RYDER SYSTEM INC
Form 10-Q
April 22, 2009

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _________ TO _________
Commission File Number: 1-4364
RYDER SYSTEM, INC.
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o YES o NO

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

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

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

The number of shares of Ryder System, Inc. Common Stock ($0.50 par value per share) outstanding at March 31, 2009 was 55,889,833.

RYDER SYSTEM, INC.
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(unaudited)

	Three months ended March 31,	
	2009	2008
	(In thousands, except per share amounts)	
Revenue	$ **1,203,060**	1,543,582
Operating expense (exclusive of items shown separately)	**544,466**	763,767
Salaries and employee-related costs	**310,258**	358,370
Subcontracted transportation	**52,620**	75,331
Depreciation expense	**222,521**	205,960
Gains on vehicle sales, net	**(3,973)**	(12,426)
Equipment rental	**15,607**	21,526
Interest expense	**38,807**	37,428
Miscellaneous expense, net	**418**	1,617
Restructuring and other charges (recoveries), net	**4,185**	(78)
	1,184,909	1,451,495
Earnings before income taxes	**18,151**	92,087
Provision for income taxes	**11,313**	36,005
Net earnings	$ **6,838**	56,082
Earnings per common share:		
Basic	$ **0.12**	0.97
Diluted	$ **0.12**	0.96
Cash dividends per common share	$ **0.23**	0.23

See accompanying notes to consolidated condensed financial statements.

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

	March 31, 2009	December 31, 2008
	(Dollars in thousands, except per share amount)	
Assets:		
Current assets:		
Cash and cash equivalents	$ **91,574**	120,305
Receivables, net of allowance of $13,249 and $15,477, respectively	**567,014**	635,376
Inventories	**47,925**	48,324
Prepaid expenses and other current assets	**127,037**	147,191
Total current assets	**833,550**	951,196
Revenue earning equipment, net of accumulated depreciation of $2,815,230 and $2,749,654, respectively	**4,556,306**	4,565,224
Operating property and equipment, net of accumulated depreciation of $856,712 and $842,427, respectively	**542,919**	546,816
Goodwill	**217,185**	198,253
Intangible assets	**39,624**	36,705
Direct financing leases and other assets	**380,836**	391,314
Total assets	$ **6,570,420**	6,689,508
Liabilities and shareholders equity:		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ **107,076**	384,262
Accounts payable	**256,632**	295,083
Accrued expenses and other current liabilities	**376,873**	431,820
Total current liabilities	**740,581**	1,111,165
Long-term debt	**2,740,312**	2,478,537
Other non-current liabilities	**850,682**	837,280
Deferred income taxes	**910,668**	917,365
Total liabilities	**5,242,243**	5,344,347
Shareholders equity:		
Preferred stock of no par value per share authorized, 3,800,917; none outstanding, March 31, 2009 or December 31, 2008		
Common stock of $0.50 par value per share authorized, 400,000,000; outstanding, March 31, 2009 55,889,833; December 31, 2008 55,658,059	**27,945**	27,829
Additional paid-in capital	**762,245**	756,190
Retained earnings	**1,099,349**	1,105,369

Accumulated other comprehensive loss	**(561,362)**	(544,227)
Total shareholders equity	**1,328,177**	1,345,161
Total liabilities and shareholders equity	**$ 6,570,420**	6,689,508

See accompanying notes to consolidated condensed financial statements.

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

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net earnings	**$ 6,838**	56,082
Depreciation expense	**222,521**	205,960
Gains on vehicle sales, net	**(3,973)**	(12,426)
Share-based compensation expense	**4,771**	3,635
Amortization expense and other non-cash charges, net	**9,016**	5,197
Deferred income tax expense	**5,079**	28,132
Tax benefits from share-based compensation	**1**	592
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	**59,441**	74,183
Inventories	**535**	(130)
Prepaid expenses and other assets	**(5,591)**	(15,915)
Accounts payable	**(9,257)**	(41,826)
Accrued expenses and other non-current liabilities	**(35,586)**	(3,232)
Net cash provided by operating activities	**253,795**	300,252
Cash flows from financing activities:		
Net change in commercial paper borrowings	**266,089**	(238,351)
Debt proceeds	**66**	453,624
Debt repaid, including capital lease obligations	**(277,651)**	(201,726)
Dividends on common stock	**(12,858)**	(13,414)
Common stock issued	**1,209**	35,241
Common stock repurchased		(93,751)
Excess tax benefits from share-based compensation	**190**	2,332
Net cash used in financing activities	**(22,955)**	(56,045)
Cash flows from investing activities:		
Purchases of property and revenue earning equipment	**(252,033)**	(273,813)
Sales of revenue earning equipment	**46,397**	74,304
Sales of operating property and equipment	**795**	679
Acquisitions	**(85,454)**	(92,830)
Collections on direct finance leases	**21,468**	17,628
Changes in restricted cash	**11,208**	23,934
Other, net		395
Net cash used in investing activities	**(257,619)**	(249,703)

Effect of exchange rate changes on cash	**(1,952)**	3,658
Decrease in cash and cash equivalents	**(28,731)**	(1,838)
Cash and cash equivalents at January 1	**120,305**	116,459
Cash and cash equivalents at March 31	**$ 91,574**	114,621
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 35,311**	18,026
Income taxes, net of refunds	**4,007**	7,498
Non-cash investing activities:		
Changes in accounts payable related to purchases of revenue earning equipment	**(27,347)**	58,617
Revenue earning equipment acquired under capital leases	**1,949**	773

See accompanying notes to consolidated condensed financial statements.

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RYDER SYSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY
(unaudited)

	Preferred Stock Amount	Common Stock Shares	Common Stock Par	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(Dollars in thousands, except per share amount)						
Balance at December 31, 2008	$	55,658,059	$ 27,829	756,190	1,105,369	(544,227)	1,345,161
Components of comprehensive loss:							
Net earnings					**6,838**		**6,838**
Foreign currency translation adjustments						**(20,877)**	**(20,877)**
Net unrealized gain related to derivatives accounted for as hedges						**143**	**143**
Amortization of pension and postretirement items, net of tax						**3,743**	**3,743**
Change in net actuarial loss, net of tax						**(144)**	**(144)**
Total comprehensive loss							**(10,297)**
Common stock dividends declared $0.23 per share					**(12,858)**		**(12,858)**
Common stock issued under employee stock option and stock purchase plans [(1)]		**233,684**	**117**	**1,132**			**1,249**
Benefit plan stock purchases [(2)]		**(1,910)**	**(1)**	**(39)**			**(40)**
Share-based compensation				**4,771**			**4,771**
Tax benefits from share-based compensation				**191**			**191**
Balance at March 31, 2009	**$**	**55,889,833**	**$ 27,945**	**762,245**	**1,099,349**	**(561,362)**	**1,328,177**

(1) Net of common shares delivered as payment for the exercise price or to

satisfy the option holders withholding tax liability upon exercise of options.

(2) *Represents open-market transactions of common shares by the trustee of Ryder s deferred compensation plans.*

See accompanying notes to consolidated condensed financial statements.

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

(A) INTERIM FINANCIAL STATEMENTS

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts of Ryder System, Inc. (Ryder) and all entities in which Ryder System, Inc. has a controlling voting interest (subsidiaries), and variable interest entities (VIEs) required to be consolidated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with the accounting policies described in our 2008 Annual Report on Form 10-K except for the accounting changes described below relating to earnings per share data, business combinations and certain fair value measurements, and should be read in conjunction with the Consolidated Financial Statements and notes thereto. These financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included and the disclosures herein are adequate. The operating results for interim periods are unaudited and are not necessarily indicative of the results that can be expected for a full year. Certain prior year amounts have been reclassified to conform to the current period presentation. During the fourth quarter of 2008, we decided to discontinue operations in Brazil, Argentina, and Chile during 2009 and transition out of specific Supply Chain Solutions customer contracts in Europe. These operations will be reported as part of continuing operations in our Consolidated Condensed Financial Statements until all operations cease.

(B) ACCOUNTING CHANGES

In June 2008, the Financial Accounting Standards Board (FASB) issued Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method described in Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Our nonvested stock (time-vested restricted stock rights, market-based restricted stock rights and restricted stock units) are considered participating securities since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. Upon adoption, we are required to retrospectively adjust earnings per share data to conform to the provisions in this FSP. Accordingly, we adopted the provisions of FSP EITF 03-6-1 effective January 1, 2009 and computed earnings per common share using the two-class method for all periods presented. FSP EITF 03-6-1 reduced full year 2008, 2007 and 2006 diluted earnings per common share by $0.02, $0.02 and $0.01, respectively, and had no impact on our first quarter 2008 or 2009 earnings per common share. Refer to Note (E), Earnings per Share, for additional disclosures.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations. This statement amends SFAS No. 141, Business Combinations, and provides revised guidance for recognizing and measuring assets acquired and liabilities assumed in a business combination. This statement also requires, among other things, that transaction costs in a business combination be expensed as incurred. SFAS No. 141R was effective for business combinations closing after January 1, 2009. Effective January 1, 2009, we adopted the provisions of SFAS No. 141R without a material impact to our Consolidated Condensed Financial Statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are to be applied prospectively, except for certain financial instruments, which should be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year in which this statement is initially applied. We adopted SFAS No. 157 on January 1, 2008 for all financial assets and liabilities

and for all nonfinancial assets and liabilities recognized or disclosed at fair value in our Consolidated Condensed Financial Statements on a recurring basis (at least annually). We adopted SFAS No. 157 on January 1, 2009 for all other nonfinancial assets and liabilities, including our vehicles held for sale. The adoption of SFAS No. 157 did not have a material impact on our Consolidated Condensed Financial Statements. Refer to Note (K), Fair Value Measurements, for additional disclosures.

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

(C) ACQUISITIONS

Edart Leasing LLC Acquisition On February 2, 2009, we acquired the assets of Edart Leasing LLC (Edart), which included Edart s fleet of approximately 1,600 vehicles and more than 340 contractual customers from Edart s five locations in Connecticut for a purchase price of $87.4 million, of which $81.3 million was paid as of March 31, 2009. The initial recording of the transaction was based on preliminary valuation assessments and is subject to change. As of March 31, 2009, goodwill and customer relationship intangibles related to the Edart acquisition were $18.4 million and $4.3 million, respectively. The combined network operates under the Ryder name, complementing our Fleet Management Solutions (FMS) business segment market coverage in the Northeast. We also acquired approximately 525 vehicles that will be re-marketed. The asset purchase was accounted for in accordance with SFAS No. 141R, Business Combinations, as an acquisition of a business.

Transpacific Container Terminal Ltd. and CRSA Logistics Ltd. Acquisition On December 19, 2008, we acquired the assets of Transpacific Container Terminal Ltd. and CRSA Logistics Ltd. (CRSA) located in Port Coquitlam, British Columbia, as well as CRSA s operations in Hong Kong and Shanghai, China. The companies specialize in trans-Pacific, end-to-end transportation management and supply chain services primarily for Canadian retailers. This acquisition adds complementary solutions to our Supply Chain Solutions (SCS) business segment capabilities including consolidation services in key Asian hub and off-dock deconsolidation operations in Canada. The purchase price and initial recording of the transaction was based on preliminary valuation assessments and is subject to change. The purchase price was $14.6 million, of which $12.1 million. During the three months ended March 31, 2009, we made purchase price adjustments primarily related to intangible valuations, which increased goodwill by $0.8 million. The terms of the asset purchase agreement provide for up to $4 million in contingent consideration to be paid to the seller if certain financial metrics are achieved. In accordance with SFAS No. 141, contingent consideration will be accounted for as additional purchase price when the contingency is resolved.

