(1) Amounts do not include contingent rentals, which may be received under certain leases on the basis of miles or changes in the Consumer Price Index. Contingent rentals from operating leases included in revenue were $ 357 million in 2017 and $ 342 million in both 2016 and 2015 . Contingent rentals from direct financing leases included in revenue were $15 million in 2017 , $12 million in 2016 and $12 million in 2015 .

The amounts in the previous table related to the lease of revenue earning equipment are based upon the general assumption that revenue earning equipment will remain on lease for the length of time specified by the respective lease agreements. The future minimum payments presented above related to the lease of revenue earning equipment are not a projection of future lease revenue or expense, and no effect has been given to renewals, new business, cancellations, contingent rentals or future rate changes.

15. DEBT

	Weighted-Average Interest Rate December 31, 2017	Weighted-Average Interest Rate December 31, 2016	Maturities	December 31, 2017	December 31, 2016
				(In thousands)	
Short-term debt and current portion of long-term debt:					
Short-term debt	**1.79%**	1.07%		**$ 35,509**	177,629
Current portion of long-term debt, including capital leases				**790,560**	613,781
Total short-term debt and current portion of long-term debt				**826,069**	791,410
Total long-term debt:					
U.S. commercial paper (1)	**1.56%**	0.87%	**2020**	**570,218**	342,480
Global revolving credit facility	**2.80%**	2.06%	**2020**	**17,328**	4,703
Unsecured U.S. notes – Medium-term notes (1)	**2.73%**	2.67%	**2018-2025**	**4,014,091**	4,113,421
Unsecured U.S. obligations, principally bank term loans	**2.79%**	2.19%	**2018**	**50,000**	50,000
Unsecured foreign obligations	**1.50%**	1.55%	**2018-2020**	**230,380**	232,092
Asset backed U.S. obligations (2)	**1.85%**	1.80%	**2018-2022**	**491,899**	459,876
Capital lease obligations	**3.53%**	3.17%	**2018-2023**	**20,871**	24,184
Total before fair market value adjustment				**5,394,787**	5,226,756
Fair market value adjustment on notes subject to hedging (3)				**(7,192)**	1,110
Debt issuance costs				**(13,453)**	(14,221)
				5,374,142	5,213,645
Current portion of long-term debt, including capital leases				**(790,560)**	(613,781)
Long-term debt				**4,583,582**	4,599,864
Total debt				**$ 5,409,651**	5,391,274

(1) Amounts are net of unamortized original issue discounts of $6 million and $7 million at December 31, 2017 and 2016 , respectively.
(2) Asset-backed U.S. obligations are related to financing transactions backed by a portion of our revenue earning equipment.
(3) The notional amount of the executed interest rate swaps designated as fair value hedges was $825 million at December 31, 2017 and 2016 . Refer to Note 16 , " Derivatives ," for additional information.

Maturities of total debt are as follows:

	Capital Leases	Debt
	(In thousands)	
2018	**$ 7,559**	**818,510**
2019	**7,918**	**1,077,734**
2020	**2,428**	**1,892,344**
2021	**2,620**	**717,868**
2022	**1,379**	**699,006**
Thereafter	**—**	**190,510**
Total	**21,904**	**5,395,972**
Imputed interest	**(1,033)**	
Present value of minimum capitalized lease payments	**20,871**	
Current portion	**(7,559)**	
Long-term capitalized lease obligation	**$ 13,312**	

Debt Facilities

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

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

In order to maintain availability of funding, we must maintain a ratio of debt to consolidated net worth of less than or equal to 300% . Net worth, as defined in the credit facility, represents shareholders' equity excluding any accumulated other comprehensive income or loss associated with our pension and other postretirement plans. The ratio at December 31, 2017 , was 192% . At December 31, 2017 , there was $577 million available under the credit facility.

Our global revolving credit facility enables us to refinance short-term obligations on a long-term basis. Short-term commercial paper obligations not required for working capital needs are classified as long-term as we have both the intent and ability to refinance on a long-term basis. In addition, we have the intent and ability to refinance the current portion of long-term debt on a long-term basis. At December 31, 2017 , we classified $570 million of short-term commercial paper and $16 million of the current portion of long-term debt as long-term debt. At December 31, 2016 , we classified $342 million of short-term commercial paper and $350 million of current portion of long-term debt as long-term debt.

In August 2017, we issued $300 million of unsecured medium-term notes maturing in September 2022. In February 2017, we issued $300 million of unsecured medium-term notes maturing in March 2022. The proceeds from these notes were used to pay off maturing debt and for general corporate purposes. If these notes are downgraded below investment grade following, or as a result of, a change in control, the note holders can require us to repurchase all or a portion of the notes at a purchase price equal to 101% of principal value plus accrued and unpaid interest. On February 7, 2018, we exercised our call option and redeemed our unsecured medium term notes that were scheduled to mature on March 1, 2018. The notes were redeemed at a redemption price equal to 100% of the principal amount of $350 million plus interest accrued but not paid to the date of redemption.

In June 2017 , we received $98 million from financing transactions backed by a portion of our revenue earning equipment. The proceeds from these transactions were used for general corporate purposes. We have provided end of term guarantees for the residual value of the revenue earning equipment in these transactions. The transaction proceeds, along with the end of term residual value guarantees, have been included within "asset-backed U.S. obligations" in the preceding table.

We have a trade receivables purchase and sale program, pursuant to which we sell certain of our domestic trade accounts receivable to a bankruptcy remote, consolidated subsidiary of Ryder, that in turn sells, on a revolving basis, an ownership interest in certain of these accounts receivable to a committed purchaser. The subsidiary is considered a VIE and is consolidated based on our control of the entity's activities. We use this program to provide additional liquidity to fund our operations, particularly when it is cost effective to do so. The costs under the program may vary based on changes in interest rates. The available proceeds that may be received under the program are limited to $175 million . In October 2017 , we renewed the trade receivables purchase and sale program. If no event occurs which causes early termination, the 364-day program will expire on October 22, 2018 . The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectibility of the collateralized receivables. Sales of receivables under this program are accounted for as secured borrowings based on our continuing involvement in the transferred assets. No amounts were outstanding under the program at December 31, 2017 and 2016 .

The fair value of total debt (excluding capital lease, asset backed U.S. obligations and debt issuance costs) was $4.95 billion at December 31, 2017 and $4.97 billion at December 31, 2016 . For publicly-traded debt, estimates of fair value were based on market prices. For other debt, fair value is estimated based on a model-driven approach using rates currently available to us for debt with similar terms and remaining maturities. The fair value measurements of our publicly-traded debt and our other debt were classified within Level 2 of the fair value hierarchy. The carrying amounts reported in the Consolidated Balance Sheets for "Cash and cash equivalents," "Receivables, net" and "Accounts payable" approximate fair value because of the immediate or short-term maturities of these financial instruments.

16. DERIVATIVES

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

As of December 31, 2017 , we had interest rate swaps outstanding that are designated as fair value hedges for certain debt obligations, with a total notional value of $825 million and maturities through 2020 . Interest rate swaps are measured at fair value on a recurring basis using Level 2 fair value inputs. The fair value of these interest rate swaps was approximately a $7 million liability and a $1 million asset as of December 31, 2017 and 2016 , respectively. The amounts are presented in "Other non-current liabilities" and "Direct financing leases and other assets" in our Consolidated Balance Sheets, respectively. Changes in the fair value of our interest rate swaps were offset by changes in the fair value of the hedged debt instrument. Accordingly, there was no ineffectiveness related to the interest rate swaps.

17. GUARANTEES

We have 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 Ryder 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 us 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 have a material adverse impact on our consolidated results of operations or financial position.

At December 31, 2017 and 2016 , we had letters of credit and surety bonds outstanding, which primarily guarantee various insurance activities as noted in the following table:

	December 31,	
	2017	2016
	(In thousands)	
Letters of credit	$ **238,610**	240,420
Surety bonds	**111,007**	113,696

18. SHARE REPURCHASE PROGRAMS

In December 2017 , our Board of Directors authorized a share repurchase program intended to mitigate the dilutive impact of shares issued under our employee stock plans (the program). Under the program, management is authorized to repurchase up to 1.5 million shares of common stock, the sum of which will not exceed the number of shares issued to employees under the Company's employee stock plans from December 31, 2017 to December 13, 2019. Share repurchases of common stock are made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management may establish prearranged written plans for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the program, which allow for share repurchases during Ryder's quarterly blackout periods as set forth in the trading plan. As of December 31, 2017 , we have not repurchased any shares under the 2017 program.

During 2017 , 2016 and 2015 , we repurchased 1.1 million , 0.5 million and 0.1 million shares under previous share repurchase programs for $ 78 million , $37 million and $6 million , respectively.

19. ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income (loss) presents a measure of all changes in shareholders' equity except for changes resulting from transactions with shareholders in their capacity as shareholders. The following summary sets forth the components of accumulated other comprehensive loss, net of tax:

	Currency Translation Adjustments and Other	Net Actuarial Loss (1)	Prior Service Credit (1)	Accumulated Other Comprehensive Loss
	(In thousands)			
January 1, 2015	$ (36,087)	(585,941)	1,758	(620,270)
Amortization	—	19,505	(1,411)	18,094
Other current period change	(99,933)	(10,557)	(69)	(110,559)
December 31, 2015	(136,020)	(576,993)	278	(712,735)
Amortization	—	18,876	165	19,041
Other current period change	(70,590)	(62,175)	(7,573)	(140,338)
December 31, 2016	(206,610)	(620,292)	(7,130)	(834,032)
Amortization	**—**	**20,267**	**219**	**20,486**
Other current period change	**66,172**	**39,872**	**1**	**106,045**
December 31, 2017	**$ (140,438)**	**(560,153)**	**(6,910)**	**(707,501)**

(1) These amounts are included in the computation of net periodic pension cost and pension settlement charge. See Note 22 , " Employee Benefit Plans ," for further information.

The gain from currency translation adjustments in 2017 of $66 million was primarily due to the strengthening of the British Pound and Canadian Dollar against the U.S. Dollar. The loss from currency translation adjustments of $71 million in 2016 was primarily due to the weakening of the British Pound against the U.S. Dollar, partially offset by the strengthening of the Canadian Dollar against the U.S. Dollar. The loss from currency translations in 2015 of $100 million was primarily due to the weakening of the Canadian Dollar and British Pound against the U.S. Dollar.

20. EARNINGS PER SHARE

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

	Years ended December 31,		
	2017	2016	2015
	(In thousands, except per share amounts)		
Earnings per share — Basic:			
Earnings from continuing operations	$ **791,015**	264,640	305,989
Less: Distributed and undistributed earnings allocated to unvested stock	**(2,848)**	(840)	(877)
Earnings from continuing operations available to common shareholders — Basic	$ **788,167**	263,800	305,112
Weighted average common shares outstanding— Basic	**52,613**	53,015	52,814
Earnings from continuing operations per common share — Basic	$ **14.98**	4.98	5.78
Earnings per share — Diluted:			
Earnings from continuing operations	$ **791,015**	264,640	305,989
Less: Distributed and undistributed earnings allocated to unvested stock	**(2,830)**	(836)	(872)
Earnings from continuing operations available to common shareholders — Diluted	$ **788,185**	263,804	305,117
Weighted average common shares outstanding— Basic	**52,613**	53,015	52,814
Effect of dilutive equity awards	**375**	346	446
Weighted average common shares outstanding— Diluted	**52,988**	53,361	53,260
Earnings from continuing operations per common share — Diluted	$ **14.87**	4.94	5.73
Anti-dilutive equity awards and market-based restrictive stock rights not included above	**881**	716	392

21. SHARE-BASED COMPENSATION PLANS

The following table provides information on share-based compensation expense and related income tax benefits recognized in 2017 , 2016 and 2015 :

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Stock option and stock purchase plans	$ **7,869**	7,244	8,048
Unvested stock awards	**11,098**	11,420	13,133
Share-based compensation expense	**18,967**	18,664	21,181
Income tax benefit	**(6,628)**	(6,644)	(7,271)
Share-based compensation expense, net of tax	$ **12,339**	12,020	13,910

Total unrecognized pre-tax compensation expense related to share-based compensation arrangements at December 31, 2017 was $19 million and is expected to be recognized over a weighted-average period of approximately 1.8 years. The total fair value of equity awards vested during 2017 , 2016 and 2015 were $22 million , $17 million and $16 million , respectively.

Share-Based Incentive Awards

Share-based incentive awards are provided to employees under the terms of various share-based compensation plans (collectively, the “Plans”). The Plans are administered by the Compensation Committee of the Board of Directors. Awards under the Plans principally include at-the-money stock options, unvested stock and cash awards. Unvested stock awards include grants of market-based, performance-based, and time-vested restricted stock rights. Under the terms of our Plans, dividends on unvested stock are not paid unless the award vests. Upon vesting, the amount of the dividends paid is equal to the aggregate dividends declared on common shares during the period from the date of grant of the award until the date the shares underlying the award are delivered. There are 3.8 million shares authorized for issuance under the Plans as of December 31, 2017 . There are 2.5 million shares remaining available for future issuance under the Plans as of December 31, 2017 .

Stock options are awards that allow employees to purchase shares of our stock at a fixed price. Stock option awards are granted at an exercise price equal to the market price of our stock at the time of grant. These awards, which generally vest one-third each year, are fully vested three years from the grant date. Stock options granted since 2013 have contractual terms of ten years.

Restricted stock awards are unvested stock rights that are granted to employees and entitle the holder to shares of common stock as the award vests. Time-vested restricted stock rights typically vest in three years regardless of company performance. The fair value of the time-vested awards is determined and fixed based on Ryder’s stock price on the date of grant.

Performance-based restricted stock awards (PBRSRs) include a performance-based vesting condition. The awards are segmented into three one -year performance periods. For these awards, up to 150% of the awards may be earned based on Ryder's one-year adjusted return on capital (ROC) measured against an annual ROC target. If earned, employees will receive the grant of stock three years after the grant date, provided they continue to be employed with Ryder, subject to Compensation Committee approval. For accounting purposes, the awards are not considered granted until the Compensation Committee approves the annual ROC target. During 2017 , 2016 and 2015 , 79,000 , 45,000 and 42,000 PBRSRs, respectively, were considered granted for accounting purposes. The fair value of the PBRSRs is determined and fixed on the grant date based on Ryder’s stock price on the date of grant. Share-based compensation expense is recognized on a straight-line basis over the vesting period, based upon the probability that the performance target will be met.

Market-based restricted stock awards include a market-based vesting provision. The awards are segmented into three performance periods of one, two and three years. At the end of each performance period, up to 150% of the award may be earned based on Ryder's total shareholder return (TSR) compared to the target TSR of a peer group over the applicable performance period. The awards compared Ryder's TSR to the TSR of a custom peer group. If earned, employees will receive the grant of stock at the end of the relevant three-year performance period provided they continue to be employed with Ryder, subject to Compensation Committee approval. The fair value of the market-based awards was determined on the date of grant using a Monte-Carlo valuation model. Share-based compensation expense is recognized on a straight-line basis over the vesting period and is recognized regardless of whether the awards vest.

Certain employees also received cash awards prior to 2017 as part of our long-term incentive compensation program. The cash awards have the same vesting provisions as the market-based restricted stock awards granted in the respective years. The cash awards are accounted for as liability awards as they are based upon our own stock performance and are settled in cash. As a result, the liability is adjusted to reflect fair value at the end of each reporting period. The fair value of the market-based cash awards was estimated using a lattice-based option pricing valuation model that incorporates a Monte-Carlo simulation. The liability related to the cash awards was $1 million at both December 31, 2017 and 2016 .

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

	Years ended December 31		
	2017	2016	2015
	(In thousands)		
Cash awards	**$ 174**	689	532

We grant restricted stock units (RSUs) to non-management members of the Board of Directors. Once granted, RSUs are eligible for non-forfeitable dividend equivalents but have no voting rights. The fair value of the awards is determined and fixed based on Ryder’s stock price on the date of grant. A board member receives the RSUs upon departure from the Board. The initial grant of RSUs will not vest unless the director has served a minimum of one year. When a board member receives RSUs, they are redeemed for an equivalent number of shares of our common stock. Share-based compensation expense is recognized for RSUs in the year the RSUs are granted.

Option Awards

The following is a summary of option activity under our stock option plans as of and for the year ended December 31, 2017 :

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(In thousands)		(In years)	(In thousands)
Options outstanding at January 1	**1,529**	**$ 66.35**		
Granted	**465**	**76.43**		
Exercised	**(235)**	**55.41**		
Forfeited or expired	**(42)**	**70.56**		
Options outstanding at December 31	**1,717**	**$ 70.47**	**7.3**	**$ 26,209**
Vested and expected to vest at December 31	**1,649**	**$ 70.61**	**7.4**	**$ 25,320**
Exercisable at December 31	**848**	**$ 70.20**	**6.0**	**$ 13,689**

The aggregate intrinsic values in the table above represent the total pre-tax intrinsic value (the difference between the close price of our stock on the last trading day of the year and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders if all options were exercised at year-end. This amount fluctuates based on the fair market value of our stock.

Restricted Stock Awards

The following is a summary of the status of Ryder's unvested restricted stock awards as of and for the year ended December 31, 2017 :

	Time-Vested		Market-Based		Performance-Based	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
	(In thousands)		(In thousands)		(In thousands)	
Unvested stock outstanding at January 1	**476**	**$ 67.31**	**66**	**$ 64.33**	**72**	**$ 70.92**
Granted	**117**	**75.61**	**45**	**73.43**	**79**	**76.47**
Vested [(1)]	**(141)**	**78.18**	**(15)**	**61.07**	**(30)**	**75.62**
Forfeited [(2)]	**(19)**	**69.95**	**(4)**	**81.47**	**(27)**	**48.71**
Unvested stock outstanding at December 31	**433**	**$ 65.91**	**92**	**$ 68.26**	**94**	**$ 78.91**

(1) Includes awards attained above target.
(2) Includes awards canceled due to employee terminations or performance and market conditions not being achieved.

Stock Purchase Plan

We maintain an Employee Stock Purchase Plan (ESPP) that enables eligible participants in the U.S. and Canada to purchase full or fractional shares of Ryder common stock through payroll deductions of up to 15% of eligible compensation. The ESPP provides for quarterly offering periods during which shares may be purchased at 85% of the fair market value of our stock. Beginning with the second quarter of 2015, we amended the ESPP to calculate the exercise price based only on the fair market value of the stock on the last trading day of the quarter. Prior to the second quarter of 2015, the exercise price was based on the lower of the fair market value on the first or last trading day of the quarter. Stock purchased under the ESPP must be held for 90 days. There were 5.5 million shares authorized for issuance under the existing ESPP at December 31, 2017 . There were 0.8 million shares remaining available to be purchased in the future under the ESPP at December 31, 2017 .

The following table presents the weighted-average exercise price for shares granted and exercised under the ESPP:

	Years ended December 31,		
	2017	2016	2015
Stock purchase plan:			
Shares granted and exercised	**160,000**	192,000	178,000
Weighted average exercise plan	**$ 66.72**	$ 56.17	$ 63.93

Share-Based Compensation Fair Value Assumptions

The fair value of each option award is estimated on the date of grant using a Black-Scholes-Merton option-pricing valuation model that uses the weighted-average assumptions noted in the table below. Expected volatility is based on historical volatility of our stock and implied volatility from traded options on our stock. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the stock option award is granted with a maturity equal to the expected term of the stock option award. We use historical data to estimate stock option exercises and forfeitures within the valuation model. The expected term of stock option awards granted is derived from historical exercise experience under the share-based employee compensation arrangements and represents the period of time that stock option awards granted are expected to be outstanding. The fair value of market-based restricted stock awards is estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by Ryder.

The following table presents the weighted-average assumptions used for options granted:

	Years ended December 31,		
	2017	2016	2015
Option plans:			
Expected dividends	**2.3%**	3.0%	1.6%
Expected volatility	**28.5%**	35.2%	26.4%
Risk-free rate	**1.9%**	1.1%	1.4%
Expected term in years	**4.4 years**	4.3 years	4.3 years
Grant-date fair value	**$15.71**	$12.53	$18.47

Exercise of Employee Stock Options and Purchase Plans

The total intrinsic value of options exercised during 2017 , 2016 and 2015 was $5 million , $5 million and $11 million , respectively. The total cash received from employees under all share-based employee compensation arrangements for 2017 , 2016 and 2015 was $21 million , $18 million and $24 million , respectively. In connection with these exercises, the tax benefits generated from share-based employee compensation arrangements were $0.2 million , $0.6 million and $0.4 million for 2017 , 2016 and 2015 , respectively. As discussed in Note 2, "Recent Accounting Pronouncements," excess tax benefits related to share-based payments are recorded to income tax expense beginning in 2017 .

22. EMPLOYEE BENEFIT PLANS

Pension Plans

We historically sponsored several defined benefit pension plans covering most employees not covered by union-administered plans, including certain employees in foreign countries. These plans generally provided participants with benefits based on years of service and career-average compensation levels.

In past years, we made amendments to defined benefit retirement plans which froze the retirement benefits for non-grandfathered and certain non-union employees in the U.S., Canada and the United Kingdom (U.K.). As a result of these amendments, non-grandfathered plan participants ceased accruing benefits under the plan as of the respective amendment effective date and began receiving an enhanced benefit under a defined contribution plan. All retirement benefits earned as of the amendment effective date were fully preserved and will be paid in accordance with the plan and legal requirements. The funding policy for these plans is to make contributions based on annual service costs plus amortization of unfunded past service liability, but not greater than the maximum allowable contribution deductible for federal income tax purposes. We may, from time to time, make voluntary contributions to our pension plans, which exceed the amount required by statute. The majority of the plans' assets are invested in a master trust that, in turn, is invested primarily in commingled funds whose investments are listed stocks and bonds.

