Robert E. Sanchez
Chairman and Chief Executive Officer
Ryder System, Inc.

Dear Ryder Shareholder:

Several years ago, we set in motion a company-wide strategy to achieve strong organic growth. We focused our efforts on convincing the 90% of businesses in our markets that are do-it-yourselfers to outsource their transportation and logistics functions to Ryder. We've worked to capitalize on a number of broad trends that are making it harder for businesses to run these functions on their own. These include higher truck purchase prices and operating costs, new regulations, growing complexity around new engine technologies, talent shortages for driver and maintenance technician roles, demand for faster delivery options, and the need for rapid change to keep global supply chains competitive.

By addressing these challenges, we can make a significant difference in reducing customers' costs and improving the efficiency of their operations. After all, commercial transportation and logistics is what Ryder has been doing 24/7 since the 1930s. We're already a trusted resource to more than 50,000 customers and the list is growing. Our experience tells us we can save do-it-yourselfers 10% to 15% or more when they outsource to Ryder. To accelerate growth, we've innovated with many new service offerings that make it easier for a company to begin doing business with Ryder. A great example of this was the 2016 launch of our expanded group of flexible leasing options, ChoiceLease, and also SelectCare, which gives customers of all sizes more ways to tap into our industry leading maintenance network and expertise.

Delivering On Our Strategy

With our long-term strategy in place now for several years, our team built momentum by posting record full-year results in 2013, 2014, and 2015. In my letter to you last year, I indicated that our 2016 results would be impacted by weaker market conditions for our transactional business in both commercial rental and used vehicle sales. As the year unfolded, it became clear that our concerns were well founded. In rental, we took actions earlier in 2016 to right-size the fleet for lower demand. That quick response enabled us to improve rental performance in the second half of the year. However, the steep decline in the used truck market proved much more challenging than expected, leading to lower pricing and increased wholesaling, which substantially impacted our earnings for the year.

As we navigated these challenges, we were encouraged that, as we expected, our contractual business grew and remained strong. Ryder's core contractual offerings, including full-service lease, dedicated transportation, and supply chain continued to benefit from favorable outsourcing trends, as well as our sales and marketing initiatives. That solid performance helped us close the year with our 13th consecutive quarter of record operating revenue, and resulted in all-time highs in both total revenue and operating revenue for the full-year.

Fleet Management Solutions (FMS)

In our FMS business, total revenue was flat, and operating revenue was up 3%, with solid contractual revenue growth of 7% being offset by the external market conditions in rental. In our largest product line, full service lease, we were pleased that over 40% of our new sales came from customers who were new to outsourcing, up from about a third in 2015. We added 4,100 more vehicles under lease contracts in 2016. This was 17% better than our initial forecast of 3,500 vehicles, and represented our fifth consecutive year of lease fleet growth. This was the second highest organic growth in more than a decade. We also grew the fleet that we service through our contract maintenance offering by approximately 5,900 vehicles from the prior year, reflecting new customer wins.

Dedicated Transportation Solutions (DTS)

In our DTS business, total and operating revenue were up 14% and 8%, respectively, driven by new sales wins. We were pleased that more than 50% of new DTS sales came from companies that were outsourcing those operations for the first time. In fact, many of the companies were existing Ryder lease customers who turned to us for additional help in dealing with difficult issues, including the shortage of qualified professional truck drivers, allowing us to expand our relationship with them. For the year, DTS delivered a very strong pretax earnings increase of 39%, reflecting the benefits of both revenue growth and cost streamlining initiatives.

Supply Chain Solutions (SCS)

In our SCS business, total and operating revenue grew by 6% and 8%, respectively, driven by double-digit growth in our automotive and industrial customer bases. For the full year, SCS delivered a 13% increase in pretax earnings, driven largely by new sales, which included more than 60 new customer start-ups during the year.