2008 FMS Acquisitions During 2008, we completed a series of acquisitions in our FMS business segment, for a total purchase price of $239.6 million, of which $92.8 million was paid in the first quarter of 2008. We acquired all the assets of Gordon Truck Leasing, Gator Leasing Inc. and Lily Transportation Corporation. As of March 31, 2009, goodwill and intangible assets related to the 2008 FMS acquisitions were $56.5 million and $13.7 million, respectively. During the three months ended March 31, 2009, purchase price adjustments were not significant. The 2008 FMS acquisitions were accounted for in accordance with SFAS No. 141, as an acquisition of a business.

During the first quarter of 2009 we paid $4.2 million related to acquisitions completed in prior years. Pro forma information for these acquisitions is not disclosed because the effects of these acquisitions are not significant.

(D) SHARE-BASED COMPENSATION PLANS

Share-based incentive awards are provided to employees under the terms of various share-based compensation plans (collectively, the Plans). The Plans are administered by the Compensation Committee of the Board of Directors. Awards under the Plans principally include at-the-money stock options, nonvested stock and cash awards. Share-based compensation expense is generally recorded in Salaries and employee-related costs in the Consolidated Condensed Statements of Earnings.

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

	Three months ended March 31,		
	2009		2008
	(In thousands)		
Stock option and stock purchase plans	$	**2,813**	2,255
Nonvested stock		**1,958**	1,380

Share-based compensation expense		**4,771**	3,635
Income tax benefit		**(1,519)**	(1,293)
Share-based compensation expense, net of tax	**$**	**3,252**	2,342

Total unrecognized pre-tax compensation expense related to share-based compensation arrangements at March 31, 2009 was $35.7 million and is expected to be recognized over a weighted-average period of approximately 2.1 years.

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

During the three months ended March 31, 2009 and 2008, approximately 900,000 and 600,000 stock options, respectively, were granted under the Plans. These awards, which generally vest one-third each year, are fully vested three years from the grant date and have contractual terms of seven years. The fair value of each option award at the date of grant was estimated using a Black-Scholes-Merton option-pricing valuation model. The weighted-average fair value of options granted during the three months ended March 31, 2009 and 2008 was $9.24 and $13.82, respectively.

During each of the three months ended March 31, 2009 and 2008, approximately 200,000 awards of restricted stock rights were granted under the Plans. The majority of the restricted stock rights granted during the periods included a market-based vesting provision. In 2009, the provision was such that employees only receive the grant of stock if the average monthly differential between Ryder s total shareholder return (TSR) and the S&P 500 TSR over an applicable three-year period is greater than zero. In 2008, the provision was such that employees only receive the grant of stock if Ryder s TSR as a percentage of the S&P 500 comparable period TSR is 100% or greater over an applicable three-year period. The fair value of the market-based restricted stock rights on the grant date was estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. The weighted-average fair value of market-based restricted stock rights granted during the three months ended March 31, 2009 and 2008 was $16.52 and $48.71, respectively. Stock awards granted during the three months ended March 31, 2008, also included time-vested restricted stock rights which entitle the holder to shares of common stock as the awards vest over a three-year period. The fair value of the time-vested awards is determined and fixed on the grant date based on Ryder s stock price. The weighted-average fair value of the time-vested restricted stock rights granted during the three months ended March 31, 2008 was $57.86.

During the three months ended March 31, 2009 and 2008, employees who received market-based restricted stock rights also received market-based cash awards. The awards will vest on the same date as the market-based restricted stock rights if Ryder s TSR is equal to or better than the TSR of the S&P 500 s 33rd percentile over an applicable three-year period. The cash awards are accounted for as liability awards as the cash settlement amount is based upon the price of our common stock. As a result, the liability is adjusted to reflect fair value at the end of each reporting period. The fair value of the cash awards was estimated using a lattice-based option-pricing valuation model that incorporates a Monte-Carlo simulation. During the three months ended March 31, 2009 and 2008, we recognized $0.3 million and $1.2 million, respectively, of compensation expense related to these cash awards in addition to the share-based compensation expense reported in the previous table.

(E) EARNINGS PER SHARE

Effective January 1, 2009, we adopted FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities, which required us to use the two-class method to calculate earnings per share. 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.

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

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

	Three months ended March 31,		
	2009		2008
	(In thousands, except per share amounts)		
Earnings per share Basic:			
Net earnings	$	**6,838**	56,082
Less: Distributed and undistributed earnings allocated to nonvested stock		**(72)**	(434)
Earnings available to common shareholders Basic	$	**6,766**	55,648
Weighted average common shares outstanding Basic		**55,238**	57,595
Earnings per common share Basic	$	**0.12**	0.97
Earnings per share Diluted:			
Net earnings	$	**6,838**	56,082
Less: Distributed and undistributed earnings allocated to nonvested stock		**(72)**	(432)
Earnings available to common shareholders Diluted	$	**6,766**	55,650
Weighted average common shares outstanding Basic		**55,238**	57,595
Effect of dilutive options		**43**	378
Weighted average common shares outstanding Diluted		**55,281**	57,973
Earnings per common share Diluted	$	**0.12**	0.96
Anti-dilutive equity awards not included above		**2,651**	1,124

(F) RESTRUCTURING AND OTHER CHARGES (RECOVERIES)

The components of restructuring and other charges (recoveries), net were as follows:

	Three months ended March 31,	
	2009	2008

	(In thousands)	
Restructuring charges (recoveries), net:		
Severance and employee-related charges (recoveries)	**$ 2,962**	(78)
Contract termination costs	**312**	
	3,274	(78)
Other charges, net:		
Asset impairments	**21**	
Plan implementation costs	**890**	
Total	**$ 4,185**	(78)

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

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

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Fleet Management Solutions	$ **1,699**	
Supply Chain Solutions	**2,304**	(125)
Dedicated Contract Carriage	**48**	
Central Support Services	**134**	47
Total	$ **4,185**	(78)

Restructuring charges, net for the three months ended March 31, 2009 totaled $4.2 million and were due primarily to ongoing costs related to the restructuring plan announced in the fourth quarter of 2008. During the first quarter of 2009, we recorded a charge of $1.8 million related to exiting SCS operations in South America and Europe. These charges included $0.6 million of employee severance and benefit costs related to retention bonuses and refinements in estimates recorded in the prior year. The charges also included $0.3 million of contract termination costs and $0.9 million of plan implementation costs, mostly professional service fees. During the first quarter of 2009, we also recorded a charge of $2.4 million of employee severance and benefit costs related to workforce reductions and refinements in workforce reduction estimates from the prior year charge. We eliminated approximately 30 positions in 2009 as part of our continued cost containment initiatives.

Activity related to restructuring reserves was as follows:

	December 31, 2008		Deductions		March 31, 2009
	Balance	**Additions**	**Cash Payments**	**Non-Cash Reductions[(1)]**	**Balance**
	(In thousands)				
Employee severance and benefits	$ 26,541	**3,703**	**8,361**	**741**	**21,142**
Contract termination costs	3,482	**312**	**272**		**3,522**
Total	$ 30,023	**4,015**	**8,633**	**741**	**24,664**

(1) Non-cash reductions represent adjustments to the restructuring

reserves as actual costs were less than originally estimated.

At March 31, 2009, the majority of outstanding restructuring obligations are required to be paid over the next nine months.

(G) REVENUE EARNING EQUIPMENT

	March 31, 2009			December 31, 2008		
	Cost	**Accumulated Depreciation**	**Net Book Value[(1)]**	Cost	Accumulated Depreciation	Net Book Value [(1)]
	(In thousands)					
Full service lease	**$ 5,948,410**	**(2,175,844)**	**3,772,566**	$ 5,568,162	(1,957,535)	3,610,627
Commercial rental	**1,423,126**	**(639,386)**	**783,740**	1,746,716	(792,119)	954,597
Total	**$ 7,371,536**	**(2,815,230)**	**4,556,306**	$ 7,314,878	(2,749,654)	4,565,224

(1) Revenue earning equipment, net includes vehicles acquired under capital leases of $22.4 million, less accumulated amortization of $6.8 million, at March 31, 2009, and $20.2 million, less accumulated amortization of $5.1 million, at December 31, 2008. Amortization expense attributed to vehicles acquired under capital leases is combined with depreciation expense.

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

(H) ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31, 2009			December 31, 2008		
	Accrued Expenses	**Non-Current Liabilities**	**Total**	Accrued Expenses	Non-Current Liabilities	Total
			(In thousands)			
Salaries and wages	**$ 43,107**		**43,107**	$ 69,697		69,697
Deferred compensation	**1,151**	**15,802**	**16,953**	1,453	18,050	19,503
Pension benefits	**2,489**	**512,565**	**515,054**	2,501	504,714	507,215
Other postretirement benefits	**3,333**	**43,381**	**46,714**	3,350	43,027	46,377
Employee benefits	**1,415**		**1,415**	5,185		5,185
Insurance obligations	**106,460**	**162,075**	**268,535**	109,167	164,372	273,539
Residual value guarantees	**918**	**1,795**	**2,713**	651	1,738	2,389
Vehicle rent	**2,437**	**11,287**	**13,724**	16,680	7,167	23,847
Deferred vehicle gains	**796**	**2,867**	**3,663**	808	3,120	3,928
Environmental liabilities	**3,950**	**11,462**	**15,412**	3,848	11,623	15,471
Asset retirement obligations	**5,081**	**10,961**	**16,042**	4,544	11,146	15,690
Operating taxes	**72,441**		**72,441**	73,280		73,280
Income taxes	**3,673**	**54,090**	**57,763**	4,183	52,700	56,883
Restructuring	**24,513**	**151**	**24,664**	29,857	166	30,023
Interest	**36,951**		**36,951**	34,547		34,547
Customer deposits	**25,966**		**25,966**	27,017		27,017
Derivatives	**531**		**531**	607		607
Other	**41,661**	**24,246**	**65,907**	44,445	19,457	63,902
Total	**$ 376,873**	**850,682**	**1,227,555**	$ 431,820	837,280	1,269,100

(I) INCOME TAXES

Effective Tax Rate

Our effective tax rate for the first quarter of 2009 increased to 62.3% as compared to 39.1% in the same period in 2008 due mainly to non-deductible foreign operating losses and charges. The foreign operating losses included the Singapore impairment charge described in Note (Q), Other Items Impacting Comparability.

Uncertain Tax Positions

We are subject to tax audits in numerous jurisdictions in the U.S. and around the world. Tax audits by their very nature are often complex and can require several years to complete. In the normal course of business, we are subject to challenges from the Internal Revenue Service (IRS) and other tax authorities regarding amounts of taxes due. These challenges may alter the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions. As part of our calculation of the provision for income taxes on earnings, we determine whether the benefits of our tax positions are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we accrue the largest amount of the benefit that is more likely than not of being sustained in our Consolidated Condensed Financial Statements. Such accruals require management to make estimates and judgments with respect to the ultimate outcome

of a tax audit. Actual results could vary materially from these estimates.

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

Federal audits of our U.S. federal income tax returns are closed through fiscal year 2006. In the first quarter of 2009, the IRS completed their examination of our U.S. income tax returns for 2004 through 2006. The statute of limitation for the 2004, 2005 and 2006 years will expire on December 31, 2009, September 15, 2009 and September 15, 2010, respectively.

State for the majority of states, we are no longer subject to tax examinations by tax authorities for tax years before 2004.