We also have a non-qualified supplemental pension plan covering certain U.S. employees, which provides for incremental pension payments from our funds so that total pension payments equal the amounts that would have been payable from our principal pension plans if it were not for limitations imposed by income tax regulations. The accrued pension liability related to this plan was $55 million and $53 million at December 31, 2017 and 2016 , respectively.

Pension Expense

Pension expense from continuing operations was as follows:

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Company-administered plans:			
Service cost	$ **12,345**	12,977	13,820
Interest cost	**86,431**	94,476	88,013
Expected return on plan assets	**(91,062)**	(90,588)	(98,892)
Amortization of:			
Net actuarial loss	**32,987**	31,777	30,741
Prior service cost (credit)	**579**	2,976	(306)
	41,280	51,618	33,376
Union-administered plans	**15,553**	9,597	8,328
Net pension expense	$ **56,833**	61,215	41,704
Company-administered plans:			
U.S.	$ **43,717**	53,319	34,986
Foreign	**(2,437)**	(1,701)	(1,610)
	41,280	51,618	33,376
Union-administered plans	**15,553**	9,597	8,328
	$ **56,833**	61,215	41,704

During 2016 , we determined that certain pension benefit improvements made in 2009 had not been fully reflected in our projected benefit obligation. Because the amounts were not material to our consolidated financial statements in any individual period, and the cumulative amount is not material to 2016 results, we recognized a one-time, non-cash charge of $8 million in "Selling, general and administrative expenses" and a $13 million pre-tax increase to “Accumulated other comprehensive loss” in our consolidated financial statements to correctly state the pension benefit obligation and account for these 2009 benefit improvements.

The following table sets forth the weighted-average actuarial assumptions used for Ryder’s pension plans in determining annual pension expense:

	U.S. Plans Years ended December 31,			Foreign Plans Years ended December 31,		
	2017	2016	2015	**2017**	2016	2015
Discount rate	**4.20%**	4.50%	4.15%	**3.90%**	3.70%	3.70%
Rate of increase in compensation levels	**3.00%**	3.00%	3.00%	**3.10%**	3.10%	3.10%
Expected long-term rate of return on plan assets	**5.40%**	5.85%	5.95%	**5.48%**	5.44%	5.50%
Gain and loss amortization period (years)	**21**	23	23	**26**	27	27

The return on plan assets assumption reflects the weighted-average of the expected long-term rates of return for the broad categories of investments held in the plans. The expected long-term rate of return is adjusted when there are fundamental changes in expected returns or in asset allocation strategies of the plan assets.

Obligations and Funded Status

The following table sets forth the benefit obligations, assets and funded status associated with our pension plans:

	December 31,	
	2017	2016
	(In thousands)	
Change in benefit obligations:		
Benefit obligations at January 1	$ **2,228,762**	2,091,844
Service cost	**12,345**	12,977
Interest cost	**86,431**	94,476
Actuarial loss	**100,905**	189,523
Pension annuity settlement	**(66,423)**	—
Benefits paid	**(104,054)**	(96,723)
Foreign currency exchange rate changes	**40,936**	(63,335)
Benefit obligations at December 31	**2,298,902**	2,228,762
Change in plan assets:		
Fair value of plan assets at January 1	**1,787,075**	1,647,286
Actual return on plan assets	**244,916**	176,066
Employer contribution	**41,219**	127,991
Benefits paid	**(104,054)**	(96,723)
Pension annuity settlement	**(71,299)**	—
Foreign currency exchange rate changes	**43,473**	(67,545)
Fair value of plan assets at December 31	**1,941,330**	1,787,075
Funded status	$ **(357,572)**	(441,687)
Funded percent	**84%**	80%

During 2017, we completed a transfer of future retiree benefits in our U.S. defined benefit plan to a third-party annuity company. We paid $71 million in connection with this transfer, which included a $66 million reduction in our projected benefit obligation and an annuity premium. We did not record a gain or loss on this transaction as the cost of all settlements during the year, including this transaction, were less than our combined service and interest costs for the year.

The funded status of our pension plans was presented in the Consolidated Balance Sheets as follows:

	December 31, 2017	December 31, 2016
	(In thousands)	
Noncurrent asset	$ **58,708**	14,049
Current liability	**(3,863)**	(3,796)
Noncurrent liability	**(412,417)**	(451,940)
Net amount recognized	$ **(357,572)**	(441,687)

Amounts recognized in accumulated other comprehensive loss (pre-tax) consisted of:

	December 31, 2017	December 31, 2016
	(In thousands)	
Prior service cost	$ **11,135**	11,714
Net actuarial loss	**878,386**	961,010
Net amount recognized	$ **889,521**	972,724

In 2018 , we expect to recognize $29 million of net actuarial loss amortization as a component of pension expense.

The following table sets forth the weighted-average actuarial assumptions used in determining funded status:

	U.S. Plans December 31,		Foreign Plans December 31,	
	2017	2016	**2017**	2016
Discount rate	**3.70%**	4.20%	**2.70%**	3.90%
Rate of increase in compensation levels	**3.00%**	3.00%	**3.10%**	3.10%

At December 31, 2017 and 2016 , our accumulated benefit obligations, as well as, our pension obligations (accumulated benefit obligations (ABO), and projected benefit obligations (PBO)), greater than the fair value of the related plan assets for our U.S. and foreign plans were as follows:

	U.S. Plans December 31,		Foreign Plans December 31,		Total December 31,	
	2017	2016	**2017**	2016	**2017**	2016
			(In thousands)			
Total accumulated benefit obligations	$ **1,781,882**	1,748,171	**492,864**	454,301	**2,274,746**	2,202,472
Plans with pension obligations in excess of plan assets:						
PBO	**1,804,260**	1,771,968	**7,802**	7,383	**1,812,062**	1,779,351
ABO	**1,781,882**	1,748,171	**6,502**	5,997	**1,788,384**	1,754,168
Fair value of plan assets	**1,395,790**	1,323,751	**—**	—	**1,395,790**	1,323,751

Plan Assets

Our pension investment strategy is to reduce the effects of future volatility on the fair value of our pension assets relative to our pension liabilities. We increase our allocation of high quality, longer-term fixed income securities and reduce our allocation of equity investments as the funded status of the plans improve. The plans utilize several investment strategies, including actively and passively managed equity and fixed income strategies. The investment policy establishes targeted allocations for each asset class that incorporate measures of asset and liability risks. Deviations between actual pension plan asset allocations and targeted asset allocations may occur as a result of investment performance and changes in the funded status from time to time. Rebalancing of our pension plan asset portfolios is evaluated periodically and rebalanced if actual allocations exceed an acceptable range. U.S. plans account for approximately 72% of our total pension plan assets. Equity securities primarily include investments in both domestic and international common collective trusts and publicly traded equities. Fixed income securities primarily include domestic collective trusts and corporate bonds. Other types of investments include private equity fund-of-funds and hedge fund-of-funds. Equity and fixed income securities in our international plans include actively and passively managed mutual funds.

The following table presents the fair value of each major category of pension plan assets and the level of inputs used to measure fair value as of December 31, 2017 and 2016 :

	Fair Value Measurements at December 31, 2017			
Asset Category	**Total**	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Equity securities:				
U.S. common collective trusts	**$ 443,405**	**—**	**443,405**	**—**
Foreign common collective trusts	**458,111**	**—**	**458,111**	**—**
Fixed income securities:				
Corporate bonds	**85,117**	**—**	**85,117**	**—**
Common collective trusts	**840,104**	**—**	**840,104**	**—**
Private equity and hedge funds	**114,593**	**—**	**—**	**114,593**
Total	**$ 1,941,330**	**—**	**1,826,737**	**114,593**

	Fair Value Measurements at December 31, 2016			
Asset Category	Total	Level 1	Level 2	Level 3
	(In thousands)			
Equity securities:				
U.S. common collective trusts	$ 429,456	—	429,456	—
Foreign common collective trusts	398,282	—	398,282	—
Fixed income securities:				
Corporate bonds	76,086	—	76,086	—
Common collective trusts	780,367	—	780,367	—
Private equity and hedge funds	102,884	—	—	102,884
Total	$ 1,787,075	—	1,684,191	102,884

The following is a description of the valuation methodologies used for our pension assets as well as the level of input used to measure fair value:

Equity securities — These investments include common and preferred stocks and index common collective trusts that track U.S. and foreign indices. The common collective trusts were valued at the unit prices established by the funds' sponsors based on the fair value of the assets underlying the funds. Since the units of the funds are not actively traded, the fair value measurements have been classified within Level 2 of the fair value hierarchy.

Fixed income securities — These investments include investment grade bonds of U.S. issuers from diverse industries, government issuers, index common collective trusts that track the Barclays Aggregate Index and other fixed income investments (primarily mortgage-backed securities). Fair values for the corporate bonds were valued using third-party pricing services. These sources determine prices utilizing market income models which factor in, where applicable, transactions of similar assets in active markets, transactions of identical assets in infrequent markets, interest rates, bond or credit default swap spreads and volatility. Since the corporate bonds are not actively traded, the fair value measurements have been classified within Level 2 of the fair value hierarchy. The common collective trusts were valued at the unit prices established by the funds' sponsors based on the fair value of the assets underlying the funds. Since the units of the funds are not actively traded, the fair value measurements have been classified within Level 2 of the fair value hierarchy. The other investments are not actively traded and fair values are estimated using bids provided by brokers, dealers or quoted prices of similar securities with similar characteristics or pricing models. Therefore, the other investments have been classified within Level 2 of the fair value hierarchy.

Private equity and hedge funds — These investments represent limited partnership interests in private equity and hedge funds. The partnership interests are valued by the general partners based on the underlying assets in each fund. The limited partnership interests are valued using unobservable inputs and have been classified within Level 3 of the fair value hierarchy.

The following table presents a summary of changes in the fair value of the pension plans' Level 3 assets for the years ended December 31, 2017 and 2016 :

	2017	2016
	(In thousands)	
Beginning balance at January 1	$ 102,884	100,631
Return on plan assets:		
Relating to assets still held at the reporting date	10,795	1,548
Relating to assets sold during the period	(405)	703
Purchases, sales, settlements and expenses	1,319	2
Ending balance at December 31	$ 114,593	102,884

The following table details pension benefits expected to be paid in each of the next five fiscal years and in aggregate for the five fiscal years thereafter:

	(In thousands)
2018	$ 102,131
2019	104,563
2020	109,013
2021	113,370
2022	117,272
2023-2027	626,726

For 2018 , required pension contributions to our pension plans are estimated to be $34 million .

Multi-employer Plans

We participate in multi-employer plans that provide defined benefits to certain employees covered by collective-bargaining agreements. Such plans are usually administered by a board of trustees comprised of the management of the participating companies and labor representatives. The net pension cost of these plans is equal to the annual contribution determined in accordance with the provisions of negotiated labor contracts. Assets contributed to such plans are not segregated or otherwise restricted to provide benefits only to our employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following respects: 1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees and former employees of other participating employers; 2) if a participating employer is no longer able to contribute to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers at annual contribution rates under the collective bargaining agreements; 3) if there is a mass withdrawal of substantially all employers from the plan, we may be required to pay the plan an annual contribution based on historical contribution levels as prescribed by federal statute; and 4) if we choose to stop participating in some of our multi-employer plans, we may be required to pay those plans an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

During 2017 , we recorded an estimated pension settlement charge of $5 million for the exit from the Central States Southeast and Southwest Areas multi-employer pension plan. This charge was recorded within “Selling, general, and administrative expenses” in our Consolidated Statement of Earnings and is included in the Union-administered plans expense. During 2015 , we recognized a benefit of $1 million for adjustments to previously recognized estimated pension settlement charges related to our exit from U.S. multi-employer pension plans. These adjustments were included in "Selling, general, and administrative expenses" in our Consolidated Statement of Earnings and are a component of Union-administered plans expense.

Our participation in these plans is outlined in the table below. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2017 and 2016 is for the plan years ended December 31, 2016 and December 31, 2015 , respectively. The zone status is based on information that we received from the plan. Among other factors, plans in the red zone are generally less than sixty-five percent funded, plans in the yellow zone are less than eighty percent funded, and plans in the green zone are at least eighty percent funded.

Pension Fund	Employer Identification Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented [1]	Ryder Contributions			Surcharge Imposed	Expiration Date(s) of Collective-Bargaining Agreement(s)
		2017	2016		**2017**	2016	2015		
					(Dollars in thousands)				
Western Conference Teamsters	91-6145047	Green	Green	No	**$ 3,245**	2,613	2,430	No	1/12/18 to 4/1/21
IAM National	51-6031295	Green	Green	No	**3,891**	4,162	3,801	No	3/31/17 to 11/30/19
Automobile Mechanics Local No. 701	36-6042061	Yellow	Yellow	RP Adopted	**2,048**	2,201	1,902	Yes	10/31/17 to 5/31/19
Central States Southeast and Southwest Areas	36-6044243	Red	Red	RP Adopted	**244**	259	254	Yes	5/6/17 to 10/31/17
Other funds					**671**	501	450		
Total contributions					**10,099**	9,736	8,837		
Pension settlement charges (benefit)					**5,454**	(139)	(509)		
Union-administered plans					**$ 15,553**	9,597	8,328		

(1) The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Our contributions are impacted by changes in contractual contributions rates as well as changes in the number of employees covered by each plan.

Savings Plans

Employees who do not actively participate in pension plans and are not covered by union-administered plans are generally eligible to participate in enhanced savings plans. These plans provide for (i) a company contribution even if employees do not make contributions for employees hired before January 1, 2016, (ii) a company match of employee contributions of eligible pay, subject to tax limits and (iii) a discretionary company match. Savings plan costs totaled $39 million in 2017 and $38 million in both 2016 and 2015 .

Deferred Compensation and Long-Term Compensation Plans

We have deferred compensation plans that permit eligible U.S. employees, officers and directors to defer a portion of their compensation. The deferred compensation liability, including Ryder matching amounts and accumulated earnings, totaled $63 million and $50 million at December 31, 2017 and 2016 , respectively.

We have established grantor trusts (Rabbi Trusts) to provide funding for benefits payable under the supplemental pension plan, deferred compensation plans and long-term incentive compensation plans. The assets held in the trusts were $63 million and $50 million at December 31, 2017 and 2016 , respectively. The Rabbi Trusts' assets consist of short-term cash investments and a managed portfolio of equity securities, including our common stock. These assets, except for the investment in our common stock, are included in "Direct financing leases and other assets" because they are available to our general creditors in the event of insolvency. The equity securities are classified as trading securities and stated at fair value. Both realized and unrealized gains and losses are included in "Miscellaneous income, net." The Rabbi Trusts' investment of $2 million in our common stock at both December 31, 2017 and 2016 , is reflected at historical cost and included in shareholders' equity.

Other Postretirement Benefits

We sponsor plans that provide retired U.S. and Canadian employees with certain healthcare and life insurance benefits. Substantially all U.S. and Canadian employees not covered by union-administered health and welfare plans are eligible for the healthcare benefits. Healthcare benefits for our principal plan are generally provided to qualified retirees under age 65 and eligible dependents. This plan requires employee contributions that vary based on years of service and include provisions that limit our contributions. In prior years, we made amendments to our healthcare benefits for early retirees which modified future eligibility requirements for non-grandfathered retirees in the U.S. The post-retirement medical plan was closed to participants who were not at least age 52 with 12 years of service as of December 31, 2013.

Total postretirement benefit income was as follows:

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Service cost	$ **191**	215	363
Interest cost	**833**	906	1,097
Amortization of:			
Net actuarial gain	**(1,796)**	(1,989)	(1,773)
Prior service credit	**(231)**	(231)	(1,083)
Postretirement benefit income	$ **(1,003)**	(1,099)	(1,396)
U.S.	$ **(1,308)**	(1,429)	(1,887)
Foreign	**305**	330	491
	$ **(1,003)**	(1,099)	(1,396)

The following table sets forth the weighted-average discount rates used in determining annual postretirement benefit expense:

	U.S. Plan Years ended December 31,			Foreign Plan Years ended December 31,		
	2017	2016	2015	**2017**	2016	2015
Discount rate	**4.20%**	4.50%	4.15%	**4.00%**	4.00%	4.00%

Our postretirement benefit plans are not funded. The following table sets forth the benefit obligations associated with our postretirement benefit plans:

	December 31,	
	2017	2016
	(In thousands)	
Benefit obligations at January 1	$ **20,965**	21,626
Service cost	**191**	215
Interest cost	**833**	906
Actuarial loss (gain)	**16**	(338)
Benefits paid	**(1,182)**	(1,609)
Foreign currency exchange rate changes	**418**	165
Benefit obligations at December 31	$ **21,241**	20,965

Amounts recognized in the Consolidated Balance Sheets consisted of:

	December 31,	
	2017	2016
	(In thousands)	
Current liability	$ **1,481**	1,506
Noncurrent liability	**19,760**	19,459
Amount recognized	$ **21,241**	20,965

Amounts recognized in accumulated other comprehensive loss (pre-tax) consisted of:

	December 31,	
	2017	2016
	(In thousands)	
Prior service credit	$ **(154)**	(385)
Net actuarial gain	**(8,371)**	(10,186)
Net amount recognized	$ **(8,525)**	(10,571)

In 2018 , we expect to recognize approximately $1 million of the net actuarial gain as a component of postretirement benefit expense. The amount of prior service credit we expect to recognize in 2018 as a component of total postretirement benefit expense is not material.

Our annual measurement date is December 31 for both U.S. and foreign postretirement benefit plans. Assumptions used in determining accrued postretirement benefit obligations were as follows:

	U.S. Plan December 31,		Foreign Plan December 31,	
	2017	2016	**2017**	2016
Discount rate	**3.70%**	4.20%	**3.40%**	3.90%
Rate of increase in compensation levels	**3.00%**	3.00%	**3.00%**	3.00%
Healthcare cost trend rate assumed for next year	**7.25%**	7.50%	**5.00%**	5.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	**5.00%**	5.00%	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2027**	2027	**2017**	2018

Changing the assumed healthcare cost trend rates by 1% in each year would not have a material effect on the accumulated postretirement benefit obligation at December 31, 2017 or annual postretirement benefit expense for 2017 .

The following table details other postretirement benefits expected to be paid in each of the next five fiscal years and in aggregate for the five fiscal years thereafter:

	(In thousands)
2018	$ **1,491**
2019	**1,463**
2020	**1,428**
2021	**1,443**
2022	**1,442**
2023-2027	**6,602**

23. ENVIRONMENTAL MATTERS

Our operations involve storing and dispensing petroleum products, primarily diesel fuel, regulated under environmental protection laws. These laws require us to eliminate or mitigate the effect of such substances on the environment. In response to these requirements, we continually upgrade our operating facilities and implement various programs to detect and minimize contamination. In addition, we have received notices from the Environmental Protection Agency (EPA) and others that we have been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendments and Reauthorization Act and similar state statutes. We may be required to share in the cost of cleanup of 19 identified disposal sites.

Our environmental expenses which are presented within “Cost of fuel services” in our Consolidated Statements of Earnings, consist of remediation costs as well as normal recurring expenses such as licensing, testing and waste disposal fees. These expenses totaled $12 million , $10 million and $9 million in 2017 , 2016 and 2015 , respectively. The carrying amount of our environmental liabilities was $10 million and $9 million at December 31, 2017 and 2016 , respectively. Our asset retirement obligations related to fuel tanks to be removed are not included above. Asset retirement obligations totaled $26 million as of December 31, 2017 and 2016, respectively. The carrying amount of our environmental liabilities and our asset retirement obligations are included in “Accrued expenses and other current liabilities” and “Other non-current liabilities” in our Consolidated Balance Sheets.

The ultimate cost of our environmental liabilities cannot presently be projected with certainty due to the presence of several unknown factors, primarily the level of contamination, the effectiveness of selected remediation methods, the stage of investigation at individual sites, the determination of our liability in proportion to other responsible parties and the recoverability of such costs from third parties. Based on information presently available, we believe that the ultimate disposition of these matters, although potentially material to the results of operations in any one year, will not have a material adverse effect on our financial condition or liquidity.

24. OTHER ITEMS IMPACTING COMPARABILITY

Our primary measure of segment performance as shown in Note 28 , " Segment Reporting ", excludes certain items we do not believe are representative of the ongoing operations of the segment. Excluding these items from our segment measure of performance allows for better year over year comparison:

	Years ended December 31,			
		2017	2016	2015
	(In thousands)			
Restructuring charges and fees, net [(1)]	**$**	**(21,405)**	(5,074)	(18,068)
Tax reform related bonus		**(23,278)**	—	—
Operating tax adjustment		**(2,205)**	—	—
Pension related adjustment [(2)]		**(5,454)**	(7,650)	509
Gain on sale of property [(3)]		**24,122**	—	—
Restructuring charges and fees, net and other items	**$**	**(28,220)**	(12,724)	(17,559)

(1) Refer to Note 4 , " Restructuring Charges and Fees, Net ," for additional information.
(2) Refer to Note 22 , " Employee Benefit Plans ," for additional information.
(3) Refer to Note 27 , Miscellaneous Income, Net for additional information.