Signs of Progress

The conditions we faced in 2016 required some of the same focus that we bring to our customers' businesses each day. Looking across our three business segments, we delivered significant growth and positive results in our contractual businesses and took decisive actions to better position the business for anticipated demand levels in our transactional markets in 2017. During the year, we also demonstrated the counter-cyclical cash flow nature of our business model. We increased total cash generated by 8%, grew operating cash flow by 11%, and shifted free cash flow from negative $728 million last year to positive $194 million for 2016. We provided additional value to investors by increasing our quarterly dividend for the 12th time since the beginning of 2005. We also reduced leverage from 277% in 2015 to 263% this year, and brought it within our long-term debt-to-equity target range of 225% to 275%.

In a year when we focused intently on responding to a number of business challenges, it was especially gratifying to be honored for leadership within the business world, our industry and the communities we call home. *FORTUNE* magazine once again named Ryder among the World's Most Admired Companies. *Forbes* named Ryder one of America's Best Employers for the second straight year. Our work in veteran hiring earned recognition for Ryder as a Most Valuable Employer for Military by CivilianJobs.com. Since joining the U.S. Chamber of Commerce Hiring Our Heroes program in November 2011, Ryder has hired 4,800 veterans, and the percentage of veterans among our U.S. workforce has grown from 8% to 11%. *Inbound Logistics* named Ryder a Green Supply Chain Partner, and *Food Logistics* named us a Top Green Provider in view of our environmentally responsible business practices. We were also proud to continue our work as a member of the American Red Cross Annual Disaster Giving Program, a cause which Ryder has supported with commitments of more than $3 million in cash and in-kind services since 2009.

Looking Ahead

Although we anticipate continued slow to moderate economic growth for 2017, our contractual products across all three business segments are forecast to continue growing, but at a somewhat slower pace than last year. We're forecasting another year of organic lease fleet growth, with the expected addition of 3,500 vehicles. This would represent our sixth consecutive year of organic lease fleet growth, as we continue to attract customers that are new to outsourcing.

With the benefit of our timely actions to right-size our commercial rental fleet last year, we expect improved utilization and better rental results for 2017. In addition to earnings growth from our contractual products and improved rental performance, we also anticipate earnings to benefit from workforce reductions taken in late 2016 and other cost-savings actions.

We expect 2017 earnings to be impacted by continuing market challenges in the used vehicle sales environment, which we expect will continue through mid-2018. In view of these conditions, we have accelerated depreciation on vehicles in operation that we expect to make available for sale through mid-2018 to reflect this outlook.

We're planning modestly higher capital expenditures this year due to increased investments to refresh our rental fleet. We expect to deliver operating cash flow of $1.7 billion and free cash flow of $250 million, up by approximately $85 million and $60 million, respectively, from 2016. The free cash flow is anticipated to reduce our leverage below the middle of our target range, supporting our ability to continue anti-dilutive share repurchases while continuing to grow our dividend.

In recent quarters, we've continued to grow the business despite a challenging marketplace. That's been a further validation of not only the strength of our business model, but also our growth strategy and the ability of our team to execute. Looking longer term, beyond 2017, we will continue to build on the success of our strategy to penetrate the large number of do-it-yourselfers within our markets. Teams are collaborating throughout our organization to innovate and provide a wider, more flexible range of solutions that make it easier for companies to begin experiencing the value of doing business with Ryder. This combination of Ryder preparation and marketplace opportunity gives us tremendous optimism about what we can accomplish for Ryder and our shareholders in coming years.

In closing, I want to thank you for your continued belief and investment in Ryder. Our team of more than 34,000 employees appreciates your support and we're committed to fully realizing Ryder's outstanding potential as an investment, solutions provider, and responsible member of the global business community. Our team looks forward to sharing the successes and rewards of our progress with you on the road ahead.

Robert Sanchez
Chairman and CEO
March 2017

This letter includes the following non-GAAP financial metrics: Operating revenue, segment operating revenue for our FMS, SCS and DTS business segments, total cash generated and free cash flow. For a reconciliation of these non-GAAP financial measures, see pages 60 - 61 of the accompanying Annual Report on Form 10-K.