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Foreign we are no longer subject to foreign tax examinations by tax authorities for tax years before 2001 in Canada and Brazil, and 2003 and 2006 in Mexico and the U.K., respectively, which are our major foreign tax jurisdictions. In Brazil, we were assessed $10.8 million, including penalties and interest, related to the tax due on the sale of our outbound auto carriage business in 2001. We believe it is more likely than not that our tax position will ultimately be sustained and no amounts have been reserved for this matter.

At March 31, 2009 and December 31, 2008, the total amount of gross unrecognized tax benefits (excluding the federal benefit received from state positions) was $52.9 million and $51.7 million, respectively. Unrecognized tax benefits related to federal, state and foreign tax positions may decrease by $1.7 million by March 31, 2010, if audits are completed or tax years close.

Tax Law Change

On February 19, 2009, the State of Wisconsin enacted changes to its tax system, which included mandatory unitary combined reporting. The impact of this change resulted in a favorable non-cash adjustment to deferred income taxes and increased net earnings in the three months ended March 31, 2009 by $0.5 million, or $0.01 per diluted common share.

Like-Kind Exchange Program

We have a like-kind exchange program for certain of our revenue earning equipment operating in the U.S. Pursuant to the program, we dispose of vehicles and acquire replacement vehicles in a form whereby tax gains on disposal of eligible vehicles are deferred. To qualify for like-kind exchange treatment, we exchange, through a qualified intermediary, eligible vehicles being disposed of with vehicles being acquired allowing us to generally carryover the tax basis of the vehicles sold (like-kind exchanges). The program is expected to result in a material deferral of federal and state income taxes. As part of the program, the proceeds from the sale of eligible vehicles are restricted for the acquisition of replacement vehicles and other specified applications. Due to the structure utilized to facilitate the like-kind exchanges, the qualified intermediary that holds the proceeds from the sales of eligible vehicles and the entity that holds the vehicles to be acquired under the program are required to be consolidated in the accompanying Consolidated Condensed Financial Statements in accordance with U.S. GAAP. At March 31, 2009 and December 31, 2008, these consolidated entities had total assets of $42.1 million and $70.5 million, respectively.

At March 31, 2009 and December 31, 2008, we had $21.3 million and $32.5 million, respectively, of restricted cash for all like-kind exchange programs included within Prepaid expenses and other current assets on the Consolidated Condensed Balance Sheets.

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(J) DEBT

	Weighted-Average Interest Rate				
	March 31, 2009	December 31, 2008	**Maturities**	**March 31, 2009**	December 31, 2008
				(In thousands)	
Short-term debt and current portion of long-term debt:					
Unsecured foreign obligations	**8.35%**	9.03 %	**2009**	**$ 10,542**	14,635
Trade receivables program	**1.31%**	2.77 %	**2009**	**90,000**	190,000
Current portion of long-term debt, including capital leases				**6,534**	179,627
Total short-term debt and current portion of long-term debt				**107,076**	384,262
Long-term debt:					
U.S. commercial paper [1],[2]	**1.17%**	3.63 %	**2010**	**287,294**	34,804
Canadian commercial paper [1],[2]	**1.43%**	2.80 %	**2010**	**21,413**	8,283
Unsecured U.S. notes Medium-term notes [1]	**5.86%**	5.73 %	**2009-2116**	**2,134,129**	2,306,751
Unsecured U.S. obligations, principally bank term loans	**3.28%**	3.40 %	**2010-2013**	**157,150**	157,150
Unsecured foreign obligations	**5.08%**	5.07 %	**2010-2012**	**116,652**	120,944
Capital lease obligations	**8.80%**	9.31 %	**2009-2017**	**13,089**	11,841
Total before fair market value adjustment				**2,729,727**	2,639,773
Fair market value adjustment on notes subject to hedging [3]				**17,119**	18,391
				2,746,846	2,658,164
Current portion of long-term debt, including capital leases				**(6,534)**	(179,627)
Long-term debt				**2,740,312**	2,478,537
Total debt				**$ 2,847,388**	2,862,799

(1) We had unamortized original issue discounts of $13.0 million and $12.0 million at March 31, 2009 and December 31, 2008,

respectively.

(2) *Commercial paper borrowings are supported by the long-term revolving credit facility; therefore we have classified the commercial paper as long-term debt.*

(3) *The notional amount of executed interest rate swaps designated as fair value hedges was $250.0 million at March 31, 2009 and December 31, 2008.*

We can borrow up to $870 million through a global revolving credit facility with a syndicate of twelve lenders. The credit facility matures in May 2010 and is used primarily to finance working capital and provide support for the issuance of commercial paper in the U.S. and Canada. This facility can also be used to issue up to $75 million in letters of credit (there were no letters of credit outstanding against the facility at March 31, 2009). At our option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility s current annual facility fee is 11 basis points, which applies to the total facility of $870 million, and is based on Ryder s current credit ratings. The credit facility contains no provisions restricting its availability in the event of a material adverse change to Ryder s business operations; however, the credit facility does contain standard representations and warranties, events of default, cross-default provisions, and certain affirmative and negative covenants. In order to maintain availability of funding, we must maintain a ratio of debt to consolidated tangible net worth, of less than or equal to 300%. Tangible net worth for purposes of the credit facility excludes intangibles and includes a portion of our deferred income tax liability. The ratio at March 31, 2009 was 190%. At March 31, 2009, $559.0 million was available under the credit facility. Foreign borrowings of $21.4 million were outstanding under the facility at March 31, 2009.

In September 2008, we renewed our trade receivables purchase and sale program, pursuant to which we sell certain of our domestic trade accounts receivable to Ryder Receivable Funding II, L.L.C. (RRF LLC), a bankruptcy remote, consolidated subsidiary of Ryder, that in turn may sell, on a revolving basis, an ownership interest in certain of these accounts receivable to a receivables conduit or committed purchasers. We use this program to provide additional liquidity to fund our operations, particularly when it is cost effective to do so. The costs under the program may vary based on changes in our unsecured debt ratings and changes in interest rates. The available proceeds that may be received under the program are limited to $250 million. If no event occurs which causes early termination, the 364-day program will expire on September 8, 2009. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectibility of the securitized receivables. At March 31, 2009 and December 31, 2008, $90 million and $190 million, respectively, was outstanding under the program and was included within Short-term debt and current portion of long-term debt on our Consolidated Condensed Balance Sheets. At March 31, 2009 and December 31, 2008, collateralized receivables under the program

were $99.3 million and $209.7 million, respectively.

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In February 2008, we issued $250 million of unsecured medium-term notes maturing in March 2013. The proceeds from the notes were used for general corporate purposes. Concurrently, we entered into an interest rate swap with a notional amount of $250 million maturing in March 2013. The swap was designated as a fair value hedge whereby we receive fixed interest rate payments in exchange for making variable interest rate payments. The differential to be paid or received is accrued and recognized as interest expense. At March 31, 2009, the interest rate swap agreement effectively changed $250 million of fixed-rate debt with an interest rate of 6.00% to LIBOR-based floating-rate debt at a rate of 3.93%. Changes in the fair value of the interest rate swap are offset by changes in the fair value of the debt instrument. Accordingly, there is no ineffectiveness related to the interest rate swap. Refer to Note (L), Derivatives, for changes in fair value.

On February 27, 2007, Ryder filed an automatic shelf registration statement on Form S-3 with the Securities and Exchange Commission. The registration is for an indeterminate number of securities and is effective for three years. Under this universal shelf registration statement, we have the capacity to offer and sell from time to time various types of securities, including common stock, preferred stock and debt securities, subject to market demand and ratings status.

(K) FAIR VALUE MEASUREMENTS

We carry various assets and liabilities at fair value in the Consolidated Condensed Balance Sheets. The most significant assets and liabilities are vehicles held for sale, which are carried at the lower of carrying value or fair value less costs to sell, investments held in Rabbi Trusts and derivatives. SFAS No. 157 defines fair value 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. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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.

The following tables present the fair value of our assets and liabilities recorded at fair value on a recurring basis segregated among the appropriate levels within the fair value hierarchy:

	Fair Value Measurements At March 31, 2009 Using			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In thousands)			
Assets:				
Investments held in Rabbi Trusts	**$ 15,292**			**15,292**
Derivative asset		**17,119**		**17,119**
Total assets at fair value	**$ 15,292**	**17,119**		**32,411**

Liabilities:			
Derivative liabilities	$	**531**	**531**
Total liabilities at fair value	$	**531**	**531**

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	Fair Value Measurements At December 31, 2008 Using			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Investments held in Rabbi Trusts	$ 16,950			16,950
Derivative asset		18,391		18,391
Total assets at fair value	$ 16,950	18,391		35,341
Liabilities:				
Derivative liabilities	$	607		607
Total liabilities at fair value	$	607		607

The following is a description of the valuation methodologies used for these items, as well as the general classification of such items pursuant to the fair value hierarchy of SFAS No. 157:

Investments held in Rabbi Trusts The investments include exchange-traded equity securities and mutual funds. Fair values for these investments were based on quoted prices in active markets and were therefore classified within Level 1 of the fair value hierarchy.

Derivative asset The derivative is a pay-variable, receive-fixed interest rate swap based on the LIBOR rate. Fair value was based on a model-driven valuation using the LIBOR rate, which was observable at commonly quoted intervals for the full term of the swap. Therefore, our derivative asset was classified within Level 2 of the fair value hierarchy.

Derivative liabilities The derivatives are forward foreign currency exchange contracts used to mitigate the risk of foreign currency movements on intercompany transactions. Fair value was based on a model-driven valuation using the observable forward foreign exchange rates, which was observable at commonly quoted intervals for the full term of the contracts. Therefore, our derivative liabilities were classified within Level 2 of the fair value hierarchy.

The following table presents the fair value of our assets and liabilities recorded at fair value on a nonrecurring basis segregated among the appropriate levels within the fair value hierarchy:

	Fair Value Measurements At March 31, 2009 Using			
	Level 1	**Level 2**	**Level 3**	**Total Gains (Losses)**
	(In thousands)			
Assets:				
Revenue earning equipment	**$**		**43,267**	**$ (12,729)**
Operating property and equipment			**10,590**	**(3,924)**
Total assets at fair value	**$**		**53,857**	**$ (16,653)**

The following is a description of the valuation methodologies used for these items, as well as the general classification of such items pursuant to the fair value hierarchy of SFAS No. 157:

Revenue earning equipment Represents revenue earning equipment held for sale which is stated at the lower of carrying amount or fair value less costs to sell. At March 31, 2009, the net carrying value of revenue earning equipment held for sale was $102.6 million, of which $43.3 million was recorded at fair value less costs to sell of $0.8 million. During the three months ended March 31, 2009 and 2008, we recorded a loss to reflect changes in fair value of $12.7 million and $7.2 million, respectively, within Depreciation expense in the Consolidated Condensed Statements of Earnings. At December 31, 2008, the net carrying value of revenue earning equipment held for sale was $93.8 million. For revenue earning equipment held for sale, we stratify our fleet by vehicle type (tractors, trucks, trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. Fair value was determined based upon recent market prices obtained from our own sales experience for sales of each class of similar assets and vehicle condition. Therefore, our revenue earning equipment held for sale was classified within Level 3 of the fair value hierarchy.

Operating property and equipment Represents a SCS facility held for use in Singapore for which the carrying amount was required to be written down to fair value of $10.6 million, resulting in an impairment loss of $3.9 million. Fair value was based on an appraisal of the facility based on observable market data and adjusted based on our projections of the real estate market in Singapore.

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Therefore, operating property and equipment is classified within Level 3 of the fair value hierarchy. Refer to Note (Q), Other Items Impacting Comparability, for additional information on this facility.