In connection with the passing of the 2017 Tax Cuts and Jobs Act, we awarded a one-time bonus, totaling $23 million in the aggregate, to all U.S.-based non-incentive eligible employees of the Company as of December 31, 2017 . The bonus is reflected within “Selling, general and administrative expenses” in our Consolidated Statement of Earnings.

During 2017 , we determined that certain operating tax expenses related to prior periods had not been recognized in prior period earnings. We recorded a one-time charge of $2 million within “Selling, general and administrative expenses” in our Consolidated Statement of Earnings as the impact of the adjustment was not material to our consolidated financial statements.

25. OTHER MATTERS

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

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

26. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information was as follows:

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Interest paid	**$ 129,559**	143,990	144,973
Income taxes paid	**13,692**	14,062	13,379
Changes in accounts payable related to purchases of revenue earning equipment	**80,781**	(142,256)	28,134
Operating and revenue earning equipment acquired under capital leases	**7,057**	1,230	5,959

27. MISCELLANEOUS INCOME, NET

	Years ended December 31,		
	2017	2016	2015
Gains on sales of operating property and equipment	**$ 26,093**	2,475	3,045
Insurance proceeds/recoveries	**1,734**	966	—
Contract settlement	**1,600**	—	55
Foreign currency transaction gains	**657**	1,236	1,945
Rabbi trust investment income	**10,522**	2,763	632
Other, net	**3,639**	5,628	4,479
Total	**$ 44,245**	13,068	10,156

The increase in 2017 is primarily driven by gains of sales of properties of $26 million , which includes the gain on the sale of a SCS property of $24 million , and rabbi trust investment income of $11 million . The increase in 2016 is primarily driven by increased rabbi trust investment income.

28. SEGMENT REPORTING

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

Our primary measurement of segment financial performance, defined as “Earnings Before Tax” (EBT) from continuing operations, includes an allocation of Central Support Services (CSS) and excludes non-operating pension costs, restructuring charges and fees, net discussed in Note 4 , " Restructuring Charges and Fees, Net " and items discussed in Note 24 , " Other Items Impacting Comparability ." CSS represents those costs incurred to support all business segments, including human resources, finance, corporate services, public affairs, information technology, health and safety, legal, marketing and corporate communications. The objective of the EBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment accountable for their allocated share of CSS costs. Certain costs are considered to be overhead not attributable to any segment and remain unallocated in CSS. Included among the unallocated overhead remaining within CSS are the costs for investor relations, public affairs and certain executive compensation. CSS costs attributable to the business segments are predominantly allocated to FMS, DTS and SCS as follows:

- *Finance, corporate services, and health and safety* — allocated based upon estimated and planned resource utilization;

- *Human resources* — individual costs within this category are allocated under various methods, including allocation based on estimated utilization and number of personnel supported;

- *Information technology* — principally allocated based upon utilization-related metrics such as number of users or minutes of CPU time. Customer-related project costs and expenses are allocated to the business segment responsible for the project; and

- *Other* — represents legal and other centralized costs and expenses including certain share-based incentive compensation costs. Expenses, where allocated, are based primarily on the number of personnel supported.

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

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. Each business segment follows the same accounting policies as described in Note 1 , “ Summary of Significant Accounting Policies .” Business segment revenue and EBT from continuing operations is as follows:

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Revenue:			
Fleet Management Solutions:			
ChoiceLease	$ **2,460,424**	2,362,040	2,220,929
Commercial rental	**777,261**	808,912	900,624
ChoiceLease and commercial rental	**3,237,685**	3,170,952	3,121,553
SelectCare	**428,422**	415,507	391,137
Other	**77,450**	78,042	77,625
Fuel services revenue	**520,500**	463,738	538,277
Total Fleet Management Solutions from external customers	**4,264,057**	4,128,239	4,128,592
Inter-segment revenue	**469,514**	427,955	417,100
Fleet Management Solutions	**4,733,571**	4,556,194	4,545,692
Dedicated Transportation Solutions	**1,096,042**	1,020,895	895,538
Supply Chain Solutions	**1,969,500**	1,637,850	1,547,763
Eliminations	**(469,514)**	(427,955)	(417,100)
Total revenue	$ **7,329,599**	6,786,984	6,571,893
EBT:			
Fleet Management Solutions	$ **312,720**	370,829	461,314
Dedicated Transportation Solutions	**55,328**	63,571	45,575
Supply Chain Solutions	**103,102**	105,532	93,575
Eliminations	**(53,275)**	(50,148)	(47,193)
	$ **417,875**	489,784	553,271
Unallocated Central Support Services	**(48,128)**	(40,736)	(48,700)
Non-operating pension costs [(1)]	**(27,741)**	(29,943)	(17,797)
Restructuring charges and fees, net and other items [(2)]	**(28,220)**	(12,724)	(17,559)
Earnings before income taxes from continuing operations	$ **313,786**	406,381	469,215

(1) Non-operating pension costs include the amortization of net actuarial loss and prior service costs, interest cost and expected return on plan assets components of pension and postretirement benefit costs.
(2) See Note 24 , “ Other Items Impacting Comparability ,” for a discussion of items excluded from our primary measure of segment performance.

The following table sets forth non-operating pension costs and share-based compensation expense, depreciation expense, used vehicle sales, net, amortization expense and other non-cash charges, net, interest expense (income), capital expenditures paid and total assets for the years ended December 31, 2017 , 2016 and 2015 , as provided to the chief operating decision-maker for each of Ryder's reportable business segments:

		FMS	DTS	SCS	CSS	Eliminations	Total
		(In thousands)					
2017							
Non-operating pension costs and share-based compensation expense	**$**	**5,339**	**1,270**	**2,982**	**37,117**	**—**	**46,708**
Depreciation expense [(1)]	**$**	**1,218,492**	**3,520**	**32,255**	**908**	**—**	**1,255,175**
Used vehicle sales, net	**$**	**17,553**	**(113)**	**(199)**	**—**	**—**	**17,241**
Amortization expense and other non-cash charges, net	**$**	**29,550**	**(21,967)**	**1,015**	**3,516**	**—**	**12,114**
Interest expense (income) [(2)]	**$**	**144,137**	**(1,659)**	**(2,446)**	**318**	**—**	**140,350**
Capital expenditures paid	**$**	**1,783,917**	**3,375**	**50,117**	**23,027**	**—**	**1,860,436**
Total assets	**$**	**10,386,613**	**276,832**	**864,022**	**196,686**	**(271,922)**	**11,452,231**
2016							
Non-operating pension costs and share-based compensation expense	$	5,464	1,254	2,764	46,775	—	56,257
Depreciation expense [(1)]	$	1,156,888	3,222	25,956	984	—	1,187,050
Used vehicle sales, net	$	(724)	(90)	(158)	—	—	(972)
Amortization expense and other non-cash charges, net	$	34,652	1,027	3,215	(8,227)	—	30,667
Interest expense (income) [(2)]	$	151,297	(1,901)	(1,663)	110	—	147,843
Capital expenditures paid	$	1,814,146	2,551	64,186	24,274	—	1,905,157
Total assets	$	9,954,452	255,845	713,190	198,394	(219,427)	10,902,454
2015							
Non-operating pension costs and share-based compensation expense	$	5,672	1,155	3,400	28,751	—	38,978
Depreciation expense [(1)]	$	1,092,750	3,184	25,721	311	—	1,121,966
Used vehicle sales, net	$	(99,758)	(54)	(41)	—	—	(99,853)
Amortization expense and other non-cash charges, net	$	36,348	1,878	2,971	11,768	—	52,965
Interest expense (income) [(2)]	$	154,276	(1,597)	(2,174)	(71)	—	150,434
Capital expenditures paid [(3)]	$	2,595,961	3,570	27,841	40,606	—	2,667,978
Total assets	$	10,061,092	275,634	636,647	202,129	(222,922)	10,952,580

(1) Depreciation expense associated with CSS assets was allocated to business segments based upon estimated and planned asset utilization. Depreciation expense totaling $24 million , $24 million and $22 million during 2017 , 2016 and 2015 , respectively, associated with CSS assets was allocated to other business segments.
(2) Interest expense was primarily allocated to the FMS segment since such borrowings were used principally to fund the purchase of revenue earning equipment used in FMS; however, interest income was also reflected in DTS and SCS based on targeted segment leverage ratios.
(3) Excludes acquisition payments of $1 million in 2017 . See Note 3 , " Acquisitions ," for additional information.

Geographic Information

	Years ended December 31,		
	2017	2016	2015
	(In thousands)		
Revenue:			
United States	**$ 6,378,784**	5,892,384	5,603,697
Foreign:			
Canada	**428,252**	387,713	408,325
Europe	**321,375**	339,420	391,339
Mexico	**170,398**	139,176	139,583
Singapore	**30,790**	28,291	28,949
	950,815	894,600	968,196
Total	**$ 7,329,599**	6,786,984	6,571,893
Long-lived assets:			
United States	**$ 7,935,167**	7,854,845	7,817,628
Foreign:			
Canada	**623,576**	532,403	504,027
Europe	**527,869**	472,027	545,630
Mexico	**44,997**	33,979	31,993
Singapore	**357**	338	427
	1,196,799	1,038,747	1,082,077
Total	**$ 9,131,966**	8,893,592	8,899,705

Certain Concentrations

We have a diversified portfolio of customers across a full array of transportation and logistics solutions and across many industries. We believe this will help to mitigate the impact of adverse downturns in specific sectors of the economy. Our portfolio of ChoiceLease and commercial rental customers is not concentrated in any one particular industry or geographic region. We derive a significant portion of our SCS revenue from the automotive industry, mostly from manufacturers and suppliers of original equipment parts. During 2017 , 2016 and 2015 , the automotive industry accounted for approximately 40% , 44% and 41% , respectively, of SCS total revenue.

29. QUARTERLY INFORMATION (UNAUDITED)

		Revenue	Earnings from Continuing Operations Before Income Taxes	Earnings from Continuing Operations	Net Earnings	Earnings from Continuing Operations per Common Share		Net Earnings per Common Share		
						Basic	Diluted	Basic		Diluted
		(In thousands, except per share amounts)								
2017										
First quarter	**$**	**1,748,163**	**59,956**	**38,279**	**38,149**	**0.72**	**0.71**	**0.72**		**0.71**
Second quarter		**1,793,214**	**80,692**	**51,343**	**50,816**	**0.97**	**0.97**	**0.96**		**0.96**
Third quarter		**1,848,529**	**94,343**	**58,913**	**58,623**	**1.12**	**1.11**	**1.11**		**1.11**
Fourth quarter		**1,939,693**	**78,795**	**642,480**	**642,970**	**12.21**	**12.10**	**12.22**		**12.11**
Full year	**$**	**7,329,599**	**313,786**	**791,015**	**790,558**	**14.98**	**14.87**	**14.97**		**14.87**
2016										
First quarter	$	1,629,672	88,708	56,185	55,794	1.06	1.05	1.05		1.04
Second quarter		1,703,744	116,779	74,042	73,750	1.39	1.38	1.39		1.38
Third quarter		1,724,418	131,698	85,138	84,752	1.60	1.59	1.60		1.59
Fourth quarter		1,729,150	69,196	49,275	48,181	0.93	0.92	0.91		0.91
Full year	$	6,786,984	406,381	264,640	262,477	4.98	4.94	4.94	$	4.90

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

Quarterly and year-to-date computations of per share amounts are made independently; therefore, the sum of per-share amounts for the quarters may not equal per-share amounts for the year.

See Note 4 , “ Restructuring Charges and Fees, Net ,” and Note 24 , “ Other Items Impacting Comparability ,” for items included in earnings during 2017 and 2016 .

Earnings from continuing operations and net earnings reflect the tax benefit related to the 2017 Tax Cuts and Jobs Act that was signed into law in December 2017. See Note 13 , " Income Taxes " for more information.

RYDER SYSTEM, INC. AND SUBSIDIARES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions: Charged to Earnings	Additions: Transferred from Other Accounts (1)	Deductions (2)	Balance at End of Period
	(In thousands)				
2017					
Accounts receivable allowance	**$ 14,915**	**12,335**	**—**	**13,403**	**13,847**
Self-insurance accruals (3)	**$ 336,901**	**327,306**	**74,153**	**389,748**	**348,612**
Valuation allowance on deferred tax assets	**$ 16,387**	**2,213**	**—**	**67**	**18,667**
2016					
Accounts receivable allowance	$ 15,560	13,118	—	13,763	14,915
Self-insurance accruals (3)	$ 311,821	324,673	71,703	371,296	336,901
Valuation allowance on deferred tax assets	$ 14,991	98	—	(1,298)	16,387
2015					
Accounts receivable allowance	$ 16,388	11,172	—	12,000	15,560
Self-insurance accruals (3)	$ 298,853	295,399	68,999	351,430	311,821
Valuation allowance on deferred tax assets	$ 24,742	(1,150)	—	8,601	14,991

(1) Transferred from other accounts includes employee contributions made to the medical and dental self-insurance plans.
(2) Deductions represent write-offs, lease termination payments, insurance claim payments during the period and net foreign currency translation adjustments.
(3) Self-insurance accruals include vehicle liability, workers' compensation, property damage, cargo and medical and dental, which comprise our self-insurance programs. Amounts charged to earnings include developments in prior years' selected loss development factors which benefited earnings by $9 million in 2017 and charged earnings by $9 million and $4 million in 2016 and 2015 , respectively. Prior year presentation of self-insurance accruals has been revised to reflect amounts charged to earnings and deductions consistent with current year presentation.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including Ryder’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Ryder’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that at December 31, 2017 , Ryder’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective.

Management’s Report on Internal Control over Financial Reporting

Management’s Report on Internal Control over Financial Reporting and the Report of Independent Registered Certified Public Accounting Firm thereon are set out in Item 8 of Part II of this Form 10-K Annual Report.

Changes in Internal Controls over Financial Reporting

During the three months ended December 31, 2017 , there were no changes in Ryder’s internal control over financial reporting that has materially affected or is reasonably likely to materially affect such internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 with respect to executive officers is included within Item 1 in Part I under the caption “Executive Officers of the Registrant” of this Form 10-K Annual Report.

The information required by Item 10 with respect to directors, audit committee, audit committee financial experts and Section 16(a) beneficial ownership reporting compliance is included under the captions “Election of Directors,” “Audit Committee” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year, and is incorporated herein by reference.

Ryder has adopted a code of conduct applicable to all employees, including its Chief Executive Officer, Chief Financial Officer, Controller and Senior Financial Management. We will provide a copy of our code of conduct to anyone, free of charge, upon request through our Investor Relations Page, on our website at *www.ryder.com* .

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is included under the captions “Compensation Discussion and Analysis,” “Executive Compensation,” “Compensation Committee,” “Compensation Committee Report on Executive Compensation” and “Director Compensation” in our definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 with respect to security ownership of certain beneficial owners and management is included under the captions "Security Ownership of Officers and Directors" and "Security Ownership of Certain Beneficial Owners" in our definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year, and is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans

The following table includes information as of December 31, 2017 , 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	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
Broad based employee stock plans	**2,250,700** (1)	**$70.47** (3)	**2,528,128**
Employee stock purchase plan	—	—	**783,390**
Non-employee directors' stock plans	**207,066** (2)	—	**38,236**
Total	**2,457,766**	**$70.47**	**3,349,754**

(1) Includes 1,717,188 stock options, 231,900 time-vested restricted stock awards, 93,164 market-based restricted stock awards and 208,448 performance-based restricted stock awards, which includes 109,350 performance-based restricted stock rights not considered granted under accounting guidance for stock compensation. Refer to Note 21 , " Share-Based Compensation Plans ", for additional information.

(2) Includes 200,559 time-vested restricted stock awards, as well as, 6,507 time-vested restricted stock awards vested but not exercisable until six months after the director's retirement.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is included under the captions "Board of Directors" and "Related Person Transactions" in our definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is included under the caption "Ratification of Independent Auditor" in our definitive proxy statement, which will be filed with the Commission within 120 days after the close of the fiscal year, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Items A through H and Schedule II are presented on the following pages of this Form 10-K Annual Report:

	Page No.
1. Financial Statements for Ryder System, Inc. and Consolidated Subsidiaries:	
A) Management's Report on Internal Control over Financial Reporting	68
B) Report of Independent Registered Certified Public Accounting Firm	69
C) Consolidated Statements of Earnings	71
D) Consolidated Statements of Comprehensive Income (Loss)	72
E) Consolidated Balance Sheets	73
F) Consolidated Statements of Cash Flows	74
G) Consolidated Statements of Shareholders' Equity	75
H) Notes to Consolidated Financial Statements	76
2. Consolidated Financial Statement Schedule for the Years Ended December 31, 2017, 2016 and 2015	
Schedule II — Valuation and Qualifying Accounts	120

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

Supplementary Financial Information consisting of selected quarterly financial data is included in Item 8 of this report.

3. Exhibits:

The following exhibits are filed with this report or, where indicated, incorporated by reference (Forms 10-K, 10-Q and 8-K referenced herein have been filed under the Commission's file No. 1-4364). Ryder will provide a copy of the exhibits filed with this report at a nominal charge to those parties requesting them.

EXHIBIT INDEX

Exhibit Number	Description
3.1	The Ryder System, Inc. Restated Articles of Incorporation dated May 1, 2015 (conformed copy incorporating all amendments through May 1, 2015), previously filed with the Commission on May 1, 2015 as an exhibit to Ryder's Current Report on Form 8-K, is incorporated by reference in this report.
3.2	The Ryder System, Inc. By-Laws, as amended through February 22, 2016, previously filed with the Commission as an exhibit to Ryder's Quarterly Report on Form 10-Q filed with the Commission on October 25, 2016, are incorporated by reference into this report.
4.1	Ryder hereby agrees, pursuant to paragraph (b)(4)(iii) of Item 601 of Regulation S-K, to furnish the Commission with a copy of any instrument defining the rights of holders of long-term debt of Ryder, where such instrument has not been filed as an exhibit hereto and the total amount of securities authorized there under does not exceed 10% of the total assets of Ryder and its subsidiaries on a consolidated basis.
4.2	The First Supplemental Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated October 1, 1987, previously filed with the Commission as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated by reference into this report.
4.3	The Form of Indenture between Ryder System, Inc. and The Chase Manhattan Bank (National Association) dated as of May 1, 1987, and supplemented as of November 15, 1990 and June 24, 1992, filed with the Commission on July 30, 1992 as an exhibit to Ryder's Registration Statement on Form S-3 (No. 33-50232), is incorporated by reference into this report.
4.4	The Form of Indenture between Ryder System, Inc. and J.P. Morgan Trust Company (National Association) dated as of October 3, 2003 filed with the Commission on August 29, 2003 as an exhibit to Ryder's Registration Statement on Form S-3 (No. 333-108391), is incorporated by reference into this report.
10.1(a)	The Ryder System, Inc. 2005 Equity Compensation Plan, previously filed with the Commission on March 21, 2008, as Appendix A to Ryder's Definitive Proxy Statement on Schedule 14A, is incorporated by reference into this report.
10.1(b)	The Ryder System, Inc. Stock Purchase Plan for Employees, previously filed with the Commission on March 29, 2010, as Appendix B to Ryder System, Inc.'s Definitive Proxy Statement on Schedule 14A, is incorporated by reference into this report.
10.1(c)	Terms and Conditions applicable to restricted stock units granted under the Ryder System, Inc. 2005 Equity Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Quarterly Report on Form 8-K filed with the Commission on May 11, 2005, are incorporated by reference into this report.
10.1(d)	Terms and Conditions applicable to the 2012 Non-Qualified Stock Options granted under the Ryder System, Inc. 2005 Equity Compensation Plan, previously filed with the Commission as an exhibit to Ryder's report on Form 10-Q for the quarter ended March 31, 2012, are incorporated by reference into this report.
10.1(e)	Terms and Conditions applicable to the 2012 Non-Qualified Stock Options granted to the Company's Chief Executive Officer under the Ryder System, Inc. 2005 Equity Compensation Plan, previously filed with the Commission as an exhibit to Ryder's report on Form 10-Q for the quarter ended March 31, 2012, are incorporated by reference into this report.
10.1(f)	Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on May 10, 2012, is incorporated by reference into this report.
10.1(g)	Terms and Conditions applicable to non-qualified stock options granted under the Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on May 10, 2012, are incorporated by reference into this report.
10.1(h)	Terms and Conditions applicable to performance-based restricted stock rights granted under the Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on May 10, 2012, are incorporated by reference into this report.
10.1(i)	Terms and Conditions applicable to performance-based cash awards granted under the Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on May 10, 2012, are incorporated by reference into this report.
10.1(j)	Terms and Conditions applicable to restricted stock rights granted under the Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on May 10, 2012, are incorporated by reference into this report.
10.1(k)	Terms and Conditions applicable to restricted stock units granted under the Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on May 10, 2012, are incorporated by reference into this report.