(L) DERIVATIVES

At March 31, 2009 and December 31, 2008, the fair value and line item caption of derivative instruments recorded on the Consolidated Condensed Balance Sheets were as follows:

	March 31, 2009		December 31, 2008	
rivatives designated as hedging instruments under SFAS No. 133:	**Balance Sheet Location**	**Fair Value**	Balance Sheet Location	Fai Valu
		(In thousands)		
et derivatives:				
rest rate contract	**Direct finance leases and other assets**	**$ 17,119**	Direct finance leases and other assets	$ 18,3
		$ 17,119		$ 18,3
bility derivatives:				
eign exchange contracts	**Accrued expenses**	**$ 531**	Accrued expenses	$ 6
		$ 531		$ 6

The location and amount of gains (losses) on derivative instruments and related hedged items reported in the Consolidated Condensed Statements of Earnings were as follows:

SFAS No. 133 Fair Value Hedging Relationship	Location of Gain (Loss) Recognized in Income	Three months ended March 31, **2009**	2008
		(In thousands)	
Derivative: Interest rate contract	Interest expense	**$ 1,272**	5,941
Hedged item: Fixed-rate debt	Interest expense	**(1,272)**	(5,941)
Total		**$**	

(M) 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 Ryder to dispute the other party s claim. Additionally, our obligations under these agreements may be limited in terms of the amount and (or) timing of any claim. We have entered into individual indemnification agreements with each of our independent directors, through which we will indemnify such director acting in good faith against any and all losses, expenses and liabilities arising out of such director s service as a director of Ryder. The maximum amount of potential future payments under these agreements is generally unlimited.

We cannot predict the maximum potential amount of future payments under certain of these agreements, including the indemnification agreements, due to the contingent nature of the potential obligations and the distinctive provisions that are involved in each individual agreement. Historically, no such payments made by Ryder have had a material adverse effect on our business. We believe that if a loss were incurred in any of these matters, the loss would not result in a material adverse impact on our consolidated results of operations or financial position.

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At March 31, 2009 and December 31, 2008, the maximum determinable exposure of each type of guarantee and the corresponding liability, if any, recorded on the Consolidated Condensed Balance Sheets were as follows:

	March 31, 2009		December 31, 2008	
Guarantee	**Maximum Exposure of Guarantee**	**Carrying Amount of Liability**	Maximum Exposure of Guarantee	Carrying Amount of Liability
	(In thousands)			
Vehicle residual value guarantees finance lease programs [1]	**$ 2,182**	**970**	$ 2,332	935
Used vehicle financing	**4,058**	**321**	4,162	472
Standby letters of credit	**7,641**		7,778	
Total	**$ 13,881**	**1,291**	$ 14,272	1,407

(1) Amounts exclude contingent rentals associated with residual value guarantees on certain vehicles held under operating leases for which the guarantees are conditioned upon disposal of the leased vehicles prior to the end of their lease term. At March 31, 2009 and December 31, 2008, Ryder s maximum exposure for such guarantees was $184.2 million and

$200.0 million, respectively, with $2.7 million and $2.4 million recorded as a liability at March 31, 2009 and December 31, 2008, respectively.

At March 31, 2009 and December 31, 2008, we had letters of credit and surety bonds outstanding totaling $250.6 million and $249.2 million, respectively, which primarily guarantee the payment of insurance claims. Certain of these letters of credit and surety bonds guarantee insurance activities associated with insurance claim liabilities transferred in conjunction with the sale of our automotive transport business, reported as a discontinued operation in previous years. To date, the insurance claims, representing per-claim deductibles payable under third-party insurance policies, have been paid and continue to be paid by the company that assumed such liabilities. However, if all or a portion of the estimated outstanding assumed claims of approximately $7.6 million at March 31, 2009 are unable to be paid, the third-party insurers may have recourse against certain of the outstanding letters of credit provided by Ryder in order to satisfy the unpaid claim deductibles. In order to reduce our potential exposure to these claims, we have an irrevocable letter of credit from the purchaser of the business referred to above totaling $7.5 million at March 31, 2009. In April 2009, we drew upon this letter of credit. Periodically, an actuarial valuation is made in order to better estimate the amount of outstanding insurance claim liabilities.

(N) SHARE REPURCHASE PROGRAMS

In December 2007, our Board of Directors authorized a $300 million discretionary share repurchase program over a period not to exceed two years. Additionally, our Board of Directors authorized a separate two-year anti-dilutive repurchase program. Under the anti-dilutive program, management is authorized to repurchase shares of common stock in an amount not to exceed the lesser of the number of shares issued to employees upon the exercise of stock options or through the employee stock purchase plan from the period beginning on September 1, 2007 to December 12, 2009, or 2 million shares. Share repurchases of common stock under both plans may be made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management may establish prearranged written plans for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the December 2007 programs, which allow for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. For the three months ended March 31, 2008, we repurchased and retired 840,000 shares under the $300 million program at an aggregate cost of $49.6 million, and 750,951 shares under the anti-dilutive repurchase program at an aggregate cost of $44.2 million. Towards the end of the third quarter of 2008, we temporarily paused purchases under both programs given current market conditions. We will continue to monitor financial conditions and will resume repurchases when we believe it is prudent to do so.

(O) COMPREHENSIVE INCOME

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

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

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Net earnings	$ **6,838**	56,082
Other comprehensive (loss) income:		
Foreign currency translation adjustments	**(20,877)**	(4,973)
Net unrealized gain on derivative instruments	**143**	6
Amortization of transition obligation [1]	**(4)**	(6)
Amortization of net actuarial loss [1]	**4,119**	1,048
Amortization of prior service credit [1]	**(372)**	(516)
Change in net actuarial loss [1]	**(144)**	
Total comprehensive (loss) income	$ **(10,297)**	51,641

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

(P) EMPLOYEE BENEFIT PLANS

Components of net periodic benefit cost were as follows:

	Pension Benefits		Postretirement Benefits	
	Three months ended March 31,			
	2009	2008	**2009**	2008
	(In thousands)			
Company-administered plans:				
Service cost	$ **5,360**	7,685	$ **385**	387
Interest cost	**23,080**	23,337	**741**	691
Expected return on plan assets	**(18,441)**	(30,689)		
Amortization of:				
Transition obligation	**(6)**	(8)		

Net actuarial loss	**6,160**	1,405	**216**	201
Prior service credit	**(528)**	(742)	**(58)**	(58)
	15,625	988	**1,284**	1,221
Union-administered plans	**1,287**	1,183		
Net periodic benefit cost	**$ 16,912**	2,171	**$ 1,284**	1,221
Company-administered plans:				
U.S.	**$ 13,027**	(913)	**$ 1,024**	983
Non-U.S.	**2,598**	1,901	**260**	238
	15,625	988	**1,284**	1,221
Union-administered plans	**1,287**	1,183		
	$ 16,912	2,171	**$ 1,284**	1,221

Pension Contributions

We disclosed in our 2008 Annual Report that we estimated contributions of approximately $100 million to our pension plans during 2009 including voluntary U.S. contributions of approximately $73 million. At the present time, we have decided not to make the voluntary contributions to our U.S. pension plan in light of recent changes to enacted funding laws and regulations, as well as those still being considered. Based on this decision and updates to international pension plan contributions, we now expect to contribute approximately $23 million to our pension plans during 2009. During the three months ended March 31, 2009, global contributions of $4 million had been made to our pension plans.

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Pension and Other Postretirement Benefits Asset and Liability

In July 2008, our Board of Directors approved an amendment to freeze the defined benefit portion of our Canadian retirement plan effective January 1, 2010 for current participants who do not meet certain grandfathering criteria. As a result, these employees will cease accruing further benefits under the defined benefit plan after January 1, 2010 and will begin receiving an enhanced benefit under the defined contribution portion of the plan. All retirement benefits earned as of January 1, 2010 will be fully preserved and will be paid in accordance with the plan and legal requirements. Employees hired after January 1, 2010 will not be eligible to participate in the Canadian defined benefit plan. The freeze of the Canadian defined benefit plan created a curtailment gain of $3.6 million (pre-tax) in the third quarter of 2008.

Enhanced 401(k) Plan

Effective January 1, 2008, employees who did not meet the grandfathering criteria for continued participation in U.S. pension plans are eligible to participate in a new enhanced 401(k) Savings Plan (Enhanced 401(k) Savings Plan). The Enhanced 401(k) Savings Plan provides for (i) a company contribution even if employees do not make contributions, (ii) a company match of employee contributions of eligible pay, subject to IRS limits and (iii) a discretionary company match based on our performance. Our original 401(k) Savings Plan only provided for a discretionary Ryder match based on Ryder s performance. We did not change the savings plans available to non-pensionable employees. During the three months ended March 31, 2009 and 2008, we recognized total savings plan costs of $6.1 million and $10.0 million, respectively.

(Q) OTHER ITEMS IMPACTING COMPARABILITY

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

In the fourth quarter of 2008, we were notified that a significant customer in Singapore would not renew their contract, which was set to expire in 2009. The notification triggered an analysis under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which required us to assess the recoverability of the facility used in this customer s operation. During the fourth quarter of 2008, we recorded an impairment charge to reduce the carrying value of the facility to its fair value. Conditions in the real estate market in Singapore continued to deteriorate during the first quarter of 2009. As a result, we recorded an additional pre-tax impairment charge of $3.9 million to write-down the facility to its current fair value for the three months ended March 31, 2009. The charges were recorded within Depreciation expense in our Consolidated Condensed Statements of Earnings.

During the fourth quarter of 2008, a customer in the SCS business segment in the U.K. declared bankruptcy and we determined the outstanding finance lease receivable was not recoverable. During the first quarter of 2009, we revised our estimate of recoverability and recorded a $0.2 million pre-tax benefit within Operating expense in our Consolidated Condensed Statements of Earnings.

(R) SEGMENT REPORTING

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

Our primary measurement of segment financial performance, defined as Net Before Taxes (NBT), includes an allocation of CSS and excludes restructuring and other charges (recoveries), net described in Note (F), Restructuring and Other Charges (Recoveries), and excludes the items discussed in Note (Q), Other Items Impacting Comparability. CSS represents those costs incurred to support all business segments, including human resources, finance, corporate

services, public affairs, information technology, health and safety, legal and corporate communications. The objective of the NBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment and each operating segment within each business segment accountable for their allocated share of CSS costs. Certain costs are considered to be overhead not attributable to any segment and remain unallocated in CSS. Included among the unallocated overhead remaining within CSS are the

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

costs for investor relations, public affairs and certain executive compensation. CSS costs attributable to the business segments are predominantly allocated to FMS, SCS and DCC 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 in several ways, 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 SCS and DCC segments. Inter-segment revenue and NBT are accounted for at rates similar to those executed with third parties. NBT related to inter-segment equipment and services billed to customers (equipment contribution) are included in both FMS and the business segment which served the customer and then eliminated (presented as Eliminations).

The following tables set forth financial information for each of Ryder s business segments and a reconciliation between segment NBT and earnings before income taxes for the three months ended March 31, 2009 and 2008. Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented.

	FMS	SCS	DCC	Eliminations	Total
			(In thousands)		
For the three months ended March 31, 2009					
Revenue from external customers	$ **790,557**	**297,477**	**115,026**		**1,203,060**
Inter-segment revenue	**72,079**			**(72,079)**	
Total revenue	$ **862,636**	**297,477**	**115,026**	**(72,079)**	**1,203,060**
Segment NBT	$ **30,406**	**(1,878)**	**10,267**	**(5,789)**	**33,006**
Unallocated CSS					**(6,927)**
Restructuring and other charges, net and other items[1]					**(7,928)**
Earnings before income taxes					$ **18,151**
Segment capital expenditures [2],[3]	$ **247,018**	**2,895**	**210**		**250,123**
Unallocated CSS					**1,910**

Capital expenditures					**$ 252,033**
March 31, 2008					
Revenue from external customers	$ 992,227	414,177	137,178		1,543,582
Inter-segment revenue	113,384			(113,384)	
Total revenue	$ 1,105,611	414,177	137,178	(113,384)	1,543,582
Segment NBT	$ 91,438	8,313	11,316	(7,518)	103,549
Unallocated CSS					(11,540)
Restructuring and other recoveries, net					78
Earnings before income taxes					$ 92,087
Segment capital expenditures (2), (3)	$ 255,474	14,590	395		270,459
Unallocated CSS					3,354
Capital expenditures					$ 273,813

(1) See Note (Q), Other Items Impacting Comparability, for a discussion of items, in addition to restructuring and other charges, net that are excluded from our primary measure of segment performance.

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

(3)

Excludes acquisition payments of $85.5 million and $92.8 million during the three months ended March 31, 2009 and 2008, respectively.

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

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 full service lease and commercial rental customers is not concentrated in any one particular industry or geographic region. Our largest customer, General Motors Corporation, accounted for approximately 3% and 5% of consolidated revenue for the three months ended March 31, 2009 and 2008, respectively, and is comprised of multiple contracts within our SCS business segment in various geographic regions. GM also accounted for approximately 13% and 18% of SCS total revenue for the three months ended March 31, 2009 and 2008, respectively. At March 31, 2009 and December 31, 2008, GM trade accounts receivable were $32.3 million or 7% and $42.1 million or 8%, respectively, of our trade accounts receivable.

(S) RECENT ACCOUNTING PRONOUNCEMENTS

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. The FSP amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments to require disclosure about fair value of financial instruments in interim financial statements. FSP FAS 107-1 and APB 28-1 is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. We will include the disclosures required under this FSP beginning in our June 30, 2009 Consolidated Condensed Financial Statements. The adoption of FSP FAS 107-1 and APB 28-1 will have no impact on our consolidated financial position, results of operations or cash flows.

In December 2008, the FASB issued FSP No. 132(R)-1, Employer s Disclosures about Postretirement Benefit Plan Assets. This FSP requires enhanced disclosures about plan assets of a defined benefit pension or other postretirement plan including information on investment policies and strategies, major categories of plan assets and fair value measurements. The disclosures required by this FSP are effective for financial statements issued for fiscal years ending after December 15, 2009 with early adoption permitted. We will include the enhanced disclosures required under this FSP beginning in our December 31, 2009 Form 10-K. The adoption of FSP No. 132(R)-1 will have no impact on our consolidated financial position, results of operations or cash flows.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2009 AND 2008

OVERVIEW

The following discussion should be read in conjunction with the unaudited Consolidated Condensed Financial Statements and notes thereto included under Item 1. In addition, reference should be made to our audited Consolidated Financial Statements and notes thereto and related Management s Discussion and Analysis of Financial Condition and Results of Operations included in the 2008 Annual Report on Form 10-K.

Ryder System, Inc. (Ryder) is a global leader in transportation and supply chain management solutions. Our business is divided into three business segments: Fleet Management Solutions (FMS), which provides full service leasing, contract maintenance, contract-related maintenance and commercial rental of trucks, tractors and trailers to customers principally in the U.S., Canada and the U.K.; Supply Chain Solutions (SCS), which provides comprehensive supply chain consulting including distribution and transportation services throughout North America and in South America, Europe and Asia; and Dedicated Contract Carriage (DCC), which provides vehicles and drivers as part of a dedicated transportation solution in the U.S. We operate in highly competitive markets. Our customers select us based on numerous factors including service quality, price, technology and service offerings. As an alternative to using our services, customers may choose to provide these services for themselves, or may choose to obtain similar or alternative services from other third-party vendors. Our customer base includes enterprises operating in a variety of industries including automotive, electronics, transportation, grocery, lumber and wood products, food service, and home furnishing. During the fourth quarter of 2008, we decided to discontinue operations in Brazil, Argentina, and Chile during 2009 and transition out of specific Supply Chain Solutions customer contracts in Europe. These operations will be reported as part of continuing operations in our Consolidated Condensed Financial Statements until all operations cease.

ITEMS AFFECTING COMPARABILITY BETWEEN PERIODS

Accounting Changes

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

ACQUISITIONS

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

All acquisitions during 2009 and 2008 were as follows:

Company Acquired	Date	Vehicles	Contractual Customers	Market
Edart Leasing LLC	February 2, 2009	1,600	340	Northeast U.S.
Gordon Truck Leasing	August 29, 2008	500	130	Pennsylvania
Gator Leasing, Inc.	May 12, 2008	2,300	300	Florida
Lily Transportation Corp.	January 11, 2008	1,600	200	Northeast U.S.

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

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

CONSOLIDATED RESULTS

	Three months ended March 31, 2009	2008	Change 2009/2008
	(In thousands, except per share amounts)		
Earnings before income taxes	$ **18,151**	92,087	(80)%
Provision for income taxes	**11,313**	36,005	(69)
Net earnings	$ **6,838**	56,082	(88)%
Per diluted common share (EPS)	$ **0.12**	0.96	(88)%
Weighted-average shares outstanding Diluted	**55,281**	57,973	(5)%

Earnings before income taxes in the first three months of 2009 decreased $73.9 million to $18.2 million compared with the same period in the prior year. The continued deterioration in global economic conditions in the first quarter of 2009 resulted in sharply lower earnings compared to the first quarter of 2008. Our results reflect continued declines in freight demand which has most significantly impacted our FMS business segment. In addition, automotive production volumes have reached significant lows, further impacting our SCS business segment. Earnings in the first quarter were also negatively impacted by a higher effective tax rate compared to the same period in 2008 due to non-deductible foreign operating losses and charges.

See Operating Results by Business Segment for a further discussion of operating results.

	Three months ended March 31, 2009	2008	Change 2009/2008
	(In thousands)		
Revenue:			
Fleet Management Solutions	$ **862,636**	1,105,611	(22)%
Supply Chain Solutions	**297,477**	414,177	(28)
Dedicated Contract Carriage	**115,026**	137,178	(16)
Eliminations	**(72,079)**	(113,384)	36
Total	$ **1,203,060**	1,543,582	(22)%
Operating revenue [(1)]	$ **1,008,064**	1,171,707	(14)%

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our businesses and as a measure of sales activity. FMS fuel services revenue net of related intersegment billings, which is directly impacted by fluctuations in market fuel prices, is excluded from the operating revenue

computation as fuel is largely a pass-through to our customers for which we realize minimal changes in profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by rapid changes in market fuel prices during a short period of time as customer pricing for fuel services is established based on market fuel costs. Subcontracted transportation is deducted from total revenue to arrive at operating revenue as subcontracted transportation is typically a pass-through to our customers. We realize minimal changes in profitability as a result of fluctuations in subcontracted transportation. Operating revenue is also a primary internal operating metric used to measure segment performance. Refer to the section titled Non-GAAP Financial Measures for a reconciliation of total revenue to operating revenue.

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

Total revenue decreased 22% to $1.20 billion in the first quarter of 2009 compared with the same period in 2008. The decline in total revenue was primarily due to lower fuel services revenue from lower fuel costs and gallons sold and lower operating revenue. Operating revenue decreased 14% in the first quarter of 2009 primarily due to lower automotive production volumes, an unfavorable impact from foreign exchange, lower SCS and DCC fuel revenues and lower commercial rental revenue. Operating revenue was negatively impacted by lower miles driven by existing customers and an increase in customers downsizing their lease fleets. Total revenue and operating revenue in the first quarter of 2009 both included an unfavorable foreign exchange impact of 4%, due primarily to the weakening of the Canadian dollar and British pound.

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Operating expense (exclusive of items shown separately)	$ **544,466**	763,767	(29)%
Percentage of revenue	**45%**	49%	

Operating expense and operating expense as a percentage of revenue decreased in 2009 primarily as a result of lower average fuel costs. The reduction in fuel costs over the prior year was driven by the decline in fuel prices as well as a lower number of gallons purchased.

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Salaries and employee-related costs	$ **310,258**	358,370	(13)%
Percentage of revenue	**26%**	23%	
Percentage of operating revenue	**31%**	31%	

Salaries and employee-related costs decreased in the first quarter of 2009 compared with the same period in 2008 because of lower headcount and foreign exchange impact. The lower headcount was driven by lower volumes in our SCS and DCC business segments and workforce reductions made as part of the restructuring initiatives announced in the fourth quarter of 2008. In addition, salaries and employee-related costs decreased because of lower incentive-based compensation, commissions and discretionary match into the 401(k) savings plan based on company performance. The decrease in salaries and employee-related costs was partially offset by a $14.7 million increase in pension expense caused by significant negative pension asset returns in 2008.

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Subcontracted transportation	$ **52,620**	75,331	(30)%
Percentage of revenue	**4%**	5%	

Subcontracted transportation expense represents freight management costs on logistics contracts for which we purchase transportation from third parties. Subcontracted transportation expense is directly impacted by whether we are acting as an agent or principal in our transportation management contracts. To the extent that we are acting as a principal, revenue is reported on a gross basis and carriage costs to third parties are recorded as subcontracted

transportation expense. The impact to net earnings is the same whether we are acting as an agent or principal in the arrangement. Subcontracted transportation expense decreased in 2009 compared with the same period in 2008 as a result of decreased freight volumes in the current economic environment.

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(In thousands)		
Depreciation expense	$ **222,521**	205,960	8%
Gains on vehicle sales, net	**(3,973)**	(12,426)	(68)
Equipment rental	**15,607**	21,526	(27)

Depreciation expense relates primarily to FMS revenue earning equipment. Depreciation expense increased in the first quarter of 2009 compared with the same period in 2008, because of $5.5 million of increased write-downs in the carrying value of vehicles

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

held for sale, the impact of recent acquisitions and an impairment charge of $3.9 million on a Singapore facility partially offset by the impact of foreign exchange rates. Revenue earning equipment held for sale is recorded at the lower of fair value less cost to sell or net carrying value. We stratify our fleet by vehicle type (tractors, trucks, trailers), weight class, age and other relevant characteristics and create classes of similar assets for analysis purposes. Fair value is determined based upon recent market prices obtained from our own sales experience for sales of each class of similar assets and vehicle condition.

Gains on vehicle sales, net decreased in the first quarter of 2009 compared with the same period in 2008 because of lower average pricing on vehicles sold and, to a lesser extent, a decline in the number of vehicles sold.

Equipment rental consists primarily of rent expense for FMS revenue earning equipment under lease. The decrease in equipment rental in the first quarter of 2009 compared with the same period in 2008 reflects a reduction in the average number of leased vehicles.

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Interest expense	$ **38,807**	37,428	4%
Effective interest rate	**5.4%**	5.4%	

Interest expense increased in the first quarter of 2009 compared with the same period in 2008 because of higher average debt balances.

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Miscellaneous expense, net	$ **418**	1,617

Miscellaneous expense, net consists of investment losses (income) on securities used to fund certain benefit plans, interest income, losses (gains) from sales of operating property, foreign currency transaction losses (gains), and other non-operating items. Miscellaneous expense, net decreased in the first quarter of 2009 compared with the same period in 2008, primarily due to lower losses in our investment securities over the prior year and lower foreign exchange losses.