Exhibit Number	Description
10.1(l)	Agreement, dated April 14, 2016, between Ryder System, Inc. and Gregory F. Greene, previously filed with the Commission on April 26, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference into this report.
10.1(m)	Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on May 10, 2016 as an exhibit to Ryder's Quarterly Report on Form 8-K, is incorporated by reference to this report.
10.1(n)	Form of Terms and Conditions applicable to 2016 annual cash incentive awards granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on July 27, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(o)	Form of Terms and Conditions applicable to non-qualified stock options granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on July 27, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(p)	Form of Terms and Conditions applicable to performance-based restricted stock rights granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on July 27, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(q)	Form of Terms and Conditions applicable to performance-based cash awards granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on July 27, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(r)	Form of Terms and Conditions applicable to restricted stock rights granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on July 27, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(s)	Form of Terms and Conditions applicable to restricted stock units granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on July 27, 2016 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(t)	The Form of Amended and Restated Severance Agreement for Chief Executive Officer, previously filed with the Commission on February 14, 2017 as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated by reference into this report.
10.1(u)	The Ryder System, Inc. Executive Severance Plan, effective as of January 1, 2017, previously filed with the Commission on February 14, 2017 as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated by reference into this report.
10.1(v)	Form of Terms and Conditions applicable to 2017 annual cash incentive awards granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on April 25, 2017 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(w)	Form of Terms and Conditions applicable to non-qualified stock options granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on April 25, 2017 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(x)	Form of Terms and Conditions applicable to performance-based restricted stock rights granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on April 25, 2017 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(y)	Form of Terms and Conditions applicable to restricted stock rights granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on April 25, 2017 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(z)	Form of Terms and Conditions applicable to restricted stock units granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, previously filed with the Commission on April 25, 2017 as an exhibit to Ryder's Quarterly Report on Form 10-Q, is incorporated by reference to this report.
10.1(aa)	Form of Terms and Conditions applicable to annual cash incentive awards granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, filed with the Commission as an exhibit to this Annual Report on Form 10-K.
10.1(bb)	Form of Terms and Conditions applicable to performance-based restricted stock rights granted under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan, filed with the Commission as an exhibit to this Annual Report on Form 10-K.

Exhibit Number	Description
10.1(cc)	The Form of Amended and Restated Severance Agreement for named executive officers (other than the Chief Executive Officer) filed with the Commission as an exhibit to this Annual Report on Form 10-K.
10.2(a)	The Ryder System, Inc. Directors Stock Award Plan, as amended and restated at February 10, 2005, previously filed with the Commission on February 24, 2005 as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated by reference into this report.
10.2(b)	The Ryder System, Inc. Directors Stock Plan, as amended and restated at May 7, 2004, previously filed with the Commission on February 24, 2005 as an exhibit to Ryder's Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated by reference into this report.
10.3	The Ryder System Benefit Restoration Plan, as amended and restated, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on February 11, 2009, is incorporated by reference into this report.
10.4	Form of Indemnification Agreement for independent directors, effective as of February 24, 2016, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on February 29, 2016, is incorporated by reference into this report.
10.5	The Ryder System, Inc. Deferred Compensation Plan, effective as of January 1, 2009, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on February 11, 2009, is incorporated by reference to this report.
10.6(a)	Global Revolving Credit Agreement dated as of June 8, 2011, by and among, Ryder System, Inc., certain subsidiaries of Ryder System, Inc., and the lenders and agents named therein, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on June 13, 2011, is incorporated by reference into this report.
10.6(b)	Amendment No. 1 dated as of April 20, 2012 to Global Revolving Credit Agreement, by and among Ryder System, Inc., certain Ryder System, Inc. subsidiaries, and the lenders and agents named therein, previously filed with the Commission as an exhibit to Ryder's report on Form 10-Q for the quarter ended March 31, 2012, is incorporated by reference into this report.
10.6(c)	Amendment No. 2 dated as of October 18, 2013 to Global Revolving Credit Agreement, by and among Ryder System, Inc., certain subsidiaries of Ryder System, Inc., and the lenders and agents named therein, previously filed with the Commission as an exhibit to Ryder's report on Form 10-Q for the quarter ended September 30, 2013, is incorporated by reference into this report.
10.6(d)	Amendment No. 3 dated as of January 30, 2015 to Global Revolving Credit Agreement, by and among Ryder System, Inc., certain subsidiaries of Ryder System, Inc., and the lenders and agents named therein, previously filed with the Commission as an exhibit to Ryder's report on Form 8-K filed with the Commission on February 2, 2015, is incorporated by reference into this report.
10.7	Employment Offer Letter for Frank Mullen dated as of August 25, 2017, between Ryder System, Inc. and Frank Mullen, previously filed with the Commission as an exhibit to Ryder's Current Report on Form 8-K filed with the Commission on September 18, 2017, is incorporated by reference in this report.
12	Statements re: Computation of Ratios.
21.1	List of subsidiaries of the registrant, with the state or other jurisdiction of incorporation or organization of each, and the name under which each subsidiary does business.
23.1	PricewaterhouseCoopers LLP consent to incorporation by reference in certain Registration Statements on Form S-8 and on Form S-3 of their report on Consolidated Financial Statements financial statement schedule and effectiveness of internal controls over financial reporting of Ryder System, Inc.
24.1	Manually executed powers of attorney for each of:

Robert J. Eck	Tamara L. Lundgren
Michael F. Hilton	Robert A. Hagemann
Luis P. Nieto, Jr.	E. Follin Smith
Abbie J. Smith	Hansel E. Tookes, II
John M. Berra	

31.1	Certification of Robert E. Sanchez pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of Art A. Garcia pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32	Certification of Robert E. Sanchez and Art A. Garcia pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(b) Executive Compensation Plans and Arrangements:

Please refer to the description of Exhibits 10.1 through 10.6 set forth under Item 15(a)3 of this report for a listing of all management contracts and compensation plans and arrangements filed with this report pursuant to Item 601(b)(10) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date:	February 16, 2018	RYDER SYSTEM, INC.
		By: /s/ Robert E. Sanchez
		Robert E. Sanchez Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date:	February 16, 2018	By: /s/ ROBERT E. SANCHEZ
		Robert E. Sanchez Chairman, President and Chief Executive Officer (Principal Executive Officer)
Date:	February 16, 2018	By: /s/ ART A. GARCIA
		Art A. Garcia Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	February 16, 2018	By: /s/ FRANK MULLEN
		Frank Mullen Vice President and Controller (Principal Accounting Officer)
Date:	February 16, 2018	By: JOHN M. BERRA *
		John M. Berra Director
Date:	February 16, 2018	By: ROBERT J. ECK *
		Robert J. Eck Director
Date:	February 16, 2018	By: ROBERT A. HAGEMANN *
		Robert A. Hagemann Director
Date:	February 16, 2018	By: MICHAEL F. HILTON*
		Michael F. Hilton Director

Date:	February 16, 2018	By: TAMARA L. LUNDGREN* Tamara L. Lundgren Director
Date:	February 16, 2018	By: LUIS P. NIETO, JR. * Luis P. Nieto, Jr. Director
Date:	February 16, 2018	By: ABBIE J. SMITH * Abbie J. Smith Director
Date:	February 16, 2018	By: E. FOLLIN SMITH * E. Follin Smith Director
Date:	February 16, 2018	By: HANSEL E. TOOKES, II * Hansel E. Tookes, II Director
Date:	February 16, 2018	*By: /s/ ALENA BRENNER Alena Brenner Attorney-in-Fact, pursuant to a power of attorney

EXHIBIT 10.1 (aa)

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

[20XX] TERMS AND CONDITIONS

The following terms and conditions apply to the [20XX] annual incentive cash awards (the "Awards") granted to certain individuals by Ryder System, Inc. (the "Company") under the Ryder System, Inc. Amended and Restated 2012 Equity and Incentive Compensation Plan (the "Plan"), a description of which is set forth in the relevant Guide to the Annual Incentive Compensation Program (the "Guide") which references these terms and conditions. **No individual shall receive an Award unless the Company has notified the individual of the Award and delivered these Terms and Conditions and the Guide to the individual.** Certain terms of the Award, including the performance goals and target payout amounts, are also set forth in the Guide and the payout grids titled "Incentive Payout Components by Position" ("Payout Grid") applicable to the Participant. The Compensation Committee of the Company's Board of Directors (the "Committee") shall administer the Awards in accordance with the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or the Guide.

1. ***General*** . The Award represents the right to receive a cash payment based on the attainment of certain financial performance goals, on the terms and conditions set forth herein, in Schedule A attached hereto, in the Guide and in the Plan, the applicable terms, conditions and other provisions of which are incorporated by reference herein (collectively, the "Award Documents").

   (a) The Award Documents supersede any and all prior oral representations, promises or guarantees relating to short-term incentives or annual bonuses. All provisions of the Award Documents shall apply unless otherwise prohibited by law. In the event there is an express conflict between the provisions of the Plan and those set forth in the Guide or in these terms and conditions, the terms and conditions of the Plan shall govern. Unless otherwise approved by the Committee, individuals who have written agreements which specifically provide for annual incentive compensation other than that which is provided under the Award or who are participants in any other short-term incentive compensation plan of the Company or its subsidiaries and affiliates are not eligible to receive an Award hereunder. The Company may, in its sole discretion, provide discretionary or other bonuses to Company employees, whether or not they receive an Award.

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

2. ***Financial Performance Goals; Performance Period*** . The Awards are intended to reward Participants for the attainment by the Company of certain performance goals during the period beginning on January 1, [20XX] and ending on December 31, [20XX] (the "Performance Period"). The amount payable pursuant to this Award shall be calculated in accordance with the attached Schedule A, subject to the additional terms and conditions of this Award and the Plan.

3. ***Payment .*** Subject to Sections 4 and 5 below and the provisions of the Guide and the Plan, amounts payable

with respect to the Award will be payable in cash to the Participant following the determination of the Company's performance, the calculation of the Award pursuant to Schedule A, and approval by the Committee (or the Board, as the case may be) of the payout. Payment shall be made during the [20XX] calendar year, but in no event later than March 15, [20XX] (the applicable date, the "Payment Date"), provided that, subject to Section 5 below, the Participant is, on the Payment Date, and has been from the first day of the Performance Period through the Payment Date, continuously employed in good standing by the Company or a Subsidiary. No Participant shall have a vested, accrued or contractual right to any payment under the Award. For purposes of these terms and conditions, the Participant shall not be deemed to have terminated his or her employment with the Company and its Subsidiaries if he or she is then immediately thereafter employed by the Company or another Subsidiary. Participation in the Plan and receipt of any payments thereunder is expressly conditioned upon the Participant remaining fully compliant with all Company values, principles, agreements, plans, procedures, protocols and policies and all rules contained in the Award Documents. Notwithstanding anything to the contrary set forth herein, to the fullest extent permitted under applicable law, (i) the Company retains the right, in its sole and absolute discretion, to withhold payment and participation from any Participant who violates or has violated any Company value, principle, agreement, plan, procedure, protocol, policy or the rules contained in the Award Documents even if there are no documented performance issues in the Participant's personnel file and (ii) if the Company has any claim against the Participant for money or assets owed that have not been satisfied by the Participant, the amount otherwise payable pursuant to the Award shall be reduced by any such unpaid claims unless otherwise prohibited by law, including without limitation Section 409A of the Code. The calculation of amounts payable pursuant to the Award with respect to Participants outside of the U.S. will be set forth in the Guide.

4. ***New Hire, Promotion or Transfer.*** Participants who are newly hired, promoted, or transferred into or out of eligible positions, and those who move from one eligibility level to another, will receive a pro-rata incentive based on the terms in effect for his or her Management Level position, the portion of time spent in each position during the Performance Period, the annual rate of pay and the target incentive award for the eligible position(s).

5. ***Termination of Employment; Temporary Leave.*** Except as specifically set forth below, the Award will terminate and no amounts will be paid under the Award following the termination of the Participant's employment.

   (a) <u>Resignation by the Participant or Termination by the Company or a Subsidiary</u> : Notwithstanding anything herein to the contrary, (i) with respect to Participants who are entitled to severance benefits under the terms and conditions of any individual agreement or under the Company's Executive Severance Plan, any amounts due will be calculated in accordance with such agreement or plan and (ii) with respect to Participants who are not otherwise entitled to severance benefits under the terms of any individual agreement or the Company's Executive Severance Plan, if any, the Award will terminate and no amounts will be paid under the Award, provided that if a Participant's employment is terminated by the Company after October 1, [20XX]but before the Payment Date as a result of a reduction in force by the Company, or a location closing or loss of business, as determined by the Committee, in its sole and absolute discretion, the Participant shall be eligible to receive a payment hereunder on the Payment Date, if the Participant would have received a payment under the Award but for his or her termination. Payment made to a terminated employee pursuant to the preceding sentence shall only be made if the Participant has executed and delivered to the Company a release in favor of the Company in form and substance satisfactory to the Company, which has not been revoked, and shall not be made prior to the effective date of such release.

      i. Notwithstanding the foregoing, if the Participant is terminated by the Company or a Subsidiary prior to the Payment Date and is subsequently re-employed by the Company or a Subsidiary prior to the Payment Date, such Participant shall be eligible to receive a pro-rata payment on the Payment Date based on the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company.

ii. In the event that the Participant voluntarily terminates his or her employment with the Company prior to the Payment Date, (x) if the Participant is re-employed by the Company or a Subsidiary within 90 days of the effective date of such termination, but in any event prior to the Payment Date, the Participant shall be eligible to receive a pro-rata payment on the Payment Date based on the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company; or (y) unless otherwise provided for herein, if the Participant is re-employed by the Company or a Subsidiary more than 90 days after the effective date of such resignation, but in any event before the end of the Performance Period, the Participant shall be eligible to receive a pro-rata payment on the Payment Date based on the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company, after the Participant was re-employed.

(a) Death or Disability (including Disability Retirement) : If the Participant's death or Disability occurs after the end of the Performance Period, the Participant (or his or her Beneficiary, in the event of death) shall receive all amounts otherwise payable to him or her under the Award on the Payment Date. If the death or Disability occurs during the Performance Period and the Participant would have received a payment under the Award but for his or her death or Disability, the Participant (or his or her Beneficiary, in the event of death) will be eligible to receive a pro-rata payment on the Payment Date based on the amount otherwise payable to the Participant and the number of days during the Performance Period that the Participant was considered to be an active employee, as determined by the Company.

(b) Workers' Compensation or Approved Leave of Absence : Except as otherwise set forth herein, a Participant who takes an approved workers' compensation leave or an approved leave of absence during any portion of the Performance Period and is actively employed for at least 180 days during [20XX], as determined by the Company, will be eligible to receive a payment on the Payment Date (to the extent the Participant would have received a payment under the Award but for his or her leave of absence), which will be pro-rated based on the number of days during the Performance Period that the Participant is considered to be an active employee, as determined by the Company.

(c) Military Leave of Absence : A Participant who takes an approved military leave of absence will be eligible to receive a payment on the Payment Date (to the extent the Participant would have received a payment under the Award but for his or her military leave of absence) based on the Participant's full Eligible Base Salary (as defined on Schedule A) regardless of the number of days worked during the Performance Period.

(d) Retirement : If the Participant's Retirement occurs after December 31, [20XX] (the last day worked) and before the Payment Date, the Participant shall receive all amounts due to him or her under the Award on the Payment Date. If the Participant's Retirement occurs on or prior to December 31, [20XX] (the last day worked is December 30 or earlier), the Award will terminate and no amounts will be paid under the Award, unless Section 5(a) or 5(b) applies. As used herein, the term "Retirement" means termination of employment for any reason (other than for Cause or by reason of death or Disability) upon or following attainment of age 55 and completion of 10 years of service, or upon or following attainment of age 65 without regard to years of service.

(e) Proscribed Activity : If, during the Proscribed Period but prior to a Change of Control, the Participant engages in a Proscribed Activity, then the Company shall have the right to reclaim and receive from the Participant all cash paid to the Participant pursuant to Section 3 during the one year period immediately prior to, or at any time following, the date of the Participant's termination of employment.

6. ***U.S. Federal, State and Local Income Taxes.*** The Participant is solely responsible for the satisfaction of all taxes that may arise in connection with the Award. At the time of taxation, the Company shall have

the right to deduct from other compensation or from amounts payable with respect to the Award an amount equal to the federal (including FICA), state, and local income and payroll taxes and other amounts as may be required by law to be withheld with respect to the Award. Notwithstanding the foregoing, the Company may satisfy any tax obligations it may have in any other jurisdiction outside of the U.S. in any manner it deems, in its sole and absolute discretion, to be necessary or appropriate.

7. ***Section 409A.*** All payments made under the Award are intended to constitute short-term deferral amounts excludible from the requirements of Section 409A of the Code and shall be administered in accordance with Section 9.17 of the Plan. In the event that the Participant is required to execute a release of claims to receive payment pursuant to the Award and the 60 day period following the Participant's termination of employment spans two calendar years, notwithstanding any provision herein, payment shall not be made until the later calendar year.

8. ***Change of Control .*** Notwithstanding anything herein to the contrary, in the event of a Change of Control of the Company during the Performance Period, (i) with respect to Participants who are entitled to Change of Control benefits under the terms of any individual agreement or any severance plan or arrangement, the amount payable pursuant to this Award will be calculated in accordance with such agreement or plan and (ii) with respect to Participants who are not otherwise entitled to Change of Control benefits under the terms of any individual agreement or any severance plan or arrangement, and whose employment is terminated in connection with or as a result of the Change of Control, upon approval by the Committee, the Participant will be entitled to receive a pro-rata payment based on the number of days during the Performance Period that the Participant is considered to be an active employee, as determined by the Company, assuming target performance. This payment shall be made on or before March 15, [20XX].

9. ***Sale of Business .*** If a business unit is sold during the Performance Period, the Participants that are employees of such business unit will receive a pro-rata payment based on performance on the Payment Date. Such payment will be made over time or in one lump sum, as determined by the Committee, provided that in any event all payments will be made on or before March 15, [20XX].

10. ***Statute of Limitations and Conflicts of Laws.*** All rights of action by, or on behalf of the Company or by any shareholder against any past, present, or future member of the Board of Directors, officer, or employee of the Company arising out of or in connection with the Award or the Award Documents, must be brought within three years from the date of the act or omission in respect of which such right of action arises. The Awards and the Award Documents shall be governed by the laws of the State of Florida, without giving effect to principles of conflict of laws, and construed accordingly.

11. ***No Employment Right*** . Neither the grant of the Award, nor any action taken hereunder, shall be construed as giving any employee or any Participant any right to be retained in the employ of the Company. The Company is under no obligation to grant Awards hereunder. Nothing contained in the Award Documents shall limit or affect in any manner or degree the normal and usual powers of management, exercised by the officers and the Board of Directors or committees thereof, to change the duties or the character of employment of any employee of the Company or to remove the individual from the employment of the Company at any time, all of which rights and powers are expressly reserved.

12. ***No Assignment*** . A Participant's rights and interest under the Award may not be assigned or transferred, except as otherwise provided herein, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the Award to make any payment thereunder.

13. ***Unfunded Plan*** . Any amounts owed under the Award shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure payment of any amounts payable under the Award.

14. ***Recoupment Policy .*** This Award is considered "incentive compensation" under the Company's

Recoupment Policy, in effect from time to time. The Award and any amounts payable hereunder shall be subject to all applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company's Board of Directors from time to time.

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

16. ***Definitions*** **.** Capitalized terms used above that are not defined below have the meanings set forth in the Plan. For purposes of these Terms and Conditions:

(a) "Proscribed Activity" means any of the following:

(i) the Participant's breach of any written agreement between the Participant and the Company or any of its Subsidiaries, including any agreement relating to nondisclosure, noncompetition, nonsolicitation and/or nondisparagement, to the extent such agreements are enforceable under applicable law;

(ii) the Participant's direct or indirect unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public;

(iii) the Participant's direct or indirect engaging or becoming a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its Subsidiaries which is engaged or proposes to engage in a business competitive directly or indirectly with the business conducted by the Company or its Subsidiaries in any geographic area where such business of the Company or its Subsidiaries is conducted, provided that the Participant's investment in 1% or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange shall not be treated as a Proscribed Activity;

(iv) the Participant's direct or indirect, either on the Participant's own account or for any person, firm or company, soliciting, interfering with or inducing, or attempting to induce, any employee of the Company or any of its Subsidiaries to leave his or her employment or to breach his or her employment agreement;

(v) the Participant's direct or indirect taking away, interfering with relations with, diverting or attempting to divert from the Company or any Subsidiary any business with any customer of the Company or any Subsidiary, including (A) any customer that has been solicited or serviced by the Company within one year prior to the date of termination of Participant's employment with the Company and (B) any customer with which the Participant has had contact or association, or which was under the supervision of Participant, or the identity of which was learned by the Participant as a result of Participant's employment with the Company;

(vi) following the Participant's termination of employment, the Participant's making of any remarks disparaging the conduct or character of the Company or any of its Subsidiaries, or their current or former agents, employees, officers, directors, successors or assigns; or

(vii) the Participant's failure to cooperate with the Company or any Subsidiary, for no additional compensation (other than reimbursement of expenses), in any litigation or administrative proceedings involving any matters with which the Participant was involved during the Participant's employment with the Company or any Subsidiary.

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

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

(b) "Proscribed Period" means the period beginning on the date of termination of Participant's employment and ending on the later of (A) the one year anniversary of such termination date or (B) if the Participant is entitled to severance benefits in the form of salary continuation, the date on which salary continuation is no longer payable to the Participant.

EXHIBIT 10.1 (bb)

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

[20XX] TERMS AND CONDITIONS

The following terms and conditions apply to the **[20XX]** performance-based restricted stock rights (the "PBRSRs") granted by Ryder System, Inc. (the "Company") under the Amended and Restated Ryder System, Inc. 2012 Equity and Incentive Compensation Plan (the "Plan"), as specified in the Performance-Based Restricted Stock Right Award Notification (the "Notification") which references these terms and conditions. Certain terms of the PBRSRs, including the number of Shares underlying the PBRSRs, are set forth in Schedule A and in the Notification. The Compensation Committee of the Company's Board of Directors (the "Committee") shall administer the PBRSRs in accordance with the Plan. Capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Plan or in Schedule A or the Notification.

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

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

2. ***Financial Performance Goals*** .

   The financial performance goals (the "Performance Goals") applicable to the Award are set forth in Schedule A.

3. ***Delivery of Shares*** . Provided that the Participant remained continuously employed through the end of the Performance Period (but subject to Sections 4 and 5 below), the number of Shares equal to the number of Accrued PBRSRs, net of the number of Shares necessary to satisfy applicable withholding taxes, will be transferred to an account held in the name of the Participant by the Company's independent stock plan administrator and the Participant will receive notice of such transfer together with all relevant account details. Such transfer will occur in [20XX] as soon as practicable after the Committee has determined the Company's relative attainment with respect to the Performance Goals after the conclusion of the Performance Period, provided that in no event shall the transfer be made after March 15, [20XX]. As used herein, the term "Performance Period" shall mean the period from January 1, [20XX] through December 31, [20XX].

4. ***Termination of the PBRSRs; Forfeiture.*** The PBRSRs will be cancelled upon the termination of the Participant's employment with the Company and its Subsidiaries as described below.

(a) Resignation by the Participant or Termination by the Company or a Subsidiary : Except as provided in subsection (b) or Section 5 below, upon any termination of a Participant's employment with the Company and its Subsidiaries prior to the end of the Performance Period, all outstanding PBRSRs will be forfeited and the Participant will not have any right to delivery of Shares. In addition, even if a Participant remains employed through the end of the Performance Period, if the Participant's employment is subsequently terminated by the Company or a Subsidiary for Cause, the right to any undelivered Shares shall be forfeited, and the Company shall have the right to reclaim and receive from the Participant any Shares delivered to the Participant pursuant to Section 3 within the one year period before the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the equivalent after-tax value thereof (as of the date the Shares were transferred by the Participant) in cash.

(a) Termination by reason of Death, Disability or Retirement : Except as otherwise provided in Section 5 below, if a Participant's employment terminates due to death, Disability or Retirement prior to the end of the Performance Period, the Participant (or his or her Beneficiary, in the event of death) will be entitled to receive a pro-rata number of Shares that would have been delivered pursuant to Section 3, had the Participant remained employed through the end of the Performance Period, based on the number of days during the Performance Period that the Participant is considered to be an active employee as determined by the Company, payable at the time and manner specified in Section 3 above.

(b) Proscribed Activity : If, during the Proscribed Period but prior to a Change of Control, the Participant engages in a Proscribed Activity, then the Company shall have the right to reclaim and receive from the Participant all Shares delivered to the Participant pursuant to Section 3 during the one year period immediately prior to, or at any time following, the date of the Participant's termination of employment, or to the extent the Participant has transferred such Shares, the after-tax equivalent value thereof (as of the date the Shares were transferred by the Participant) in cash.

5. ***Change of Control .*** Notwithstanding anything contained herein to the contrary, in the event of a Change of Control during the Performance Period, unless otherwise determined by the Committee prior to the Change of Control, each Participant shall be entitled to delivery of a number of Shares equal to the COC Share Amount (as defined below) (such Shares, the COC Shares); provided that, except as set forth in subsections (c) and (d) below, the Participant remains actively employed through the last day of the Performance Period. Except as set forth in subsections (c) and (d) below, the COC Shares shall be delivered at the time and manner specified in Section 3 above.

(a) Calculation of the COC Share Amount . In the event of a Change of Control during the Performance Period, the Performance Period shall end, and the COC Share Amount shall be determined as of the date of the Change of Control. The COC Share Amount shall be equal to the greater of the Accrued PBRSRs for the Performance Period (measured as though the last day of the Performance Period was the date immediately preceding the date of the Change of Control) or one-hundred percent (100%) of the PBRSR Award.

(b) Form of Payment . The Committee may determine that the COC Shares shall be (i) converted to and payable in units with respect to shares or other equity interests of the acquiring company or its parent or (ii) payable in cash based on the Fair Market Value of the COC Shares as of the Change of Control.

(c) Termination without Cause or for Good Reason . If the Participant's employment is terminated by the Company without Cause or the Participant terminates employment for Good Reason, prior to the end of the Performance Period and upon or within 24 months following a Change of Control, the COC Shares shall be delivered in a lump sum within 60 days following the Participant's employment termination date, subject to Section 9.17 of the Plan; provided that such Change of Control constitutes a change "in ownership" or "effective control" or a change in the "ownership of a substantial portion of the assets" of the Company under Section 409A of the Code and the rulings and regulations issued thereunder (any such transaction, a "409A Compliant COC"). In the event that such Change of Control does not constitute a 409A Compliant COC (any such transaction, a "Non-409A Compliant COC"), the COC Shares will be delivered to the Participant at the time and manner specified in Section 3 above.

(d) Termination due to Death, Disability or Retirement . If a Participant's employment terminates due to death, Disability or Retirement prior to the end of the Performance Period and upon or within 24 months following a Change of Control, the Participant (or his or her Beneficiary, in the event of death) will be entitled to receive the COC Shares, which shall be delivered in a lump sum within 60 days following the Participant's employment termination date, subject to Section 9.17 of the Plan; provided that, the COC Shares will be delivered to the Participant at the time and manner specified in Section 3 above if the Change of Control is a Non-409A Compliant COC. If such termination occurs more than 24 months following a Change of Control, the COC Payment Amount will be pro-rated, based on the number of days during the Performance Period that the Participant is considered to be an active employee, as determined by the Company, and will be paid at the time and manner specified in Section 3 above.

(e) Termination Prior to a Change of Control . To the extent (i) a Participant's employment was terminated by the Company other than for Cause or Disability within the 12 months prior to the date on which the Change of Control occurred, (ii) during such 12 month period the Participant did not engage in a Proscribed Activity, and (iii) the Committee determines, in its sole and absolute discretion, that the decision related to such termination was made in contemplation of the Change of Control, then upon the Change of Control, the Participant will become entitled to a cash payment equal to the product of: the Fair Market Value of a Share on the date of the Change of Control and the COC Share Amount. In the event of a 409A Compliant COC, such cash payment will be made in a lump sum within 60 days following the date on which the Change of Control occurs. In the event of a Non-409A Compliant COC, the cash payment will be paid to the Participant at the time and manner specified in Section 3 above. In the event that a Participant's termination of employment by the Company under this Section 5(e) also meets the requirements of Retirement, this Section 5(e) shall supersede Section 4(b) above.

6. ***Rights as a Shareholder; Dividend Equivalent Rights.*** The Participant will not have the rights of a shareholder of the Company with respect to Shares subject to the PBRSRs until such Shares are actually delivered to the Participant. At the time Shares are delivered to the Participant pursuant to Section 3 or Section 5, as applicable, the Company will make a cash payment equal to the product of (i) the number of Accrued PBRSRs or the COC Share Amount, if applicable, and (ii) the aggregate dividends paid on a Share during the Performance Period.

7. ***U.S. Federal, State and Local Income Taxes.*** The Participant is solely responsible for the satisfaction of all taxes that may arise in connection with the PBRSRs. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the PBRSRs, including by withholding Shares otherwise issuable upon settlement of the PBRSRs (as determined by the Company in its sole discretion), an amount equal to the federal (including FICA), state and local income and payroll taxes and other amounts as may be required by law to be withheld with respect to the PBRSRs. The Company intends to satisfy this withholding obligation by reducing the number of Shares and/or cash to be delivered to the Participant under this Agreement in an amount sufficient to satisfy the withholding obligations due (based on the Fair Market Value of the Shares for the related PBRSRs). Notwithstanding

the foregoing, the Company may satisfy any tax obligations it may have in any other jurisdiction outside of the U.S. in any manner it deems, in its sole and absolute discretion, to be necessary or appropriate.

8. ***Section 409A.*** The PBRSRs are intended to comply with Section 409A of the Code or an exemption, and delivery of Shares and other payments pursuant to the PBRSRs may only be made upon an event and in a manner permitted by Section 409A, to the extent applicable. The PBRSRs shall be administered consistent with Section 9.17 of the Plan.

9. ***Statute of Limitations and Conflicts of Laws.*** All rights of action by, or on behalf of the Company or by any shareholder against any past, present, or future member of the Board of Directors, officer, or employee of the Company arising out of or in connection with the PBRSRs or the Award Documents, must be brought within three years from the date of the act or omission in respect of which such right of action arises. The PBRSRs and the Award Documents shall be governed by the laws of the State of Florida, without giving effect to principles of conflict of laws, and construed accordingly.

10. ***No Employment Right*** . Neither the grant of the PBRSRs nor any action taken hereunder shall be construed as giving any employee or any Participant any right to be retained in the employ of the Company. The Company is under no obligation to grant PBRSRs hereunder. Nothing contained in the Award Documents shall limit or affect in any manner or degree the normal and usual powers of management, exercised by the officers and the Board of Directors or committees thereof, to change the duties or the character of employment of any employee of the Company or to remove the individual from the employment of the Company at any time, all of which rights and powers are expressly reserved.

11. ***No Assignment*** . A Participant's rights and interest under the PBRSRs may not be assigned or transferred, except as otherwise provided herein, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the PBRSRs or the Award Documents.

12. ***Unfunded Plan*** . Any Shares or other amounts owed under the PBRSRs shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure delivery or payment of any earned amounts.

13. ***Recoupment Policy*** **.** Any amounts paid under the PBRSRs are considered "incentive compensation" under the Company's Recoupment Policy, in effect from time to time. The PBRSRs and any Shares or cash paid pursuant to the PBRSRs shall be subject to all applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Company's Board of Directors from time to time.

14. ***Definitions*** **.**

(a) "Accrual Percentage" means the percentage of the PBRSRs that accrues at the end of the Performance Period pursuant to Section 2 based on the Company's attainment of the Performance Goals or as described in Section 5.

(b) "Accrued PBRSRs" means the Accrual Percentage for the Performance Period times one hundred percent (100%) of the PBRSR Award.

"

(c) "Performance Period" means the period from January 1, [20XX] through December 1, [20XX].

(d) "Proscribed Activity" means any of the following:

(i) the Participant's breach of any written agreement between the Participant and the Company or any of its Subsidiaries, including any agreement relating to nondisclosure, noncompetition, nonsolicitation and/or nondisparagement, to the extent such agreements are enforceable under applicable law;

(ii) the Participant's direct or indirect unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public;

(iii) the Participant's direct or indirect engaging or becoming a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its Subsidiaries which is engaged or proposes to engage in a business competitive directly or indirectly with the business conducted by the Company or its Subsidiaries in any geographic area where such business of the Company or its Subsidiaries is conducted, provided that the Participant's investment in 1% or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange shall not be treated as a Proscribed Activity;

(iv) the Participant's direct or indirect, either on the Participant's own account or for any person, firm or company, soliciting, interfering with or inducing, or attempting to induce, any employee of the Company or any of its Subsidiaries to leave his or her employment or to breach his or her employment agreement;

(v) the Participant's direct or indirect taking away, interfering with relations with, diverting or attempting to divert from the Company or any Subsidiary any business with any customer of the Company or any Subsidiary, including (A) any customer that has been solicited or serviced by the Company within one year prior to the date of termination of Participant's employment with the Company and (B) any customer with which the Participant has had contact or association, or which was under the supervision of Participant, or the identity of which was learned by the Participant as a result of Participant's employment with the Company;

(vi) following the Participant's termination of employment, the Participant's making of any remarks disparaging the conduct or character of the Company or any of its Subsidiaries, or their current or former agents, employees, officers, directors, successors or assigns; or

(vii) the Participant's failure to cooperate with the Company or any Subsidiary, for no additional compensation (other than reimbursement of expenses), in any litigation or administrative proceedings involving any matters with which the Participant was involved during the Participant's employment with the Company or any Subsidiary.

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

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

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

(e) "Proscribed Period" means the period beginning on the date of termination of Participant's employment and ending on the later of (i) the one year anniversary of such termination date or (ii) if the Participant is entitled to severance benefits in the form of salary continuation, the date on which salary continuation is no longer payable to the Participant.

(f) "Retirement" means termination of employment for any reason (other than for Cause or by reason of death or Disability) upon or following attainment of age 55 and completion of 10 years of service, or upon or following attainment of age 65 without regard to years of service; provided that, Retirement shall not be deemed to occur unless such termination of service constitutes a separation from service, as defined by Section 409A of the Code.

(g) "Performance Period" means the period from January 1, [20XX] through December 31, [20XX].

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

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

EXHIBIT 10.1 (cc)

AMENDED AND RESTATED

SEVERANCE AGREEMENT

This AMENDED AND RESTATED SEVERANCE AGREEMENT (the “Agreement”) is executed on _________, 201_ (“Execution Date”) and is effective as of the date set forth in Section 17 (the “Effective Date”), between Ryder System, Inc., a Florida corporation (the “Company”), and (the “Executive”).

WHEREAS, the Company and the Executive entered into an Amended and Restated Severance Agreement effective ___________________________, (the “Prior Agreement”);

WHEREAS, the Company and the Executive hereby desire to amend and restate the Prior Agreement, in each case on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS.
Capitalized terms used in the Agreement and not elsewhere defined shall have the meanings set forth in this Section:

(a) “ Accrued Benefits ” means (i) earned but unpaid base salary accrued through the Termination Date and any accrued but unpaid vacation time to the extent carried to the Termination Date under Company policy; (ii) unreimbursed expenses incurred in accordance with applicable Company policy through the Termination Date; (iii) unpaid amounts under the terms of any incentive plan in which the Executive participates as of the Termination Date, if and to the extent that the Executive is entitled under the terms of any such plan to receive a payment as of the Termination Date; and (iv) all other payments, benefits or perquisites to which the Executive may be entitled through the Termination Date (including but not limited to rights to indemnification under the Company’s By-laws as in effect from time to time), subject to and in accordance with the terms of any applicable compensation arrangement or benefit, or any equity or perquisite arrangement, plan, program or grant.

(b) “ Base Salary ” means the Executive’s annual base salary in effect on the Termination Date, or, on or before the second anniversary of a Change of Control, and if higher, the highest annual base salary in effect during the six (6) month period immediately preceding the Change of Control. Base Salary for this purpose shall not include or reflect bonuses, overtime pay, compensatory time-off, commissions, incentive or deferred compensation, employer contributions towards employee benefits, cost of living adjustment, or any other additional compensation, and shall not be reduced by any contributions made on the Executive’s behalf to any plan of the Company under Section 125, 132, 401(k), or any other analogous section of the Code.

(c) “ Benefits Continuation Period ” means the period for each applicable benefit beginning on the Termination Date and ending on the earliest of (i) the day on which the Executive is eligible to receive coverage for such benefit from a new employer; (ii) the date the Executive cancels his COBRA continuation coverage in accordance with the terms of the relevant plan(s); or (iii) the last day of the Executive’s Severance Period.

(d) “ Cause ” means: (i) fraud, misappropriation or embezzlement by the Executive against the Company or any of its subsidiaries and/or affiliates; (ii) conviction of or plea of guilty or nolo contendere to a felony; (iii) conviction of or plea of guilty or nolo contendere to a misdemeanor involving moral turpitude or dishonesty; (iv) willful failure to report to work for more than thirty (30) continuous days not attributable to eligible vacation or supported by a licensed physician’s statement; (v) material breach by the Executive of the provisions of Section 10 of this Agreement (Restrictive Covenants); (vi) willful failure to perform the Executive’s key duties or responsibilities; or (vii) any other activity which would constitute grounds for termination for cause by the Company or its subsidiaries or affiliates, including but not limited to material violations of the Company’s Principles of Business Conduct or any analogous code of ethics or similar policy. Notwithstanding the foregoing, if a Change of Control has occurred within the two (2) years preceding a Cause determination, “Cause” shall not include subsection (vii) of the preceding sentence, provided that subsection (vii) shall continue to apply to any terminations that are deemed to have retroactively occurred pursuant to Section 5(c)(iii). For the purposes of this Section 1(d), any good faith interpretation by the Company’s Board of Directors (the “Board”) of the foregoing definition of “Cause” shall be conclusive on the Executive. For purposes of this Agreement “Cause” shall be determined by the Board or its designee, provided that following a Change of Control, “Cause” shall be determined by a majority of the Incumbent Board (as defined in Section 1(e)), or, if there are fewer than three (3) members in the Incumbent Board (excluding the Executive) at the date of such a determination, by the remaining Incumbent Board members, if any, and two-thirds of the members of the Board. Any good faith interpretation that satisfies the foregoing sentence shall be conclusive on the Executive. The Executive shall not have the right to vote or be counted for purposes of the determination of Cause.

(e) “ Change of Control ” Except as provided below, for the purpose of this Agreement, a “Change of Control” shall be deemed to have occurred if:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “1934 Act”)) (a “Person”) becomes the beneficial owner, directly or indirectly, of thirty percent (30%) or more of the combined voting power of the Company’s outstanding voting securities ordinarily having the right to vote for the election of directors of the Company; provided, however, that for purposes of this subparagraph (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition by any employee benefit plan or plans (or related trust) of the Company and its subsidiaries and affiliates or (B) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subparagraph (iii) of this Section 1(e); or

(ii) the individuals who, as of January 1, 2007, constituted the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to January 1, 2007 whose election, or nomination for election, was approved by a vote of the persons comprising at least a majority of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act (as in effect on January 23, 2000)) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or

(iii) there is a reorganization, merger or consolidation of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Company’s outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities ordinarily having the right to vote for the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Company’s outstanding common stock and outstanding voting securities ordinarily having the right to vote for the election of directors of the Company, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan or plans (or related trust) of the Company or such corporation resulting from such Business Combination and their subsidiaries and affiliates) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding voting securities of the corporation resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) there is a liquidation or dissolution of the Company approved by the shareholders; or

(v) there is a sale of all or substantially all of the assets of the Company.

Notwithstanding anything in this Section 1(e) to the contrary, for purposes of Section 5(c)(ii), a Change of Control shall only be deemed to occur if such transactions or events would give rise to a “change in ownership or effective control” or a change in the “ownership of a substantial portion of the assets” under Section 409A of the Code, and the rulings and regulations issued under that Section.

(f) “ Code ” means the Internal Revenue Code of 1986, as amended, supplemented or substituted from time to time.

(g) “ Company Entity ” has the meaning set forth in Section 15(e).

(h) “ Disability ” means (i) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; (ii) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan of the Company; or (iii) a determination by the Social Security Administration that the Executive is totally disabled.

(i) “ Employment Term ” means the Executive’s term of employment commencing on the date the Executive was originally hired by the Company and ending on the first to occur of the events specified in Section 4.

(j) " Equity Compensation Opportunities " means the Executive's ability to obtain equity in the Company (or a comparable cash-based incentive program) through a compensatory arrangement. Equity Compensation Opportunities are measured using the valuation method applied by the Company for financial accounting purposes and the Board may take into account in determining that no reduction has occurred any exercises, cashing out, or other liquidity in favor of the Executive that is either triggered by the Executive or occurring in connection with a Change of Control. Changes in the underlying value of the stock shall not be treated as a reduction in the Equity Compensation Opportunities, and the Company may take into account in replacing the value of pre-Change of Control equity compensation with post-Change of Control equity compensation (or a comparable cash-based incentive program) that the Executive may have received value for his equity compensation in the Change of Control.

(k) " Good Reason " only applies within two (2) years following a Change of Control, as defined in Section 1(e), except as otherwise provided in Section 5(c)(iv), and means the occurrence of any of the following without the Executive's consent: (i) any material reduction in the aggregate value of the Executive's compensation (consisting of the Executive's base salary, target bonus opportunity under the Company's annual bonus plan or program, cash perquisites, and Equity Compensation Opportunities); (ii) the Company's requiring the Executive to be based or to perform services at any site or location more than fifty (50) miles from the site or location at which the Executive is based at the time of the Change of Control, except for travel reasonably required in the performance of his responsibilities (which does not materially exceed the level of travel required of the Executive in the six (6) month period immediately preceding the Change of Control); (iii) any failure by the Company to obtain the assumption and agreement to perform under this Agreement by a successor as contemplated by Section 8; (iv) any failure by the Company to pay into the Trust(s) the amounts and at the time or times as are required pursuant to the terms of Section 6; or (v) any material and adverse changes in the Executive's duties and responsibilities. For the avoidance of doubt, a change in reporting relationship or title shall not constitute "Good Reason."

The Executive's termination of employment shall only constitute a termination for Good Reason if the Executive terminates employment on or prior to the first anniversary of the date on which the circumstances providing a basis for such termination initially occurred. In addition, the Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason, until ninety (90) days have elapsed since the occurrence of the circumstance he would assert constitutes Good Reason, and the Executive has not provided notice in accordance with Section 1(m) prior to the end of such ninety (90) day period.