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Restructuring and other charges (recoveries), net	$ **4,185**	(78)

Restructuring and other charges (recoveries), net in the first three months of 2009 were primarily due to ongoing costs related to the restructuring plan initiatives announced in the fourth quarter of 2008. During the first quarter of 2009, we recorded $1.8 million related to exiting SCS operations in South America and Europe. These charges included $0.6 million of employee severance and benefit costs related to retention bonuses and refinements in estimates recorded in the prior year. The charges also included $0.3 million of contract termination costs and $0.9 million related to plan implementation costs, mostly professional service fees. We expect to exit our supply chain operations in South America and Europe by the latter half of 2009. During the first quarter of 2009, we also recorded

$2.4 million related to workforce reductions and refinements in estimates of prior year charges. We eliminated approximately 30 positions in 2009 as part of our continued cost containment initiatives. The workforce reductions were substantially completed during the first quarter of 2009. We expect to realize annual savings of approximately $5 million from the 2009 workforce reductions in addition to the annual savings of approximately $38 million from the 2008 actions.

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

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Provision for income taxes	$ **11,313**	36,005	(69)%
Effective tax rate	**62.3%**	39.1%	

Our effective income tax rate for the first quarter of 2009 increased compared with the same period in 2008 due to non-deductible foreign operating losses and charges in the current year.

OPERATING RESULTS BY BUSINESS SEGMENT

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(In thousands)		
Revenue:			
Fleet Management Solutions	$ **862,636**	1,105,611	(22)%
Supply Chain Solutions	**297,477**	414,177	(28)
Dedicated Contract Carriage	**115,026**	137,178	(16)
Eliminations	**(72,079)**	(113,384)	36
Total	$ **1,203,060**	1,543,582	(22)%
Operating Revenue:			
Fleet Management Solutions	$ **692,318**	746,987	(7)%
Supply Chain Solutions	**247,147**	341,999	(28)
Dedicated Contract Carriage	**112,736**	134,025	(16)
Eliminations	**(44,137)**	(51,304)	14
Total	$ **1,008,064**	1,171,707	(14)%
NBT:			
Fleet Management Solutions	$ **30,406**	91,438	(67)%
Supply Chain Solutions	**(1,878)**	8,313	NM
Dedicated Contract Carriage	**10,267**	11,316	(9)
Eliminations	**(5,789)**	(7,518)	23
	33,006	103,549	(68)
Unallocated Central Support Services	**(6,927)**	(11,540)	40
Restructuring and other (charges) recoveries, net and other items	**(7,928)**	78	NM
Earnings before income taxes	$ **18,151**	92,087	(80)%

As part of management s evaluation of segment operating performance, we define the primary measurement of our segment financial performance as Net Before Taxes (NBT), which includes an allocation of Central Support Services (CSS), excludes restructuring and other charges, net, described in Note (F), Restructuring and Other Charges (Recoveries), and excludes the items discussed in Note (Q), Other Items Impacting Comparability. CSS represents those costs incurred to support all business segments, including human resources, finance, corporate services and public affairs, information technology, health and safety, legal and corporate communications. The objective of the NBT measurement is to provide clarity on the profitability of each business segment and, ultimately, to hold leadership of each business segment and each operating segment within each business segment accountable for their allocated share of CSS costs. Segment results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Certain costs are considered to be overhead not attributable to any segment and remain unallocated in CSS. Included within the unallocated overhead remaining within CSS are the costs for investor relations, public affairs and certain executive compensation. See Note (R), Segment Reporting, in the Notes to Consolidated Condensed Financial Statements for a description of how the remainder of CSS costs are allocated to the business segments.

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

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

Description	Consolidated Condensed Statements of Earnings Line Item [1]	Three months ended March 31, 2009	2008
		(In thousands)	
Restructuring and other (charges) recoveries, net	Restructuring	**$ (4,185)**	78
International asset write-off	Operating expense	**181**	
International asset impairment	Depreciation expense	**(3,924)**	
Restructuring and other charges, net and other items		**$ (7,928)**	78

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

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

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

	Three months ended March 31, 2009	2008	Change 2009/2008
	(In thousands)		
Equipment contribution:			
Supply Chain Solutions	**$ 2,782**	4,135	(33)%
Dedicated Contract Carriage	**3,007**	3,383	(11)
Total	**$ 5,789**	7,518	(23)%

Fleet Management Solutions

Change

	Three months ended March 31,		
	2009	2008	2009/2008
	(Dollars in thousands)		
Full service lease	$ **491,674**	504,161	(2)%
Contract maintenance	**41,388**	40,637	2
Contractual revenue	**533,062**	544,798	(2)
Contract-related maintenance	**44,991**	51,710	(13)
Commercial rental	**99,210**	132,738	(25)
Other	**15,055**	17,741	(15)
Operating revenue [(1)]	**692,318**	746,987	(7)
Fuel services revenue	**170,318**	358,624	(53)
Total revenue	$ **862,636**	1,105,611	(22)%
Segment NBT	$ **30,406**	91,438	(67)%
Segment NBT as a % of total revenue	**3.5%**	8.3%	(480) bps
Segment NBT as a % of operating revenue [(1)]	**4.4%**	12.2%	(780) bps

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of our FMS business segment and as a measure of sales activity. Fuel services revenue, which is directly impacted by fluctuations in market fuel prices, is excluded from our operating

revenue computation as fuel is largely a pass-through to customers for which we realize minimal changes in profitability during periods of steady market fuel prices. However, profitability may be positively or negatively impacted by rapid changes in market fuel prices during a short period of time as customer pricing for fuel services is established based on market fuel costs.

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

Total revenue decreased 22% during the first quarter of 2009 compared with the same period in 2008 due primarily to lower fuel services revenue. Fuel services revenue decreased in 2009 due to lower fuel prices and reduced fuel volumes. Operating revenue (revenue excluding fuel) decreased 7% in the first quarter of 2009 compared with the same period in 2008 as the decline in commercial rental revenue, unfavorable foreign exchange impact, lower miles driven per unit and lower number of units earning revenue more than offset the contractual revenue growth from acquisitions. Total revenue and operating revenue in the first quarter of 2009 included an unfavorable foreign exchange impact of 3% and 4%, respectively.

Full service lease revenue decreased 2% in the first quarter of 2009 compared with the same period in 2008 reflecting a 4 percentage point unfavorable impact of foreign exchange rates. Excluding foreign exchange, full service lease revenue grew 2% as contractual revenue growth, primarily from acquisitions, was partially offset by lower variable revenue from fewer miles driven by our customers with their fleets and an increase in customer fleet downsizing actions. Contract maintenance revenue increased 2% in the first quarter of 2009 compared with the same period in 2008 due to contract sales in the prior year partially offset by lower variable revenue from fewer miles per vehicle driven by our customers. We expect similar contractual revenue comparisons to continue in the near term based on recent sales activity and the impact of the freight recession. Commercial rental revenue decreased 25% in the first quarter of 2009 compared with the same period in 2008. Weak economic conditions drove a decrease in global commercial rental demand and, to a lesser extent, contributed to a more aggressive pricing environment which led to a significant decline in revenue. We expect similar commercial rental revenue comparisons to continue in the near term based on recent market trends.

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

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Non-lease customer rental revenue	$ **55,993**	71,817	(22)%
Lease customer rental revenue [1]	$ **43,217**	60,921	(29)%
Average commercial rental power fleet size in service [2], [3]	**24,300**	24,600	(1)%
Commercial rental utilization power fleet	**61.3%**	68.7%	(740) bps

(1) Lease customer rental revenue is revenue from rental vehicles provided to our existing full service lease customers, generally during

peak periods in their operations.

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

(3) *Fleet size excluding trailers.*

FMS NBT decreased $61.0 million in the first quarter of 2009 compared with the same period in 2008 primarily driven by the current economic slowdown and freight recession. This decrease in NBT was related to a decline in global commercial rental results, lower used vehicle sales results, higher pension expense and lower contractual business performance. These items were partially offset by cost reduction initiatives, including workforce reductions announced in the fourth quarter of 2008. Commercial rental results were impacted by weak global demand which drove lower utilization and, to a lesser extent, reduced pricing. Used vehicle sales results were also impacted by weak demand which drove lower pricing and volume, as well as higher inventory levels compared with the prior year period. Pension expense significantly increased in 2009 primarily because of poor performance in the overall stock market in 2008. Contractual business performance was adversely impacted by the protracted length and increased severity of the current freight recession which has resulted in reduced customer demand for new leases and an increased number of customers downsizing their fleets. Customers are also driving significantly fewer miles with their existing fleets, which lowers our variable revenue and fuel gallons sold.

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

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

	March 31, 2009	December 31, 2008	March 31, 2008	Change Mar. 2009/ Dec. 2008	Change Mar. 2009/ Mar. 2008
End of period vehicle count					
By type:					
Trucks [1]	**69,200**	68,300	63,400	1%	9%
Tractors [2]	**52,700**	51,900	50,600	2	4
Trailers [3]	**39,300**	39,900	40,200	(2)	(2)
Other	**3,300**	3,400	7,100	(3)	(54)
Total	**164,500**	163,500	161,300	1%	2%
By ownership:					
Owned	**159,300**	158,200	155,500	1%	2%
Leased	**5,200**	5,300	5,800	(2)	(10)
Total	**164,500**	163,500	161,300	1%	2%
By product line:					
Full service lease	**121,700**	120,700	116,600	1%	4%
Commercial rental	**30,500**	32,300	34,600	(6)	(12)
Service vehicles and other	**2,800**	2,800	3,600		(22)
Active units	**155,000**	155,800	154,800	(1)	
Held for sale	**9,500**	7,700	6,500	23	46
Total	**164,500**	163,500	161,300	1%	2%
Customer vehicles under contract maintenance	**36,400**	35,500	32,400	3%	12%
Quarterly average vehicle count					
By product line:					
Full service lease	**121,100**	120,600	116,100	%	4%
Commercial rental	**31,400**	33,100	34,400	(5)	(9)
Service vehicles and other	**2,800**	2,800	3,500		(20)

Active units	**155,300**	156,500	154,000	(1)	1
Held for sale	**8,700**	6,600	7,000	32	24
Total	**164,000**	163,100	161,000	1%	2%
Customer vehicles under contract maintenance	**36,000**	34,900	32,000	3%	13%

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

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

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

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

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

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

	March 31 2009	December 31, 2008	March 31, 2008	Change Mar. 2009/ Dec. 2008	Change Mar. 2009/ Mar 2008
Not yet earning revenue (NYE)	**1,100**	1,500	2,200	(27)%	(50)%
No longer earning revenue (NLE):					
Units held for sale	**9,500**	7,700	6,500	23	46
Other NLE units	**4,500**	2,900	2,900	55	55
Total	**15,100**	12,100	11,600	25%	30%

NYE units represent new vehicles on hand that are being prepared for deployment to a lease customer or into the rental fleet. Preparations include activities such as adding lift gates, paint, decals, cargo area and refrigeration equipment. For 2009, the number of NYE units decreased compared with the same period in the prior year consistent with lower lease replacement activity. NLE units represent all vehicles held for sale and vehicles for which no revenue has been earned in the previous 30 days. For 2009, the number of NLE units increased compared with the prior year because of increased used vehicle inventory levels, lower rental utilization and increased customer downsizings of their lease fleets. We expect higher year over year NLE levels throughout the year.

Supply Chain Solutions

	Three months ended March 31, **2009**	Three months ended March 31, 2008	Change 2009/2008
	(Dollars in thousands)		
U.S. operating revenue:			
Automotive	**$ 79,113**	133,961	(41)%
High-Tech and Consumer	**52,297**	50,480	4
Industrial and Other	**40,996**	42,619	(4)
U.S. operating revenue	**172,406**	227,060	(24)
International operating revenue:			
South America and Europe	**18,744**	35,693	(47)
Other	**55,997**	79,246	(29)
International operating revenue	**74,741**	114,939	(35)
Total operating revenue [(1)]	**247,147**	341,999	(28)
Subcontracted transportation	**50,330**	72,178	(30)
Total revenue	**$ 297,477**	414,177	(28)%

Segment NBT	**$ (1,878)**	8,313	NM
Segment NBT as a % of total revenue	**(0.6)%**	2.0%	(260) bps
Segment NBT as a % of total operating revenue (1)	**(0.8)%**	2.4%	(320) bps
Memo: Fuel costs (2)	**$ 15,115**	40,448	(63)%

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

segment performance.

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

Total revenue and operating revenue decreased 28% in the first quarter of 2009 compared with the same period in 2008 as a result of lower automotive production volumes, including several plant shutdowns, unfavorable foreign exchange impact and lower fuel volume and fuel prices. In the first quarter of 2009, both SCS total revenue and operating revenue included an unfavorable foreign currency exchange impact of 6%. We expect unfavorable revenue comparisons to continue in the near term based on automotive production volumes as well as our previously announced plan to discontinue operations in South America and Europe. At the end of 2008, we announced that we were transitioning out of our operations in Brazil, Argentina, Chile and Europe.

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

Our largest customer, General Motors Corporation, accounted for approximately 13% of SCS total revenue and operating revenue, respectively, for the three months ended March 31, 2009, and is comprised of multiple contracts in various geographic regions. For the first three months of 2008, General Motors Corporation accounted for approximately 18% of SCS total revenue and operating revenue, respectively.

SCS NBT decreased $10.2 million in the three months ended March 31, 2009 compared with the same period in 2008 because of significantly reduced North America automotive volumes which decreased NBT by $7.2 million. SCS NBT also included a loss of $3.5 million related to operations in South America and Europe which will be discontinued by year-end.

Dedicated Contract Carriage

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(Dollars in thousands)		
Operating revenue [1]	**$ 112,736**	134,025	(16)%
Subcontracted transportation	**2,290**	3,153	(27)
Total revenue	**$ 115,026**	137,178	(16)%
Segment NBT	**$ 10,267**	11,316	(9)%
Segment NBT as a % of total revenue	**8.9%**	8.2%	70 bps
Segment NBT as a % of operating revenue [1]	**9.1%**	8.4%	70 bps
Memo: Fuel costs [2]	**$ 16,029**	30,771	(48)%

(1) We use operating revenue, a non-GAAP financial measure, to evaluate the operating performance of the DCC business segment and as a measure of sales activity.

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

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

Total revenue and operating revenue decreased in the first quarter of 2009 compared with the same period in 2008 as a result of lower fuel costs pass-throughs and lower volumes. We expect similar revenue comparisons to continue in the near term due to recent sales activity.

DCC NBT decreased 9% in the first quarter of 2009 compared with the same period in 2008 due to the decline in revenue and was partially offset by better operating performance and lower overhead spending.

Central Support Services

	Three months ended March 31,		Change
	2009	2008	2009/2008
	(In thousands)		
Human resources	$ **3,645**	3,892	(6)%
Finance	**12,442**	13,790	(10)
Corporate services and public affairs	**2,838**	3,861	(26)
Information technology	**12,971**	13,958	(7)

Health and safety	**1,667**	1,966	(15)
Other	**4,661**	9,313	(50)
Total CSS	**38,224**	46,780	(18)
Allocation of CSS to business segments	**(31,297)**	(35,240)	11
Unallocated CSS	**$ 6,927**	11,540	(40)%

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

Total CSS costs in the first quarter of 2009 decreased compared with the same period in 2008 as a result of higher spending on information technology initiatives and public affairs in 2008 and the benefit of cost reduction actions. Unallocated CSS costs decreased compared with 2008 because of higher spending in 2008 on public affairs, lower incentive-based compensation and lower losses on investment securities.

FINANCIAL RESOURCES AND LIQUIDITY

Cash Flows

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

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Net cash provided by (used in):		
Operating activities	$ **253,795**	300,252
Financing activities	**(22,955)**	(56,045)
Investing activities	**(257,619)**	(249,703)
Effect of exchange rate changes on cash	**(1,952)**	3,658
Net change in cash and cash equivalents	$ **(28,731)**	(1,838)

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

Cash provided by operating activities decreased to $253.8 million in the three months ended March 31, 2009 compared to $300.3 million in 2008, due primarily to lower deferred income taxes caused by lower projected capital spending levels in 2009 and lower cash based earnings. Cash used in financing activities in the three months ended March 31, 2009 was $23.0 million compared to $56.0 million in 2008. In 2009, we used less cash for financing activities primarily because of net share repurchases in the prior year compared with no repurchases in the current year. The decline in cash used for financing activities was slightly offset by net debt repayments in 2009 compared to net borrowings in 2008. Cash used in investing activities increased to $257.6 million in the three months ended March 31, 2009 compared to $249.7 million in 2008 primarily due to a higher amount of restricted cash released in 2008 for our like-kind exchange programs.

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

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

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

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Net cash provided by operating activities	**$ 253,795**	300,252
Sales of revenue earning equipment	**46,397**	74,304
Sales of operating property and equipment	**795**	679
Collections on direct finance leases	**21,468**	17,628
Other, net		395
Total cash generated	**322,455**	393,258
Purchases of property and revenue earning equipment	**(252,033)**	(273,813)
Free cash flow	**$ 70,422**	119,445

The decline in free cash flow to $70.4 million for the three months ended March 31, 2009 compared to $119.4 million for the same period in 2008 was driven by lower earnings. Full year 2009 free cash flow is expected to improve from the previous forecast because of lower net capital expenditures, lower expected pension contributions, and reduced cash taxes due in part to recent government economic stimulus packages.

The following table provides a summary of capital expenditures:

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Revenue earning equipment: (1)		
Full service lease	**$ 205,664**	248,902
Commercial rental	**3,786**	54,365
	209,450	303,267
Operating property and equipment	**15,236**	29,163
Total capital expenditures	**224,686**	332,430
Changes in accounts payable related to purchases of revenue earning equipment	**27,347**	(58,617)
Cash paid for purchases of property and revenue earning equipment	**$ 252,033**	273,813

(1) Capital expenditures exclude revenue earning equipment

acquired under capital leases of $1.9 million and $0.8 million during the three months ended March 31, 2009 and 2008, respectively.

Capital expenditures (accrual basis) of $224.7 million were lower for the three months ended March 31, 2009 compared with the same period in 2008 principally as a result of the elimination of rental spending based on market demand and reduced spending on full service lease for replacement and expansion of customer fleets. The decrease in capital expenditures related to operating property and equipment reflect our investments in information technology initiatives and real estate properties in the prior year. We now anticipate reduced capital expenditures relative to the previous forecast due to lower expected levels of new lease sales and replacements.

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

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

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

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

Global capital and credit markets, including the commercial paper markets, have been experiencing volatility and disruption. Despite this volatility and disruption, we have continued to have access to the commercial paper markets. There is no guarantee that such markets will continue to be available to us at terms commercially acceptable to us or at all. If we cease to have access to commercial paper and other sources of unsecured borrowings, we would meet our liquidity needs by drawing upon contractually committed lending agreements as described below and/or by seeking other funding sources. We believe that our operating cash flow, together with our revolving credit facility and other available debt financing, will be adequate to meet our operating, investing and financing needs in the foreseeable future, although there can be no assurance that continued or increased volatility and disruption in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us or at all.

We can borrow up to $870 million through a global revolving credit facility with a syndicate of twelve lenders. The credit facility matures in May 2010 and is used primarily to finance working capital and provide support for the issuance of commercial paper in the U.S. and Canada. This facility can also be used to issue up to $75 million in letters of credit (there were no letters of credit outstanding against the facility at March 31, 2009). At our option, the interest rate on borrowings under the credit facility is based on LIBOR, prime, federal funds or local equivalent rates. The credit facility s current annual facility fee is 11 basis points, which applies to the total facility of $870 million, and is based on Ryder s current credit ratings. The credit facility contains no provisions restricting its availability in the event of a material adverse change to Ryder s business operations; however, the credit facility does contain standard representations and warranties, events of default, cross-default provisions, and certain affirmative and negative covenants. In order to maintain availability of funding, we must maintain a ratio of debt to consolidated tangible net worth, as defined in the agreement, of less than or equal to 300%. The ratio at March 31, 2009 was 190%. At March 31, 2009, $559.0 million was available under the credit facility. Foreign borrowings of $21.4 million were outstanding under the facility at March 31, 2009.

In September 2008, we renewed our trade receivables purchase and sale program, pursuant to which we sell certain of our domestic trade accounts receivable to Ryder Receivable Funding II, L.L.C. (RRF LLC), a bankruptcy remote, consolidated subsidiary of Ryder, that in turn may sell, on a revolving basis, an ownership interest in certain of these accounts receivable to a receivables conduit or committed purchasers. We use this program to provide additional liquidity to fund our operations, particularly when it is cost effective to do so. The costs under the program may vary based on changes in our unsecured debt ratings and changes in interest rates. The available proceeds that may be received under the program are limited to $250 million. If no event occurs which causes early termination, the 364-day program will expire on September 8, 2009. The program contains provisions restricting its availability in the event of a material adverse change to our business operations or the collectibility of the securitized receivables. At March 31, 2009 and December 31, 2008, $90 million and $190 million, respectively, was outstanding under the program and was included within Short-term debt and current portion of long-term debt on our Consolidated Condensed Balance Sheet.

Historically, we have established asset-backed securitization programs whereby we sell beneficial interests in certain long-term vehicle leases and related vehicle residuals to a bankruptcy-remote special purpose entity that in turn transfers the beneficial interest to a special purpose securitization trust in exchange for cash. The securitization trust funds the cash requirement with the issuance of asset-backed securities, secured or otherwise collateralized by the beneficial interest in the long-term vehicle leases and the residual value of the vehicles. The securitization provides us with further liquidity and access to new capital markets based on market conditions. On June 18, 2008, Ryder Funding II LP, a special purpose bankruptcy-remote subsidiary wholly-owned by Ryder, filed a registration statement on Form S-3 with the Securities and Exchange Commission for the registration of $600 million in asset-backed notes. The registration statement became effective on November 6, 2008 and allows us to access the public asset-backed securities market for three years, subject to market conditions. Based on current market conditions, we do not expect to utilize this program in the near term.

On February 27, 2007, Ryder filed an automatic shelf registration statement on Form S-3 with the Securities and Exchange Commission. The registration is for an indeterminate number of securities and is effective for three years. Under this universal shelf registration statement, we have the capacity to offer and sell from time to time various types of securities, including common stock,

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

preferred stock and debt securities, subject to market demand and ratings status. See Note (J), Debt, for issuances under this registration statement.