(l) " Involuntary Termination " means the termination of the Executive's employment by the Company for any reason other than death, Disability or Cause; provided, however, that an Involuntary Termination of his employment shall not occur if:

(i) the termination of the Executive's employment is due to the transfer of his employment between the Company and a Company Entity, or among the Company and one or more Company Entities; or

(ii) the termination results from the sale or transfer of all or a material portion of the operations of the Company or any of its subsidiaries or affiliates (the "Disposed Business") (by means of a stock or asset disposition, or other similar transaction) which sale or transfer does not constitute a Change of Control, and either (a) the Executive's employment is transferred to the purchaser or transferee of the Disposed Business on economic terms and conditions of employment comparable to the economic terms and conditions of employment existing prior to such sale or transfer or (b) Executive terminates his employment with the Company or any of its subsidiaries or affiliates notwithstanding that the Executive received an offer of employment from either the purchaser or transferee of the Disposed Business or the Company or any of its subsidiaries and affiliates, as determined by the Board in its sole discretion, on economic terms and conditions comparable to the economic terms and conditions of employment existing prior to such sale or transfer and whether an offer of employment was made and whether the terms and conditions of such offer are economically equivalent for purposes of this subsection shall be determined by the Board in its discretion; or

(iii) the termination follows a Change of Control and either (a) the Executive's employment is transferred to the purchaser or transferee of the Disposed Business and the obligations of this Agreement are assumed by the purchaser or transferee or (b) the Executive terminates his employment with the Company or any of its subsidiaries or affiliates or does not accept an offer of employment from a purchaser or transferee notwithstanding that the Executive received an offer of employment from either the purchaser or transferee of the Disposed Business or the Company or any of its subsidiaries and affiliates which offer included a continuation of the obligations of this Agreement, as determined by the Company in its sole discretion.

In no event shall an "Involuntary Termination" occur if the Executive terminates his employment with the Company or any of its subsidiaries or affiliates for any reason. In the event of the occurrence of any of the events set forth in subsection (ii) and (iii) above, the Company's obligations under this Agreement shall terminate immediately and the Executive shall not be entitled to any amounts or benefits hereunder but shall still be required to comply with Section 10 hereof. This Agreement shall, however, continue in effect if the Executive's employment is transferred between or among the Company and Company Entities, as contemplated in subsection (i) above.

(m) "Notice of Termination" means written notice (i) specifying the effective date of the Executive's termination (which shall not be less than thirty (30) days after the date of such notice in the case of a termination on account of Disability or the Executive's voluntary termination other than for Good Reason); (ii) solely with respect to the Executive's terminating for Good Reason, citing the specific provision of this Agreement and the facts and circumstances, in reasonable detail, providing a basis for such termination, provided that if the basis for such Good Reason is capable of being cured by the Company, the Executive will provide the Company with an opportunity to cure the Good Reason within thirty (30) calendar days after receipt of such notice, and (iii) solely with respect to the Company terminating the Executive's employment on account of Disability, its intent to terminate his employment on account of Disability. A Notice of Termination will, as applicable, be provided by or to the Board.

(n) "Release" means a severance agreement and general release in a comprehensive form used by the Company for such purposes at the time of the Executive's separation from employment (a copy of such form as in effect on the date this Agreement is executed is attached to this Agreement by way of example, but the Executive acknowledges that such form may be updated by the Company from time to time). If the Executive is subject to the Older Workers Benefit Protection Act ("OWBPA"), the Release shall be revocable until the end of the seventh (7th) calendar day after Executive executes the Release.

(o) "Release Effective Date" means, if the Executive is covered by the OWBPA on his Termination Date, the later of: (i) the eighth (8th) calendar day after the execution of the Release, provided that the Executive has not revoked the Release prior to such date, or (ii) the Termination Date. If the Executive is not covered by the OWBPA on his Termination Date, the Release Effective Date means the later of: (i) the date on which the Release is executed by the Executive, or (ii) the Termination Date.

(p) "Severance Multiple" means a multiple of one and one-half (1 1/2). On or after a Change of Control, the Severance Multiple shall mean two (2).

(q) "Severance Period" means a period of one and one-half (1 1/2) years following the Termination Date. On or after a Change of Control, the Severance Period shall mean a period of two (2) years following the Termination Date.

(r) "Specified Employee" means an individual deemed to be a "specified employee" in accordance with the policies and procedures adopted by the Company and generally includes any individual who is an officer of the Company.

(s) "Target Bonus" means the stated target incentive award which the Executive is eligible to receive under the Company's annual incentive compensation plan or awards for the year in which the Termination Date occurs.

(t) "Termination Date" means the effective date of the termination of the Executive's employment with the Company and all subsidiaries or affiliates.

(u) "Three-Year Average Bonus" means the average annual cash incentive award paid to the Executive under the Company's annual incentive compensation plan for the prior three (3) calendar years immediately preceding the Termination Date. If the Executive has been employed for less than three (3) full calendar years at the Termination Date, the Three-Year Average Bonus will be based on the average of the actual annual cash incentive award payout percentages over the prior three (3) calendar years for similarly situated executives multiplied by the Executive's Target Bonus.

(v) "Trustee" shall have the meaning ascribed to such term in Section 6 of this Agreement.

2. POSITION/DUTIES.

(a) The Company agrees to continue to employ the Executive in the Executive's capacity as of the Effective Date and with such title as approved by the Board, subject to the terms and conditions outlined in this Agreement. The Executive accepts the continuing employment. The Executive will have those responsibilities, duties, authorities and titles consistent with the Executive's status as an officer of the Company as assigned from time to time by the Board, shall be subject to all rules, policies and procedures of the Company, and shall serve in such other executive capacities, without additional compensation, as may be assigned by the Board from time to time.

(b) During the Employment Term, the Executive shall devote substantially all of his full business time (other than vacation and sick leave), energy and skill in the performance of his duties with the Company. However, this Agreement does not prevent the Executive from (i) managing his and his family's personal passive investments, and (ii) participating in charitable, civic, educational, professional, community or industry affairs or serving on the board of directors of other companies (subject to the consent of the Board), so long as these activities do not materially interfere with the performance of his duties or create a potential actual or perceived conflict of interest or violate Section 10 of this Agreement.

3. PRIOR ARRANGEMENTS.

The parties agree that, as of the Effective Date, all prior employment, separation, severance, termination, change of control, or similar agreements, arrangements, or plans whether oral or written covering the Executive are terminated and superseded and any notice periods with respect to such terminations are deemed satisfied or explicitly waived.

4. TERMINATION.

The Executive's employment and the Employment Term shall terminate on the first of the following to occur:

(a) DISABILITY. Upon thirty (30) days' written notice by the Company to the Executive of termination due to Disability.

(b) DEATH. On the date of death of the Executive.

(c) CAUSE. Immediately upon written notice by the Company to the Executive of a termination for Cause.

(d) INVOLUNTARY TERMINATION WITHOUT CAUSE. Upon written notice by the Company to the Executive of an Involuntary Termination without Cause.

(e) GOOD REASON ON OR AFTER A CHANGE OF CONTROL. On or after the occurrence of a Change of Control, upon written notice by the Executive to the Company of a termination for Good Reason, subject to Section 1(m) and as provided in Section 9.

(f) VOLUNTARY TERMINATION. Upon notice by the Executive to the Company of the Executive's voluntary termination of employment, or on or after a Change of Control, upon notice by the Executive to the Company of the Executive's voluntary termination of employment without Good Reason (which the Company may, in its sole discretion, make effective earlier than the termination date proposed by the Executive), subject to Section 1(m) and as provided in Section 9.

5. CONSEQUENCES OF TERMINATION.

(a) DISABILITY. In the event the Employment Term ends on account of the Executive's Disability, the Company shall pay and provide the Executive any Accrued Benefits.

(b) DEATH. In the event the Employment Term ends due to the Executive's death, the Company shall pay and provide Executive's estate (to the extent that beneficiaries have not been designated under applicable benefit or compensation plans) any Accrued Benefits.

(c) INVOLUNTARY TERMINATION WITHOUT CAUSE NOT DUE TO A CHANGE OF CONTROL. In the event of the Executive's Involuntary Termination not due to a Change of Control, the Executive shall be entitled to receive the compensation listed below, subject to his compliance with the terms and conditions of Section 5(f) ("Additional Terms").

(i) The Company shall pay or provide to the Executive the following payments and benefits:

(A) Any Accrued Benefits payable as soon as practical after the Termination Date, or such other date as their terms require;

(B) Continued payment of the Executive's Base Salary for the applicable Severance Period payable in installments in accordance with the Company's standard payroll practices, but no less frequently than monthly, beginning within sixty (60) days following the Termination Date (with the first payment to include amounts accrued between the Termination Date and the first payment date); provided that, if the sixtieth (60th) day following the Termination Date falls in the calendar year following the calendar year in which the Termination Date occurs, payments will not commence prior to the first day of the calendar year following the calendar year in which the Termination Date occurs; provided further that, in the event the Executive is a Specified Employee on the Termination Date, payment shall be made in accordance with the following provisions:

a. If the aggregate value of the payments due to the Executive pursuant to this Section 5(c)(i)(B) during the six (6) month period following his Termination Date does not exceed two (2) times the lesser of: (x) the Specified Employee's base salary for the year prior to the year in which the Termination Date occurs; or (y) the maximum amount that may be taken into account under a qualified retirement plan pursuant to Section 401(a)(17) of the Code for the year in which the Termination Date occurs (such amount, the "Separation Pay Limit"), the Executive shall receive continuation of his Base Salary for the Severance Period payable in installments in accordance with the Company's standard payroll practices, but no less frequently than monthly, as set forth above.

b. If the aggregate value of the payments due to the Executive pursuant to this Section 5(c)(i)(B) during the six (6) month period following his Termination Date exceeds the Separation Pay Limit, the Executive shall not receive any payments of continued Base Salary in excess of the Separation Pay Limit during such six (6) month period. Any amounts in excess of the Separation Pay Limit which would have otherwise been paid during the six (6) month period following the Executive's Termination Date shall be paid in a lump sum on the first day following the six (6) month anniversary of the Executive's Termination Date. Beginning with the first payroll cycle occurring on or after the first day following the six (6) month anniversary of the Executive's Termination Date and continuing until the end of the Severance Period, the Executive shall receive continuation payments of the Executive's Base Salary in installments in accordance with the Company's standard payroll practices, but no less frequently than monthly.

c. For purposes of Section 409A of the Code, each installment payment of Base Salary made pursuant to this Section 5(c)(i)(B) shall be treated as a separate payment of compensation.

(C) A lump sum payment equal to (x) the Executive's Three-Year Average Bonus multiplied by (y) the Severance Multiple, payable on the Release Effective Date or as soon thereafter as is reasonably practicable, but in no event shall such payment occur later than March 15 of the calendar year following the year in which the Termination Date occurs;

(D) A lump sum payment equal to the pro-rata cash bonus for the year in which the Termination Date occurs which shall be paid (x) when such annual bonuses are paid to non-terminated employees (or, if later, upon the satisfaction of all conditions for the payment of benefits hereunder, but in no event shall such payment occur later than March 15 of the calendar year following the year in which the Termination Date occurs) and (y) based on the actual attainment of the performance goals under the annual bonus plan for the year in which the Termination Date occurs;

(E) If the Executive continues to receive health benefits (including, medical, prescription, dental, vision and health care reimbursement account benefits) pursuant to the Company's health plans under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, supplemented or substituted from time to time ("COBRA") and pays the full COBRA premiums, the Company will reimburse the Executive for the COBRA premiums paid for such benefits for the Executive and his family through COBRA (with the exception of any COBRA premiums paid for health care reimbursement account benefits), through the Benefits Continuation Period, in accordance with the applicable plans, programs or policies of the Company, and on such terms applicable to comparably situated active employees during such period (which shall offset the Company's COBRA obligation, if any); provided that the Executive may continue to receive health benefits pursuant to the Company's health plans during a period of time in the Benefits Continuation Period during which the Executive would not otherwise be entitled to COBRA continuation coverage under Section 4980B of the Code if the Executive continues to pay premiums for such health benefits, and the Executive shall receive reimbursement for all premiums paid by the Executive for such continued health benefits on the date no later than December 31 of the calendar year immediately following the calendar year in which the applicable expenses have been incurred. If the Executive fails to accept available coverage from another employer or fails to notify the Company (or following a Change of Control, the Company or the Trustee) within thirty (30) days of the Executive's eligibility to receive coverage under another employer's plan, the Executive's reimbursements under this Section 5(c)(i)(E) shall immediately terminate and the Executive shall cease to be entitled to any such reimbursements under this Agreement and shall be required within three (3) months after such failure to reimburse the Company for the reimbursements paid to the Executive after such failure. In addition, the Executive agrees that the Company may offset against such reimbursement or deduct such reimbursement from any payments due to the Executive in full or partial payment of such reimbursement; provided that no such offset shall be made in violation of Section 409A of the Code;

(F) The Company shall provide the Executive with professional outplacement services as determined in the Company's sole discretion until the earliest of: (w) twenty-four (24) months after the Termination Date, (x) the date on which the Executive obtains another full-time job, (y) the date on which the Executive becomes self-employed, and (z) the date on which the Executive has received all services or benefits due under the applicable Company-sponsored outplacement program. The Company will not pay the Executive cash in lieu of professional outplacement services;

(G) If the Executive is covered by any Company-sponsored executive life insurance program as of the Termination Date, the Company shall continue to pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Executive will have thirty-one (31) days from the last day of the Severance Period to convert his life insurance coverage to an individual policy;

(H) If the Executive is covered by any Company-sponsored supplemental long-term disability insurance program as of the Termination Date, the Company shall continue to pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Executive shall be entitled to keep this policy if he continues to pay the annual premiums; and

(I) Any benefits or rights to which the Executive is entitled under any of the Company's stock or equity plans in accordance with the terms and conditions of those plans.

(ii) If a Change of Control occurs and the Executive is then receiving, or is entitled to receive, payments and benefits under Section 5(c)(i) of this Agreement as a result of his Involuntary Termination without Cause not due to a Change of Control, the Company shall pay to the Executive in a lump sum, within seven (7) calendar days after the Change of Control, an amount (in lieu of future installment payments) equal to the present value of all future cash payments due to the Executive under Section 5(c)(i)(B) of this Agreement using the prime commercial lending rate published by the Trustee at the time the Change of Control occurs. The Company and the Executive shall continue to be liable to each other for all of their other respective obligations under this Agreement. In the event that the Executive was a Specified Employee on his Termination Date, if the sum of the payments which the Executive previously received in accordance with Section 5(c)(i)(B) and the payment set forth in this Section 5(c)(ii) exceeds the Separation Pay Limit, any amounts in excess of the Separation Pay Limit shall be paid on the later of (A) the first day following the six (6) month anniversary of the Termination Date and (B) within seven (7) calendar days after the Change of Control. For the avoidance of doubt, in the event that the provisions of this Section 5(c)(ii) become effective, they shall supersede the provisions of Section 5(c)(i)(B).

(iii) If a Change of Control occurs and (A) the Executive experienced an Involuntary Termination within twelve (12) months prior to the date on which the Change of Control occurs and (B) it is reasonably demonstrated by the Executive that such termination of employment either (a) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (b) otherwise arose in connection with or in anticipation of a Change of Control, then in addition to the payments and benefits set forth in Section 5(c)(i), the Executive shall be entitled to the following: (x) a lump sum payment equal to 50% of the Executive's Base Salary, payable as soon as practicable but no later than sixty (60) days following the Change of Control; provided that if the Executive was a Specified Employee on his Termination Date, such payment shall be paid on the later of (1) as soon as practicable but no later than sixty (60) days following the Change of Control and (2) the first day following the six (6) month anniversary of the Executive's Termination Date; (y) the difference between two (2) times the Target Bonus and one and one-half (1 1/2) times the Executive's Three-Year Average Bonus amount paid to the Executive pursuant to Section 5(c)(i)(C), which shall be paid as soon as practicable following the Change of Control but no later than March 15 of the calendar year following the calendar year in which the Change of Control occurs; and (z) for purposes of determining the Severance Period for benefits provided under Sections 5(c)(i)(E), (G), and (H), the Executive's Severance Period shall be defined as the twenty-four (24) month period following the Termination Date. Notwithstanding the foregoing, in the event that (A) a Change of Control occurs and payments and benefits become payable to the Executive pursuant to this Section 5(c)(iii); and (B) such Change of Control does not constitute a "change in ownership or effective control" or a change in the "ownership of a substantial portion of assets" under Section 409A of the Code and the rules and regulations issued thereunder, the lump sum payment set forth in (x) above shall be paid on the first anniversary of the Executive's Termination Date.

(iv) If a Change of Control occurs and (A) the Executive's employment was voluntarily terminated within twelve (12) months prior to the date on which the Change of Control occurs; (B) such termination would have constituted a termination for Good Reason if it had occurred within two (2) years following the Change of Control; and (C) it is reasonably demonstrated by the Executive that the circumstances which would have caused the occurrence of Good Reason either (a) were at the request of a third party who had taken steps reasonably calculated to effect a Change of Control or (b) otherwise arose in connection with or in anticipation of a Change of Control, then the Executive shall be entitled to the following (based on a Severance Multiple of two (2) and a Severance Period of twenty-four (24) months from the Termination Date):

(A) A lump sum payment equal to the Executive's Base Salary multiplied by the Severance Multiple payable within sixty (60) days following the Change of Control; provided that, if the sixtieth (60th) day following the Change of Control falls in the calendar year following the calendar year in which the Change of Control occurs, payment will not be made prior to the first day of the calendar year following the calendar year in which the Change of Control occurs; provided further that, if the Executive is a Specified Employee on the Termination Date, any amounts in excess of the Separation Pay Limit shall be paid to the Executive in a lump sum on the later of (x) the first day following the six (6) month anniversary of the Termination Date and (y) within sixty (60) days following the Change of Control. In the event that (i) a Change of Control occurs and payments and benefits become payable to the Executive pursuant to this Section 5(c)(iv); and (ii) such Change of Control does not constitute a "change in ownership or effective control" or a change in the "ownership of a substantial portion of assets" under Section 409A of the Code and the rules and regulations thereunder, the lump sum payment set forth herein shall be paid on the first anniversary of the Executive's Termination Date;

(B) A lump sum payment equal to the Target Bonus multiplied by the Severance Multiple, payable on the Release Effective Date or as soon thereafter as is practicable, but no later than March 15 of the calendar year following the calendar year in which the Change of Control occurs;

(C) A lump sum payment equal to the pro-rata cash bonus for the year in which the Termination Date occurs which shall be paid (i) when such annual bonuses are paid to non-terminated employees (or, if later, upon the satisfaction of all conditions for the payment of benefits hereunder, but in no event shall such payment occur later than March 15 of the calendar year following the year in which the Change of Control occurs) and (ii) based on the actual attainment of the performance goals under the annual bonus plan for the year in which the Termination Date occurs;

(D) If the Executive continues to receive health benefits (including, medical, prescription, dental, vision and health care reimbursement account benefits) pursuant to the Company's health plans under COBRA and pays the full COBRA premiums, the Company will reimburse the Executive for the COBRA premiums paid for such benefits for the Executive and his family through COBRA (with the exception of any COBRA premiums paid for health care reimbursement account benefits), for the remainder of the Benefits Continuation Period, in accordance with the applicable plans, programs or policies, if any, of the Company or its successor, and on such terms applicable to comparably situated active employees during such period (which shall offset the Company's COBRA obligation, if any); provided that the Executive may continue to receive health benefits pursuant to the Company's health plans during a period of time in the Benefits Continuation Period during which the Executive would not otherwise be entitled to COBRA continuation coverage under Section 4980B of the Code if the Executive continues to pay premiums for such health benefits, and the Executive shall receive reimbursement for all premiums paid by the Executive for such continued health benefits on the date no later than December 31 of the calendar year immediately following the calendar year in which the applicable expenses have been incurred. If the Executive fails to accept available coverage from another employer or fails to notify the Company (or the Trustee) within thirty (30) days of the Executive's eligibility to receive coverage under another employer's plan, the Executive's reimbursements under this Section 5(c)(iv)(D) shall immediately terminate and the Executive shall cease to be entitled to any such reimbursements under this Agreement and shall be required within three (3) months after such failure to reimburse the Company for the reimbursements paid to the Executive after such failure. In addition, the Executive agrees that the Company may offset against such reimbursement or deduct such reimbursement from any payments due to the Executive in full or partial payment of such reimbursement; provided that, no such offset shall be made in violation of Section 409A of the Code;

(E) A lump sum payment equal to the value of the Company-sponsored outplacement program maintained by the Company immediately prior to the Change of Control, based on the Executive's management level as of the Termination Date, which shall be paid within sixty (60) days following the Change of Control; provided that, if the sixtieth (60th) day following the Change of Control falls in the calendar year following the calendar year in which the Change of Control occurs, payment will not be made prior to the first day of the calendar year following the calendar year in which the Change of Control occurs; provided further that, if the Executive is a Specified Employee on the Termination Date, such amount shall be paid on the later of (x) within sixty (60) days following the Change of Control and (y) the first day following the six (6) month anniversary of the Termination Date. In the event that (i) a Change of Control occurs and payments and benefits become payable to the Executive pursuant to this Section 5(c)(iv); and (ii) such Change of Control does not constitute a "change in ownership or effective control" or a change in the "ownership of a substantial portion of assets" under Section 409A of the Code and the rules and regulations thereunder, the lump sum payment set forth herein shall be paid on the first anniversary of the Executive's Termination Date;

(F) If the Executive is covered by any Company-sponsored executive life insurance program as of the Termination Date, the Company (or the Trustee) shall continue to pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Executive will have thirty-one days (31) from the last day of the Severance Period to convert his life insurance coverage to an individual policy;

(G) If the Executive is covered by any Company-sponsored supplemental long term disability insurance program as of the Termination Date, the Company (or the Trustee) shall continue to pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Executive shall be entitled to keep this policy if he continues to pay the annual premiums; and

(H) Any benefits or rights to which the Executive is entitled under any of the Company's stock or equity plans in accordance with the terms and conditions of any such plans.