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

	(In millions)
Global revolving credit facility	**$ 559**
Trade receivables program	**160**

The following table shows the movements in our debt balance:

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Debt balance at January 1	**$ 2,862,799**	2,776,129
Cash-related changes in debt:		
Net change in commercial paper borrowings	**266,089**	(238,351)
Proceeds from issuance of medium-term notes		250,000
Proceeds from issuance of other debt instruments	**66**	203,624
Retirement of medium-term notes and debentures	**(173,000)**	
Other debt repaid, including capital lease obligations	**(104,651)**	(201,726)
	(11,496)	13,547
Non-cash changes in debt:		
Fair market value adjustment on notes subject to hedging	**(1,272)**	5,941
Addition of capital lease obligations, including acquisitions	**1,949**	1,675
Changes in foreign currency exchange rates and other non-cash items	**(4,592)**	(806)
Total changes in debt	**(15,411)**	20,357
Debt balance at March 31	**$ 2,847,388**	2,796,486

In accordance with our funding philosophy, we attempt to match the aggregate average remaining re-pricing life of our debt with the aggregate average remaining re-pricing life of our assets. We utilize both fixed-rate and variable-rate debt to achieve this match and generally target a mix of 25% 45% variable-rate debt as a percentage of total debt outstanding. The variable-rate portion of our total obligations (including notional value of swap agreements) was 31% at March 31, 2009 and 26% at December 31, 2008.

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

	March 31, 2009	**% to Equity**	December 31, 2008	% to Equity

	(Dollars in thousands)			
On-balance sheet debt	**$ 2,847,388**	**214%**	2,862,799	213%
Off-balance sheet debt PV of minimum lease payments and guaranteed residual values under operating leases for vehicles [1]	**148,093**		163,039	
Total obligations	**$ 2,995,481**	**226%**	3,025,838	225%

(1) Present value (PV) does not reflect payments Ryder would be required to make if we terminated the related leases prior to the scheduled expiration dates.

On-balance sheet debt to equity consists of balance sheet debt divided by total equity. Total obligations to equity represents balance sheet debt plus the present value of minimum lease payments and guaranteed residual values under operating leases for vehicles, discounted based on our incremental borrowing rate at lease inception, all divided by total equity. Although total obligations is a non-GAAP financial measure, we believe that total obligations is useful as it provides a more complete analysis of our existing financial obligations and helps better assess our overall leverage position.

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

Our long-term target percentage of total obligations to equity is 250% to 300% while maintaining a strong investment grade rating. We believe this leverage range is appropriate for our business due to the liquidity of our vehicle portfolio and because of the substantial revenue component that is supported by long-term customer contracts related to those vehicles.

Off-Balance Sheet Arrangements

We periodically enter into sale-leaseback transactions in order to lower the total cost of funding our operations, to diversify our funding among different classes of investors and to diversify our funding among different types of funding instruments. These sale-leaseback transactions are often executed with third-party financial institutions that are not deemed to be variable interest entities (VIEs). In general, these sale-leaseback transactions result in a reduction in revenue earning equipment and debt on the balance sheet, as proceeds from the sale of revenue earning equipment are primarily used to repay debt. Accordingly, sale-leaseback transactions will result in reduced depreciation and interest expense and increased equipment rental expense. These leases contain limited guarantees by us of the residual values of the leased vehicles (residual value guarantees) that are conditioned upon disposal of the leased vehicles prior to the end of their lease term. The amount of future payments for residual value guarantees will depend on the market for used vehicles and the condition of the vehicles at time of disposal. See Note (M), Guarantees, in the Notes to Consolidated Condensed Financial Statements for additional information. We did not enter into any sale-leaseback transactions during the three months ended March 31, 2009 or 2008.

Pension Information

The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of certain market interest rates. We review pension assumptions regularly and we may from time to time make voluntary contributions to our pension plans, which exceed the amounts required by statute. We disclosed in our 2008 Annual Report that we estimated contributions of approximately $100 million to our pension plans during 2009 including voluntary U.S. contributions of approximately $73 million. At the present time, we have decided not to make the voluntary contributions to our U.S. pension plan in light of recent changes to enacted funding laws and regulations, as well as those still being considered. Based on this decision and updates to international pension plan contributions, we now expect to contribute approximately $23 million to our pension plans during 2009. During the three months ended March 31, 2009, global contributions of $4 million had been made to our pension plans. Changes in interest rates and the market value of the securities held by the plans during 2009 could materially change, positively or negatively, the funded status of the plans and affect the level of pension expense and required contributions in 2010 and beyond. See Note (P), Employee Benefit Plans, in the Notes to Consolidated Condensed Financial Statements for additional information.

Share Repurchases and Cash Dividends

As discussed in Note (N), Share Repurchase Programs, in December 2007, our Board of Directors authorized a $300 million discretionary share repurchase program over a period not to exceed two years. Additionally, our Board of Directors authorized a separate two-year anti-dilutive repurchase program. For the three months ended March 31, 2009, no repurchases were made under the $300 million program or the anti-dilutive repurchase program. The timing and amount of repurchase transactions is determined based on management s evaluation of market conditions, share price and other factors. Towards the end of the third quarter of 2008, we temporarily paused purchases under both programs given current market conditions. We will continue to monitor financial conditions and will resume repurchases when we believe it is prudent to do so.

In February 2009, our Board of Directors declared a quarterly cash dividend of $0.23 per share of common stock.

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q includes information extracted from consolidated condensed financial information but not required by generally accepted accounting principles (GAAP) to be presented in the financial statements. Certain of this information are considered non-GAAP financial measures as defined by SEC rules. Specifically, we refer to operating revenue, salaries and employee-related costs as a percentage of operating revenue, FMS operating revenue, FMS NBT as a % of operating revenue, SCS operating revenue, SCS NBT as a % of operating revenue, DCC operating revenue, DCC NBT as a % of operating revenue, total cash generated, free cash flow, total obligations and total obligations to equity. As required by SEC rules, we provide a reconciliation of each non-GAAP financial measure to the most comparable GAAP measure and an explanation why management believes that presentation of the non-GAAP financial measure provides useful information to investors. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance prepared in accordance with GAAP.

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

	Three months ended March 31,	
	2009	2008
	(In thousands)	
Total revenue	**$ 1,203,060**	1,543,582
Fuel services and subcontracted transportation revenue [1]	**(222,938)**	(433,955)
Fuel eliminations	**27,942**	62,080
Operating revenue	**$ 1,008,064**	1,171,707

(1) Includes intercompany fuel sales.

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

FORWARD-LOOKING STATEMENTS

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

our expectations as to anticipated revenue and earnings trends and the future impact of current economic conditions, particularly the freight recession and automotive volume declines;

our ability to successfully achieve the operational goals that are the basis of our business strategies, including offering competitive pricing, diversifying our customer base, optimizing asset utilization, leveraging the expertise of our various business segments, serving our customers global needs and expanding our support services;

impact of losses from conditional obligations arising from guarantees;

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

number of NLE vehicles in inventory, and the size of our commercial rental and full service lease fleet, for the remainder of the year;

the anticipated timing of the recognition of pre-tax compensation expense;

our expectations of free cash flow and capital expenditures for 2009;

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

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

the anticipated impact of fuel price fluctuations;

our expectations as to future pension expense and estimated contributions;

our expectations regarding the ultimate resolution of a disputed foreign tax assessment;

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

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

our expectations regarding the terms, timing and integration plans of recent acquisitions;

our expectations regarding the timing and impact of our plans to exit Supply Chain operations in South America and Europe;

our ability to access unsecured debt in the capital markets and our beliefs regarding the reliability of the participants to our contractual lending agreements;

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

the appropriateness of our long-term target leverage range.

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

Market Conditions:

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

Competition:

- Competition from other service providers, some of which have greater capital resources or lower capital costs
- Continued consolidation in the markets in which we operate which may create large competitors with greater financial resources

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

- Our inability to maintain current pricing levels due to customer acceptance or competition

Profitability:

- Our inability to obtain adequate profit margins for our services
- Lower than expected customer volumes or retention levels
- Loss of key customers in our SCS and DCC business segments
- Our inability to adapt our product offerings to meet changing consumer preferences on a cost-effective basis
- The inability of our business segments to create operating efficiencies
- Sudden changes in fuel prices and fuel shortages
- Our inability to successfully implement our asset management initiatives
- Increased unionizing, labor strikes and work stoppages
- Our inability to manage our cost structure
- Our inability to limit our exposure for customer claims

Financing Concerns:

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

Accounting Matters:

- Impact of unusual items resulting from ongoing evaluations of business strategies, asset valuations, acquisitions, divestitures and our organizational structure
- Reductions in residual values or useful lives of revenue earning equipment
- Increases in compensation levels, retirement rate and mortality resulting in higher pension expense; regulatory changes affecting pension estimates, accruals and expenses
- Increases in healthcare costs resulting in higher insurance costs
- Changes in accounting rules, assumptions and accruals
- Impact of actual insurance claim and settlement activity compared to historical loss development factors used to project future development

o Additional adverse issues or developments relating to our Brazilian operations

Other risks detailed from time to time in our SEC filings

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to Ryder s exposures to market risks since December 31, 2008. Please refer to the 2008 Annual Report on Form 10-K for a complete discussion of Ryder s exposures to market risks.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the first quarter of 2009, 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 Rules 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the first quarter of 2009, Ryder s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective.

Changes in Internal Controls over Financial Reporting

During the three months ended March 31, 2009, there were no changes in Ryder s internal control over financial reporting that have materially affected or are reasonably likely to materially affect such internal control over financial reporting.

PART II. OTHER INFORMATION

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

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

	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Anti-Dilutive Program[(2)]	Approximate Dollar Value That May Yet Be Purchased Under the Discretionary Program [(3)]
January 1 through January 31, 2009	**1,290**	**$ 38.21**		**636,564**	**$ 130,400,437**
February 1 through February 28, 2009	**16,946**	**32.17**		**636,564**	**130,400,437**
March 1 through March 31, 2009	**1,280**	**21.05**		**636,564**	**130,400,437**
Total	**19,516**	**$ 31.84**			

(1) During the three months ended March 31 2009, we purchased an

aggregate of 19,516 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 common stock, one of the investment options available under the plans.

(2) In December 2007, our Board of Directors authorized a two-year anti-dilutive share repurchase program. Under the anti-dilutive program, management is authorized to repurchase shares of common stock

in an amount not to exceed the lesser of the number of shares issued to employees upon the exercise of stock options or through the employee stock purchase plan for the period beginning on September 1, 2007 to December 12, 2009, or 2 million shares. Share repurchases of common stock may be made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management may establish a prearranged written plan for the Company under Rule 10b5-1 of the Securities Exchange Act of 1934 as part of the anti-dilutive program, which allows for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. During the three months ended March 31, 2009,

no repurchases were made under this program. Towards the end of the third quarter of 2008, we temporarily paused purchases under this program given current market conditions. We will continue to monitor financial conditions and will resume repurchases when we believe it is prudent to do so.

(3) In December 2007, our Board of Directors also authorized a $300 million discretionary share repurchase program over a period not to exceed two years. Share repurchases of common stock may be made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Management may establish a prearranged written plan for the Company under Rule 10b5-1 of the Securities

Exchange Act of 1934 as part of the $300 million discretionary program, which allows for share repurchases during Ryder s quarterly blackout periods as set forth in the trading plan. During the three months ended March 31, 2009, no repurchases were made under this program. Towards the end of the third quarter of 2008, we temporarily paused purchases under this program given current market conditions. We will continue to monitor financial conditions and will resume repurchases when we believe it is prudent to do so.

ITEM 6. EXHIBITS

31.1	Certification of Gregory T. Swienton pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of Robert E. Sanchez pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32	Certification of Gregory T. Swienton and Robert E. Sanchez pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350.

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SIGNATURES

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

RYDER SYSTEM, INC.
(Registrant)

Date: April 22, 2009

By: /s/ Robert E. Sanchez
Robert E. Sanchez
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Date: April 22, 2009

By: /s/ Art A. Garcia
Art A. Garcia
Senior Vice President and Controller
(Principal Accounting Officer)

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