(I) For the avoidance of doubt, no payments or benefits payable to the Executive pursuant to this Section 5(c)(iv) shall continue beyond the end of the second calendar year following the calendar year in which the Termination Date occurs.

(J) The Executive shall not be entitled to any payments or benefits pursuant to this Section 5(c)(iv), unless prior to the Executive's Termination Date, the Executive had given the Company notice of the circumstances forming the basis of termination for Good Reason and an opportunity to cure such circumstances in accordance with Sections 1(k) and (m).

On the Termination Date, the Executive shall no longer be eligible to participate in any Company plan, program or policy, other than those described in Section 5(c) including, but not limited to, the Company's long-term incentive plan, short-term disability plan, long-term disability plan, employee stock purchase plan, and business travel accident plan.

(d) TERMINATION FOR CAUSE OR VOLUNTARY TERMINATION. If the Executive's employment is terminated (i) by the Company for Cause, or (ii) voluntarily by the Executive (other than for Good Reason on or after a Change of Control), the Company shall pay or provide to the Executive the Accrued Benefits.

(e) TERMINATION DUE TO A CHANGE OF CONTROL. If, within the two (2) year period commencing on a Change of Control of the Company, (A) the Executive experiences an Involuntary Termination, or (B) the Executive terminates his employment with the Company or a Company Entity for Good Reason, the Executive shall be entitled to receive the compensation and benefits listed below, subject to his compliance with the terms of Section 5(f):

(i) The Company shall pay or provide to the Executive the following payments and benefits:

(A) Any Accrued Benefits payable as soon as practical after the Termination Date;

(B) A lump sum payment equal to the Executive's Base Salary multiplied by the Severance Multiple payable within sixty (60) days following the Termination Date; provided that, if the sixtieth (60th) day following the Termination Date falls in the calendar year following the calendar year in which the Termination Date occurs, payment will not be made prior to the first day of the calendar year following the calendar year in which the Termination Date occurs; provided further that, if the Executive is a Specified Employee on the Termination Date, any amounts payable under this Section 5(e)(i)(B) in excess of the Separation Pay Limit shall be paid to the Executive in a lump sum on the first day following the six (6) month anniversary of the Termination Date;

(C) A lump sum payment equal to the Target Bonus multiplied by the Severance Multiple, payable on the Release Effective Date or as soon thereafter as is practicable, but no later than March 15 of the calendar year following the calendar year in which the Termination Date occurs;

(D) A lump sum payment equal to the pro-rata cash bonus for the year in which the Termination Date occurs which shall be paid (i) when such annual bonuses are paid to non-terminated employees (or, if later, upon the satisfaction of all conditions for the payment of benefits hereunder, but in no event shall such payment occur later than March 15 of the calendar year following the year in which the Termination Date occurs) and (ii) based on the actual attainment of the performance goals under the annual bonus plan for the year in which the Termination Date occurs;

(E) If the Executive continues to receive health benefits (including, medical, prescription, dental, vision and health care reimbursement account benefits) pursuant to the Company's health plans under COBRA and pays the full COBRA premiums, the Company will reimburse the Executive for the COBRA premiums paid for such benefits for the Executive and his family through COBRA (with the exception of any COBRA premiums paid for health care reimbursement account benefits), for the Benefits Continuation Period, in accordance with the applicable plans, programs or policies, if any, of the Company or its successor, and on such terms applicable to comparably situated active employees during such period (which shall offset the Company's COBRA obligation, if any); provided that the Executive may continue to receive health benefits pursuant to the Company's health plans during a period of time in the Benefits Continuation Period during which the Executive would not otherwise be entitled to COBRA continuation coverage under Section 4980B of the Code if the Executive continues to pay premiums for such health benefits, and the Executive shall receive reimbursement for all premiums paid by the Executive for such continued health benefits on the date no later than December 31 of the calendar year immediately following the calendar year in which the applicable expenses have been incurred. If the Executive fails to accept available coverage from another employer or fails to notify the Company (or the Trustee) within thirty (30) days of Executive's eligibility to receive coverage under another employer's plan, the Executive's reimbursements under this Section 5(e)(i)(E) shall immediately terminate and the Executive shall cease to be entitled to any such reimbursements under this Agreement and shall be required within three (3) months after such failure to reimburse the Company for the reimbursements paid to the Executive after such failure. In addition, the Executive agrees that the Company may offset against such reimbursement or deduct such reimbursement from any payments due to the Executive in full or partial payment of such reimbursement; provided that, no such offset shall be made in violation of Section 409A of the Code;

(F) The Company (or the Trustee) shall pay to the Executive in a lump sum an amount equal to the value of the Company-sponsored outplacement program maintained by the Company immediately prior to the Change of Control, based on the Executive's management level as of the Termination Date, which shall be paid within sixty (60) days following the Termination Date; provided that, if the sixtieth (60th) day following the Termination Date falls in the calendar year following the calendar year in which the Termination Date occurs, payment will not be made prior to the first day of the calendar year following the calendar year in which the Termination Date occurs; provided further that, if the Executive is a Specified Employee on the Termination Date, such amount shall be paid on the first day following the six (6) month anniversary of the Termination Date;

(G) If the Executive is covered by any Company-sponsored executive life insurance program as of the Termination Date, the Company (or the Trustee) shall continue to pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Executive will have thirty-one (31) days from the last day of the Severance Period to convert his life insurance coverage to an individual policy;

(H) If the Executive is covered by any Company-sponsored supplemental long term disability insurance program as of the Termination Date, the Company (or the Trustee) shall continue to pay for the Executive's coverage until the end of the Severance Period. At the end of the Severance Period, the Executive shall be entitled to keep this policy if he continues to pay the annual premiums; and

(I) Any benefits or rights to which the Executive is entitled under any of the Company's stock or equity plans in accordance with the terms and conditions of any such plans.

(ii) In the event that the Executive becomes entitled to payments and benefits pursuant to Section 5(e)(i) in connection with a Change of Control that does not constitute a "change in ownership or effective control" or a change in the "ownership of a substantial portion of the assets" under Section 409A of the Code, and the rulings and regulations issued thereunder, the payments and benefits set forth in Sections 5(e)(i)(B), (C), (D), (E), (G) and (H) herein (in each case, based on a Severance Period of two (2) years from the Termination Date and a Severance Multiple of two (2)), shall be paid in accordance with the schedule set forth in Section 5(c)(i), except as otherwise provided in this Section 5(e)(ii). In addition, the services set forth in Section 5(c)(i)(F) (based on a Severance Period of eighteen (18) months) shall be provided in lieu of the payment set forth in Section 5(e)(i)(F). Notwithstanding the foregoing, with respect to the payment set forth in Section 5(e)(i)(B), an amount equal to the lesser of (x) the Separation Pay Limit or (y) the amount set forth in Section 5(e)(i)(B) shall be paid to the Executive on the Release Effective Date or as soon thereafter as is practicable, but no later than sixty (60) days following the Termination Date. In the event that the amount set forth in Section 5(e)(i)(B) exceeds the Separation Pay Limit, any excess amounts shall be paid at the time they would have otherwise been paid pursuant to Section 5(c)(i)(B).

On the Termination Date, the Executive shall no longer be eligible to participate in any Company plan, program or policy, other than those described in this Section 5(e)(i) including, but not limited to, the Company's long-term incentive plan, short-term disability plan, long-term disability plan, employee stock purchase plan, and business travel accident plan.

(iii) Effect of Section 280G on Payments.

(A) Reduction in Payments. In the event any Payment (as defined below) would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the Company shall reduce (but not below zero) the aggregate present value of the Payments under this Agreement to the Reduced Amount (as defined below), if reducing the Payments under this Agreement will provide the Executive with a greater net after-tax amount than would be the case if no reduction was made.

(B) Determining Net After-Tax Amounts. In determining whether a reduction in Payments under this Agreement will provide the Executive with a greater net after-tax amount, the following computations shall be made:

a. The net after-tax benefit to the Executive without any reduction in Payments shall be determined by reducing the Payments by the amount of federal, state, local and other applicable taxes (including the Excise Tax (as defined below)) applicable to the Payments. For these purposes, the tax rates shall be determined using the maximum marginal rate applicable to such Executive for each year in which the Payments shall be paid.

b. The net after-tax benefit to the Executive with a reduction in the Payments to the Reduced Amount shall be determined by applying the tax rates under Section 5(e)(iii)(B)(a), with the exception of the Excise Tax.

(C) Reduction Methodology. In the event a reduction in the Payments to the Reduced Amount will provide the Executive with a greater net after-tax amount, the following shall apply:

a. Reduction of payments. The reduction in the Payments shall be made first by reducing as applicable, but not below zero, the cash payments under Sections 5(c)(i)(B), 5(c)(iv)(A), and 5(e)(i)(B). In the event that such payments are installment payments, each such installment payment shall be reduced pro-rata. The cash payments under Sections 5(c)(i)(C), 5(c)(i)(D), 5(c)(iv)(B), 5(c)(iv)(C), 5(e)(i)(C) and 5(e)(i)(D) shall be reduced next, as applicable, but not below zero. In the event that following reduction of the amounts set forth in the preceding sentence, additional amounts payable to the Executive must be reduced, any payments due to the Executive pursuant to the Company's equity plans shall be reduced on a pro-rata basis, but not below zero.

b. Restrictions. Only amounts payable under this Agreement shall be reduced pursuant to this Section 5(e)(iii). Any reduction shall be made in a manner consistent with the requirements of Section 409A of the Code.

(D) Definitions. For purposes of Section 5(e)(iii), the following definitions shall apply.

a. "Payment" shall mean an amount that is received by the Executive or paid by the Company on his behalf, or represents any property, or any other benefit provided to the Executive under this Agreement or under any other plan, arrangement or agreement with the Company or any other person, and such amount is treated as contingent on a change in control, as provided under Section 280G of the Code.

b. "Reduced Amount" shall mean an amount, as determined under Section 280G of the Code, which does not cause any Payment to be subject to the Excise Tax.

c. "Excise Tax" shall mean the excise tax imposed under Section 4999 of the Code.

(E) Determination of Reduction. All determinations required to be made under this Section 5(e)(iii) shall be made by a nationally recognized accounting (or compensation and benefits consulting) firm selected by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within ten (10) business days of the Change of Control. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(f) ADDITIONAL TERMS

(i) Within fifty (50) days following the Termination Date, the Executive shall execute and agree to be bound by a Release of the Company in a form prepared by the Company, which will include, inter alia, the Executive's general release of known and unknown claims, prior to and as a condition of receiving any payments or benefits (other than the Accrued Benefits) pursuant to this Agreement. If applicable, the Release shall contain provisions required by federal, state or local law (e.g., the Older Worker's Benefit Protection Act) to effectuate a general release of all claims. Notwithstanding anything herein to the contrary, no payments or continued benefits on account of termination of employment hereunder (other than any Accrued Benefits payable in accordance with their terms) shall be made to the Executive prior to the Release Effective Date. In the event that the Executive does not execute the Release within fifty (50) days following the Termination Date or the Release Effective Date does not occur within sixty (60) days following the Termination Date, the Executive shall not be entitled to any payments or benefits hereunder (other than the Accrued Benefits payable pursuant to their terms); provided that, if the Executive becomes entitled to payments and benefits pursuant to Section 5(c)(iv), the Executive shall not be entitled to any payments or benefits hereunder in the event the Executive does not execute the Release within fifty (50) days following the Change of Control or the Release Effective Date does not occur within sixty (60) days following the date of the Change of Control.

(ii) As consideration for the Company's offer of this Agreement to the Executive and for other good and valuable consideration, during his employment and upon termination of employment for any reason, the Executive agrees to comply with the restrictive covenants contained in Section 10 of this Agreement. In addition, receipt of the severance payments and benefits set forth in Section 5 is expressly conditioned upon the Executive's continued compliance with Section 10. If the Executive is receiving severance payments and/or benefits under Section 5, and (A) if the Executive is reemployed by the Company (or any subsidiary, affiliate or successor) or breaches this Agreement or the Release, or (B) if the Company (or any subsidiary, affiliate or successor) discovers information that would have permitted the Company to terminate the Executive for Cause or if the Company or any subsidiary, affiliate or successor discovers a breach of Section 10, severance payments and benefits shall immediately cease with respect to such termination. If the severance payments and benefits cease because of re-employment and the Company has paid severance in a lump sum, the Company (or any subsidiary or successor) shall have the right to require that the Executive repay to the applicable entity the value of the severance benefits that would not yet have been paid before re-employment if he had been receiving the severance in semi-monthly installments, and the Executive shall no longer be entitled to any severance payments and benefits with respect to such termination. If severance payments and benefits cease because of a Cause determination or a breach of Section 10, the Company (or any subsidiary or successor) shall have the right to require that the Executive repay to the applicable entity the full value of any previously received severance. The remedies described in this paragraph are in addition to any other remedies that may be available to the Company in the event of the occurrence of any of the circumstances described in this paragraph.

(iii) Upon termination of employment for any reason, the Executive agrees to promptly return all Company property that has come into his possession or control, including, without limitation, computer equipment (including, without limitation, computer hardware, laptop and other computers, software and printers, wireless handheld devices, cellular telephones, pagers, etc.), client and customer information, client and customer lists, employee lists, Company files, notes, contracts, records, business plans, financial information, specifications, computer-recorded information, tangible property, credit cards, entry cards, identification badges, keys, and any other materials of any kind which contain or embody, in whole or in part, any proprietary or confidential material of the Company (and all reproductions thereof), except that Company property shall not include items, if any, listed in a written document signed by the Executive and the Company at or before the time of the Executive's termination from employment as items to be retained by the Executive. The Executive further agrees that he will leave intact all electronic Company documents, including those which the Executive developed or helped develop during his employment, and that he will promptly cancel all accounts for his benefit, if any, in the Company's name including, without limitation, credit cards, telephone charge cards, cellular telephone accounts, pager accounts, and computer accounts.

(iv) Upon any termination of employment, upon the request of the Company, the Executive shall resign in writing, from all offices, directorships and fiduciary positions of the Executive in which the Executive is serving.

(v) The Executive agrees that, following his Termination Date, except as set forth herein, he shall not be eligible for or entitled to any other incentive compensation award, including any pro rata incentive compensation award, pursuant to the Company's and/or its subsidiaries' or affiliates' incentive compensation plans. The Executive's agreement to this provision is a material consideration for the Company's executing this Agreement.

(g) In the event of the Executive's termination for death or Disability, the Executive and, to the extent applicable, his legal representatives, executors, heirs, legatees and beneficiaries shall have no rights under this Agreement, other than the right to Accrued Benefits, and their sole recourse, if any, shall be under the death or disability provisions of the plans, programs, policies and practices of the Company and/or its subsidiaries and affiliates, as applicable to the Executive. If the Executive dies prior to payment of all severance benefits to which he is entitled, all Company obligations under the Agreement shall cease except for the Accrued Benefits (if unpaid at the time of death).

6. TRUSTS

(a) In order to ensure in the event of a Change of Control that timely payment will be made of certain obligations of the Company to the Executive provided for under this Agreement, the Company shall, immediately prior to or in connection with the consummation of a Change of Control, irrespective of whether the Change of Control constitutes a "change in ownership or effective control" or a change in the "ownership of a substantial portion of the assets" under Section 409A of the Code, and the rulings and regulations issued thereunder, pay into one or more trust(s) (the "Trust(s)") established between the Company and any financial institution with assets in excess of $100 million selected by the Company prior to the Change of Control, as trustee (the "Trustee"), such amounts and at such time or times as are required in order to fully pay all cash amounts due the Executive hereunder that are payable or as are otherwise required pursuant to the terms of the Trust(s), with payment to be made in cash or cash equivalents. Thereafter, all such payments required to be paid hereunder shall be made out of the Trust(s); provided, however, that the Company shall retain liability for and pay the Executive any amounts or provide for such other benefits due the Executive under this Agreement for which there are insufficient funds in the Trust(s), for which no funding of the Trust(s) is required or in the event that the Trustee fails to make such payment to the Executive within the time frames set forth in this Agreement. Prior to the Change of Control, and to the extent necessary because of a change in the Trustee, after the Change of Control, the Company shall provide the Executive with the name and address of the Trustee. Nothing in this Agreement shall require the Company to maintain the funding required in this section beyond the second anniversary of a Change of Control unless, before such second anniversary, the Executive's employment has terminated in a manner qualifying him for benefits hereunder. The Executive expressly waives any requirement under this Section 6 or otherwise for the Company to fund the Trust(s) if funding would cause him to be taxed under Section 409A(b) of the Code or any successor law.

(b) For purposes of this Agreement, the term "the Company and/or the Trustee" means the Trustee to the extent the Company has put funds in the Trust(s) and the Company to the extent the Company has not funded or fully funded the Trust(s). However, in accordance with subsection (a) above, the Company shall retain liability for and pay the Executive any amounts or provide for such other benefits due the Executive under this Agreement for which the Trustee fails to make adequate payment to the Executive within the time frames set forth in this Agreement.

7. INVENTIONS AND IMPROVEMENTS.

The Executive acknowledges that all ideas, discoveries, inventions and improvements which are made, conceived or reduced to practice by the Executive and every item of knowledge relating to the Company's business interests (including potential business interests) gained by the Executive during the Employment Term are the sole and absolute property of the Company, and the Executive shall promptly disclose and hereby irrevocably assigns all his right, title and interest in and to all such ideas, discoveries, inventions, improvements and knowledge to the Company for its sole use and benefit, without additional compensation, and shall communicate to the Company, without cost or delay, and without publishing the same, all available information relating thereto. The Executive also hereby waives all claims to moral rights in any such ideas, discoveries, inventions, improvements and knowledge. The provisions of this Section 7 shall apply whether such ideas, discoveries, inventions or knowledge are conceived, made, gained or reduced to practice by the Executive alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to the Company's business interests (including potential business interests), and whether or not within the specific realm of the Executive's duties. Any of the Executive's ideas, discoveries, inventions and improvements relating to the Company's business interests or potential business interests and conceived, made or reduced to practice during the Severance Period shall for the purpose of this Agreement, be deemed to have been conceived, made or reduced to practice before the end of the Employment Term. The Executive shall, upon request of the Company, and without further compensation by the Company but at the expense of the Company, at any time during or after his employment with the Company, sign all instruments and documents requested by the Company and otherwise cooperate with the Company and take any actions which are or may be necessary to protect the Company's right to such ideas, discoveries, inventions, improvements and knowledge, including applying for, obtaining and enforcing patents, copyrights and trademark registrations thereon in any and all countries. To the extent this section shall be construed in accordance with the laws of any state which precludes a requirement to assign certain classes of inventions made by an employee, this Section shall be interpreted not to apply to any invention which a court rules and/or the Company agrees falls within such classes.

8. NO ASSIGNMENTS.

This Agreement shall not be assignable by the Executive. This Agreement shall be assignable by the Company only by merger or in connection with the sale or other disposition of a substantial portion of the assets of the Company. This Agreement shall inure to the benefit and be binding upon the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees and permitted assignees of the parties hereto. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether directly or indirectly, by purchase, merger, consolidation, acquisition of stock, or otherwise, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place, by a written agreement in form and substance reasonably satisfactory to the Executive, delivered to the Executive within five (5) business days after such succession. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

9. NOTICE.

All notices and other communications hereunder, shall be in writing and shall be given to the other party by hand delivery, by overnight express mail or other guaranteed delivery service, or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the Executive's last address appearing in the payroll/personnel records of the Company.

If to the Company:

Ryder System, Inc.
11690 N.W. 105th Street
Miami, Florida 33178-1103
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective on the earliest of (i) when actually received by the addressee, (ii) as indicated by an overnight or other receipt, and (iii) the third business day after the notice is dispatched.

10. RESTRICTIVE COVENANTS.

(a) COVENANT OF CONFIDENTIALITY. All documents, records, techniques, business secrets and other information of the Company, its subsidiaries and affiliates which have or will come into the Executive's possession from time to time during the Executive's affiliation with the Company and/or any of its subsidiaries or affiliates and which the Company treats as confidential and proprietary to the Company and/or any of its subsidiaries or affiliates shall be deemed as such by the Executive and shall be the sole and exclusive property of the Company, its subsidiaries and affiliates. The Executive agrees that he will keep confidential and not use or divulge to any other individual or entity any of the Company's or its subsidiaries' or affiliates' confidential information and business secrets, including, but not limited to, such matters as costs, profits, markets, sales, products, product lines, key personnel, pricing policies, operational methods, customers, customer requirements, suppliers, plans for future developments, and other business affairs and methods and other information not readily available to the public. Additionally, the Executive agrees that upon his termination of employment, irrespective of the reason for such termination, he shall promptly return to the Company all confidential and proprietary information of the Company and/or its subsidiaries or affiliates that is in his possession.

The Executive agrees that the terms and provisions of this Agreement, as well as any and all incidents leading to or resulting from this Agreement, are confidential and may not be discussed with anyone other than his spouse, domestic partner, attorney or tax advisor without the prior written consent of the Board, except as required by law. In the event that the Executive is subpoenaed, or asked to provide confidential information or to testify as a witness or to produce documents in any existing or potential legal or administrative or other proceeding or investigation formal or informal related to the Company, to the extent permitted by applicable law, the Executive will promptly notify the Company of such subpoena or request and will, if requested, meet with the Company for a reasonable period of time prior to any such appearance or production.

(b) COVENANT AGAINST COMPETITION. During the Executive's employment with the Company or any subsidiary or affiliate, and thereafter during the longer of: (i) the Severance Period, if any, or (ii) twelve (12) months following the Executive's Termination Date (irrespective of the reason for the Executive's termination and without any reduction or modification), the Executive shall not, without the prior written consent of the Board directly or indirectly engage or become a partner, director, officer, principal, employee, consultant, investor, creditor or stockholder in/for any business, proprietorship, association, firm or corporation not owned or controlled by the Company or its subsidiaries or affiliates which is engaged or proposes to engage or hereafter engages in a business competitive directly or indirectly with the business conducted by the Company or any of its subsidiaries or affiliates in any geographic area in which the Company is or was engaged in or actively planning to engage in business as of the Executive's Termination Date or during the previous twelve (12) month period; provided, however, that the Executive is not prohibited from owning one percent (1%) or less of the outstanding capital stock of any corporation whose stock is listed on a national securities exchange.

(c) COVENANT OF NON-SOLICITATION. During the Executive's employment with the Company or any subsidiary or affiliate, and thereafter during the longer of (i) the Severance Period, if any, or (ii) twelve (12) months following the Executive's Termination Date (irrespective of the reason for the Executive's termination and without any reduction or modification), the Executive shall not, directly or indirectly, in any manner or capacity whatsoever, either on the Executive's own account or for any person, firm or company:

(i) take away, interfere with relations with, divert or attempt to divert from the Company any business with any customer or account: (x) that was a customer or account on the last day of the Employment Term and/or has been solicited or serviced by the Company within one (1) year prior to the last day of the Employment Term; and (y) with which the Executive had any contact or association, or that was under the supervision of the Executive, or the identity of which was learned by the Executive, as a result of the Executive's employment with the Company, or

(ii) solicit, interfere with or induce, or attempt to induce, any employee or independent contractor of the Company or any of its subsidiaries or affiliates to leave his employment or service with the Company or to breach his employment agreement or other agreement, if any.

(d) COVENANT OF NON-DISPARAGEMENT AND COOPERATION. The Executive agrees not to make any remarks disparaging the conduct or character of the Company or any of its subsidiaries or affiliates, their current or former agents, employees, officers, directors, successors or assigns ("Ryder Parties"), except as may be necessary in the performance of his duties or as is otherwise required by law. The Executive agrees to cooperate with the Company in the investigation, defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of the Company. Such cooperation shall include meeting with representatives of the Company upon reasonable notice at reasonable times and locations to prepare for discovery or any mediation, arbitration, trial, administrative hearing or other proceeding or to act as a witness. The Company shall reimburse the Executive for travel expenses approved by the Company or its subsidiaries or affiliates incurred in providing such assistance. The Executive shall notify the Company if the Executive is asked to assist, testify or provide information by or to any person, entity or agency in any such proceeding or investigation. Nothing in this provision is intended to or should be construed to prevent the Executive from providing truthful information to any person or entity as required by law or his fiduciary obligations.

(e) REPORTS TO GOVERNMENT ENTITIES. Nothing in this Agreement or any other agreement with, or plan or policy of, the Company restricts the Executive from providing truthful information to a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress and any agency Inspector General (collectively, the "Regulators"), including in connection with initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a Regulator or making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Executive does not need the prior authorization of the Company to engage in such communications with the Regulators, respond to such inquiries from the Regulators, provide such confidential information or documents to the Regulators, or make any such reports or disclosures to the Regulators and is not required to notify the Company that Employee has engaged in such communications with the Regulators.

(f) SPECIFIC REMEDY. The Executive acknowledges and agrees that if the Executive commits a material breach of the Covenant of Confidentiality or, if applicable, the Covenant Against Competition, the Covenant of Non-Solicitation, or the Covenant of Non-Disparagement and Cooperation, the Company shall have the right to have the covenant specifically enforced through an injunction or otherwise, without any obligation that the Company post a bond or prove actual damages, by any court having appropriate jurisdiction on the grounds that any such breach will cause irreparable injury to the Company, without prejudice to any other rights and remedies that Company may have for a breach of this Agreement, and that money damages will not provide an adequate remedy to the Company. The Executive further acknowledges and agrees that the Covenant of Confidentiality, the Covenant Against Competition, the Covenant of Non-Solicitation, and the Covenant of Non-

Disparagement and Cooperation contained in this Agreement are intended to protect the Company's business interests and goodwill, are fair, do not unreasonably restrict his future employment and business opportunities, and are commensurate with the arrangements set out in this Agreement and with the other terms and conditions of the Executive's employment. In addition, in executing this Agreement, the Executive makes an election to receive severance pay and benefits pursuant to Section 5 and is subject to the covenants above, therefore, the Executive shall have no right to return any amounts or benefits that are already paid or to refuse to accept any amounts or benefits that are payable in the future in lieu of his specific performance of his obligations under the covenants above.

(g) SURVIVAL OF PROVISIONS. The obligations contained in this Section 10 shall survive the termination or expiration of the Executive's employment with the Company for any reason (including Section 5(d) hereof) and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction that any restriction in this Section 10 is excessive in duration or scope or extends for too long a period of time or over too great a range of activities or in too broad a geographic area or is unreasonable or unenforceable under the laws of the State of Florida, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the laws of the State of Florida.

11. NO MITIGATION/NO OFFSET.

In the event of any termination of employment under this Agreement, the Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that the Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other rights which the Company may have against the Executive or others, except as specifically set forth in Sections 5(c)(i)(E), 5(c)(iv)(D), 5(e)(i)(E), 5(f), 10, and 15, or upon obtaining by the Company of a final unappealable judgment against the Executive, in each case to the extent permitted by Section 409A of the Code.

12. ATTORNEY'S FEES.

To the fullest extent permitted by law, the Company shall promptly pay, upon submission of statements, one-half of all legal and other professional fees, costs of litigation, prejudgment interest, and other expenses in excess of $10,000 in the aggregate incurred in connection with any dispute concerning payments, benefits and other entitlements which the Executive may have under Section 5(c) or 5(e), up to an amount not exceeding $15,000 in the aggregate from the Company; provided, however, the Company shall be reimbursed by the Executive (i) for the fees and expenses advanced in the event the Executive's claim is, in a material manner, in bad faith or frivolous and the court determines that the reimbursement of such fees and expenses is appropriate, or (ii) to the extent that the court determines that such legal and other professional fees are clearly and demonstrably unreasonable. Any payments made pursuant to this Section 12 shall be limited to expenses incurred on or prior to December 31 of the second calendar year following the calendar year in which the Termination Date occurs, and any payments by the Company made pursuant to this Section 12 shall be made on or prior to December 31 of the third calendar year following the calendar year in which the Termination Date occurs.

13. LIABILITY INSURANCE.

The Company shall cover the Executive under directors and officers liability insurance in the same amount and to the same extent, if any, as the Company covers its other officers and directors.

14. WITHHOLDING.

The Company shall withhold from any and all amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

15. SECTION 409A of the Code

(a) CONSTRUCTION AND INTERPRETATION. This Agreement shall be construed and interpreted in a manner so as not to trigger adverse tax consequences under Section 409A of the Code and the rulings and regulations issued thereunder. The Company may amend this Agreement in any manner necessary to comply with Section 409A of the Code or any successor law, without the consent of the Executive. Furthermore, to the extent necessary to comply with Section 409A of the Code, the payment terms for any of the payments or benefits payable hereunder may be delayed without the Executive's consent to comply with Section 409A of the Code.

(b) SEPARATION FROM SERVICE REQUIREMENTS. Notwithstanding anything herein to the contrary, the Executive shall not be entitled to any payments or benefits pursuant to this Agreement in the event that his termination of employment does not constitute a "separation from service" as defined by Section 409A of the Code and the regulations issued thereunder. For purposes of determining whether a "separation from service", as defined by Section 409A of the Code, has occurred, pursuant to Treas. Reg. §1.409A-1(h)(3), the Company has elected to use "at least 80 percent" each place it appears in Sections 1563(a)(1), (2), and (3) of the Code and in Treas. Reg. §1.414(c)-2.

(c) DELAYED COMMENCEMENT OF BENEFITS. If the Executive is a Specified Employee at the time of his Termination Date, and the deferral of the commencement of any payments or benefits otherwise payable hereunder is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then, to the extent permitted by Section 409A of the Code, the Company will defer the commencement of the payment of any such payments or benefits hereunder until the first day following the six (6) month anniversary of the Termination Date (or the earliest date as is permitted under Section 409A of the Code). If any payments or benefits are deferred due to such requirements, (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) they shall be paid or reimbursed to the Executive in a lump sum on the first day following the six (6) month anniversary of the Termination Date, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) PAYMENTS AND REIMBURSEMENTS. Except as otherwise provided herein, any reimbursements or in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement (or, if no such period is specified, the Executive's lifetime), (ii) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit. In addition, for purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Section 409A deferral election rules and the exclusion from Section 409A for certain short-term deferral amounts and separation pay. Notwithstanding any other provision set forth herein, any payments which are intended to constitute separation pay due to an involuntary separation from service in accordance with Treas. Reg. §1.409A-1(b)(9)(iii) shall be paid no later than the last day of the second calendar year following the calendar year in which the Termination Date occurs.

(e) COMPANY ENTITY. For purposes of this Agreement, Company Entity means any member of a controlled group of corporations or a group of trades or businesses under common control of which the Company is a member; for purposes of this Section 15(e), a "controlled group of corporations" means a controlled group of corporations as defined in Section 414(b) of the Code and a "group of trades or businesses under common control" means a group of trades or businesses under common control as defined in Section 414(c) of the Code, without any modifications.

16. SECTION HEADINGS.

The Section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

17. EFFECTIVE DATE; ENTIRE AGREEMENT; TERM

(a) If, as the of the Execution Date, the Executive has been continuously employed with the Company or any of its subsidiaries or affiliates for a period of at least one (1) year, the Effective Date of this Agreement shall be the Execution Date. If, as of the Execution Date, the Executive has not been continuously employed with the Company or any of its subsidiaries or affiliates, for a period of at least one (1) year, the Effective Date of this Agreement shall be the one year anniversary of the Executive's continuous employment with the company and/or its subsidiaries or affiliates.

(b) Except as the parties may evidence on a Schedule A to be attached to this Agreement and signed by the Executive and the Company after the date this Agreement is executed, from and after the Effective Date, this Agreement contains the entire understanding and agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, with respect thereto including, without limitation, any offer letters or employment agreements, or severance or change in control agreements, policies, plans or practices, and any nondisclosure, nonsolicitation, inventions and/or noncompetition agreements between the parties; provided, however, that any rights to indemnification, all stock options or other equity granted to the Executive prior to the Effective Date, and all agreements relating thereto shall remain in full force and effect in accordance with their terms except as otherwise modified herein.

(c) This Agreement shall continue in full force and effect for the duration of the Executive's employment with the Company; provided, however, that the Company may amend this Agreement (A) upon ninety (90) days notice to Executive solely to: (i) comply with any law, rule, statute, regulation, order, consent decree or other legal restriction or requirement enacted or imposed by any governmental entity (including any relevant court or tribunal); or (ii) avoid any tax or legal consequences negatively impacting the company resulting from the provisions of the Agreement; or (B) upon one (1) years notice to Executive to conform to governance practice(s) that may become prevalent and widely accepted in the future by public companies similar in profile to the Company. Notwithstanding the foregoing, the Company may not amend this Agreement (i) before the date that is two (2) years beyond the month in which a Change of Control occurs; or (ii) anytime after a Termination Date has occurred. The Company's amendment of this Agreement in accordance with the above provisions shall not be considered a termination of Executive's employment under this Agreement and shall not give Executive grounds to terminate employment for Good Reason under this Agreement.

18. CHOICE OF LAW; JURISDICTION; JURY TRIAL WAIVER.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Florida without regard to its conflicts of law principles. The parties agree that any suit, action or other legal proceeding that is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of Florida (or, if appropriate, a federal court located within the State of Florida), in either case located in Miami, Florida, and the parties consent to the jurisdiction of such court. The parties hereto accept the exclusive jurisdiction and venue of those courts for the purpose of any such suit, action or proceeding. The Company and the Executive each hereby irrevocably waive any right to a trial by jury in any action, suit or other legal proceeding arising under or relating to any provision of this Agreement.

19. SEVERABILITY.

The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

20. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instruments.

21. MISCELLANEOUS.

From and after the execution of this Agreement, no provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Chair of the Compensation Committee of the Board, except as provided in Section 15 above regarding Section 409A of the Code. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

22. GENDER.

All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural as the identity of the person or persons may require.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused these presents to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its assistant secretary, all as of the day and year first above written.

______________________________ ______________________

Executive Witness

____

SAP Number

ATTEST: RYDER SYSTEM, INC.

(the "Company")

____

Asst. Secretary

(Seal) By: ______________________

[_________________]

Chief Executive Officer

EXHIBIT 12

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

	Years Ended				
	2013	**2014**	**2015**	**2016**	**2017**
EARNINGS:					
Earnings before income taxes	369,014	338,267	469,215	406,381	313,786
Fixed charges	181,460	187,291	194,635	190,083	183,722
Add: Amortization of capitalized interest	589	535	571	599	1,489
Less: Interest capitalized	—	—	—	—	—
Earnings available for fixed charges (A)	551,063	526,093	664,421	597,063	498,997
FIXED CHARGES:					
Interest and other financial charges	140,729	144,960	150,784	147,843	140,349
Portion of rents representing interest expense	40,731	42,331	43,852	42,240	43,373
Total fixed charges (B)	181,460	187,291	194,636	190,083	183,722
RATIO OF EARNINGS TO FIXED CHARGES (A) / (B)	3.04x	2.81x	3.41x	3.14x	2.72x

EXHIBIT 21.1

The following list sets forth (i) all subsidiaries of Ryder System, Inc. at December 31, 2017 , (ii) the state or country of incorporation or organization of each subsidiary, and (iii) the names under which certain subsidiaries do business.

Name of Subsidiary	State or Country of Incorporation or Organization
3241290 Nova Scotia Company	Nova Scotia
Associated Ryder Capital Services, Inc.	Florida
Bullwell Trailer Solutions Limited	England
CRSA Global Logistics (HK) Limited	Hong Kong
CRTS Logistica Automotiva S.A.	Brazil
Euroway Vehicle Contracts Limited	England
Euroway Vehicle Engineering Limited	England
Euroway Vehicle Management Limited	England
Euroway Vehicle Rental Limited	England
Far East Freight, Inc.	Florida
Hill Hire Limited	England
Network Vehicle Central, Inc.	Florida
Network Vehicle Central, LLC	Florida
Road Master, Limited	Bermuda
RSI Holding B.V.	Netherlands
RSI Purchase Corp.	Delaware
RTI Argentina S.A.	Argentina
RTRC Finance LP	Canada
RTR Holdings (B.V.I.) Limited	British Virgin Islands
RTR Leasing I, Inc.	Delaware
RTR Leasing II, Inc.	Delaware
RTR Next Gen Sales, LLC	Florida
Ryder Argentina S.A.	Argentina
Ryder Ascent Logistics Pte Ltd.	Singapore
Ryder Asia Pacific Holdings B.V.	Netherlands
Ryder Capital (Barbados) SRL	Barbados
Ryder Canadian Financing US LLC	Delaware
Ryder Capital Ireland Holdings II LLC	Delaware
Ryder Capital Luxembourg Limited, S.A.R.L.	England
Ryder Capital Luxembourg Limited, Corp.	Florida
Ryder Capital S. de R.L. de C.V.	Mexico
Ryder Capital Services Corporation	Delaware
Ryder Capital UK Holdings LLP	England
Ryder Chile Sistemas Intergrados de Logistica Limitada (1)	Chile
Ryder CRSA Logistics (HK) Limited	Hong Kong
Ryder de Mexico S. de R.L. de C.V.	Mexico
Ryder Dedicated Logistics, Inc.	Delaware
Ryder Deutschland GmbH	Germany

Ryder Distribution Services Limited	England
Ryder do Brasil Ltda.	Brazil
Ryder Energy Distribution Corporation	Florida
Ryder European B.V.	Netherlands
Ryder Europe Operations B.V.	Netherlands
Ryder Fleet Products, Inc.	Tennessee
Ryder Fuel Services, LLC	Florida
Ryder Funding LP	Delaware
Ryder Funding II LP	Delaware
Ryder Global Services, LLC	Florida
Ryder Hungary Logistics LLC	Hungary
Ryder Integrated Logistics, Inc. (2)	Delaware
Ryder Integrated Logistics of California Contractors, LLC	Delaware
Ryder Integrated Logistics of Texas, LLC	Texas
Ryder International Acquisition Corp.	Florida
Ryder International, Inc.	Florida
Ryder Limited	England
Ryder Logistica Ltda.	Brazil
Ryder Logistics (Shanghai) Co., Ltd.	China
Ryder Mauritius Holdings, Ltd.	Mauritius
Ryder Mexican Holding B.V.	Netherlands
Ryder Mexican Investments I LP	Delaware
Ryder Mexican Investments II LP	Delaware
Ryder Mexicana, S. de R.L. de C.V.	Mexico
Ryder Offshore Holdings III LLC	Delaware
Ryder Pension Fund Limited	England
Ryder Puerto Rico, Inc.	Delaware
Ryder Purchasing LLC	Delaware
Ryder Receivable Funding III, L.L.C.	Delaware
Ryder Risk Solutions, LLC	Florida
Ryder Services Corporation (3)	Florida
Ryder Servicios do Brasil Ltda.	Brazil
Ryder Soluciones S. de R.L. de C.V.	Mexico
Ryder Singapore Pte Ltd.	Singapore
Ryder System B.V.	Netherlands
Ryder System Holdings (UK) Limited	England
Ryder Thailand I, LLC	Florida
Ryder Thailand II, LLC	Florida
Ryder Truck Rental Holdings Canada Ltd.	Canada
Ryder Truck Rental, Inc. (4)	Florida
Ryder Truck Rental I LLC	Delaware
Ryder Truck Rental II LLC	Delaware
Ryder Truck Rental III LLC	Delaware
Ryder Truck Rental IV LLC	Delaware
Ryder Truck Rental I LP	Delaware
Ryder Truck Rental II LP	Delaware

Ryder Truck Rental Canada Ltd. (5)	Canada
Ryder Truck Rental LT	Delaware
Ryder Vehicle Sales, LLC	Florida
Sistemas Logisticos Sigma S.A.	Argentina
Tandem Transport, L.P.	Georgia
Translados Americano S. de R.L. de C.V.	Mexico
Truck Transerv, Inc.	Delaware

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(1) Chile: d/b/a Ryder Chile Limitada

(2) Florida: d/b/a UniRyder

(3) Ohio and Texas: d/b/a Ryder Claims Services Corporation

(4) Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming: d/b/a Ryder Transportation Services

Maryland and Virginia: d/b/a Ryder/Jacobs

Michigan: d/b/a Atlas Trucking, Inc.

Michigan: d/b/a Ryder Atlas of Western Michigan

Texas: d/b/a DSC Truck Services

(5) French Name: Location de Camions Ryder du Canada Ltee.

Canadian Provinces: d/b/a Ryder Integrated Logistics,
Ryder Dedicated Logistics,
Ryder Canada,
Ryder Carrier Management Services

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-19515, No. 333-26653, No. 333-69628, No. 333-108364, No. 333-124828, No. 333-134113, No. 333-153123, No. 333-177285 No. 333-181396, No. 333-211206 and No. 333-212138) and on Form S-3 (No. 333-209536) of Ryder System, Inc. of our report dated February 16, 2018 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Certified Public Accountants
Miami, Florida
February 16, 2018

EXHIBIT 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being directors of Ryder System, Inc., a Florida corporation, hereby constitutes and appoints Robert D. Fatovic, Alena S. Brenner and Julie A. Azuaje, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign the Ryder System, Inc. Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) for the fiscal year ended December 31, 2017 (the "Form 10-K"), and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and with the New York Stock Exchange and any other stock exchange on which the Company's common stock is listed, granting unto each said attorney-in-fact and agent full power and authority to perform every act requisite and necessary to be done in connection with the execution and filing of the Form 10-K and any and all amendments thereto, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying all that each said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one Power of Attorney.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand effective the 16th day of February , 2018 .

/s/ John M. Berra John M. Berra	/s/ Robert J. Eck Robert J. Eck
/s/ Robert A. Hagemann Robert A Hagemann	/s/ Tamara L. Lundgren Tamara L. Lundgren
/s/ Michael F. Hilton Michael F. Hilton	/s/ E. Follin Smith E. Follin Smith
/s/ Luis P. Nieto, Jr. Luis P. Nieto, Jr.	
/s/ Abbie J. Smith Abbie J. Smith	
/s/ Hansel E. Tookes II Hansel E. Tookes, II	

EXHIBIT 31.1

CERTIFICATION

I, Robert E. Sanchez, certify that:

1. I have reviewed this annual report on Form 10-K of Ryder System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2018	/s/ Robert E. Sanchez
	Robert E. Sanchez President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Art A. Garcia, certify that:

1. I have reviewed this annual report on Form 10-K of Ryder System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2018

/s/ Art A. Garcia

Art A. Garcia
Executive Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert E. Sanchez

Robert E. Sanchez
President and Chief Executive Officer
February 16, 2018

/s/ Art A. Garcia

Art A. Garcia
Executive Vice President and Chief Financial Officer
February 16, 2018