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

Dear Ryder Shareholder:

Several years ago, we established a company-wide organic growth strategy to build our contractual businesses by "cracking the code" on the large non-outsourced transportation and logistics market. The strategy capitalizes on secular trends that favor outsourcing. These trends include higher truck purchase prices and operating costs, intricate regulations, ever-increasing complexity around new engine technologies, talent shortages across drivers and technicians, the continuous need for more efficient delivery options, and the rapid change required to keep global supply chains competitive.

Celebrating our 85th year in business in 2018, Ryder continues to demonstrate its leadership in the industry by addressing these challenges, ultimately reducing customers' costs and improving the efficiency of their operations. Our list of customers is 50,000 plus strong, and growing. Time and again, we have proven that do-it-yourselfers can save 10% to 15% or more when they outsource to Ryder. The savings, in addition to our unique flexible solutions – like Ryder ChoiceLease™ and SelectCare™ – continue to make it easier for companies to do business with Ryder.

Delivering On Our Strategy

In 2017, we made significant progress on our strategic objective to penetrate non-outsourced markets, with growth in each of our three business segments – Fleet Management Solutions (FMS), Dedicated Transportation Solutions (DTS) and Supply Chain Solutions (SCS). We saw strong growth in our contractual outsourcing services, including ChoiceLease, DTS and SCS, as more companies chose to trust us with their transportation and logistics functions. This robust performance helped us close the year with our 21st consecutive quarter of record operating revenue. The used truck sales market continued to present a challenge; although pricing began to stabilize toward the end of the year. Market demand for our rental trucks in the early part of the year was lower than we initially expected but came back strong in the second half as the economy and freight environments improved.

We continued to deploy new customer-facing technologies including innovative safety technologies, like in-cab cameras (DriveCam®) and our cloud-based shipment visibility tool, RyderShare™, which allows shippers to gain real-time load visibility and manage issues by exception from desktop and mobile devices. These solutions allow customers to better optimize transportation costs and service. Additionally, our strategic vehicle partnerships with companies in the electric and advanced vehicle technology sectors, position Ryder to drive additional long-term growth by providing our customers with cutting-edge vehicle technology.

Fleet Management Solutions (FMS)

In our FMS business, total revenue increased 4%, and operating revenue was up 2%, with solid contractual revenue growth being partially offset by weaker rental demand in the first half of the year. In ChoiceLease, our largest product line, we were pleased that over 40% of 2017 new sales came from customers who were new to outsourcing. We added 4,100 more vehicles under lease contracts in 2017, exceeding our forecast of 3,500 vehicles by 17%, and representing our sixth consecutive year of lease fleet growth. Furthermore, we grew our SelectCare business by 5,400 units in 2017.

Dedicated Transportation Solutions (DTS)

In our DTS business, total revenue was up 7% and operating revenue increased by 2%. Although growth slowed in 2017 when compared to 2016, we finished the year with strong sales and a growing pipeline. As in past years, some new DTS sales were driven by companies that are existing Ryder lease customers who turned to us for additional help in dealing with difficult issues like the shortage of qualified professional truck drivers, thus allowing us to expand our relationship with them. For the year, DTS also delivered unprecedented customer satisfaction levels, further demonstrating our commitment to service excellence.

Supply Chain Solutions (SCS)

In our SCS business, total revenue grew by 20% and operating revenue increased by 11%. SCS growth was driven by record new sales, with robust performance across all industry verticals and service offerings. Additionally, peak season volumes were strong in tech and retail, partially offset by lower annual auto volumes at existing sites triggered by network changes. Strong growth across all service offerings was evidenced by fleet growth of 9%, managed warehouse square footage growth of 14% and subcontracted transportation growth of 73%. Earnings benefit from new business and pricing were offset by start-up costs and planned investments in technology.

Our Progress

The conditions we faced in 2017 required us to ensure the growth in our contractual businesses could overcome some of the headwinds on the transactional side. Looking across our three business segments, we delivered record sales in our contractual businesses. Additionally, we prepared for strong performance in 2018 by building a robust sales pipeline and taking decisive actions to ensure the business is well-positioned for demand levels in our transactional markets. These actions included reducing our used vehicle inventory to the bottom of our forecasted range to better align with market conditions. On the rental side, we saw strong demand in the third and fourth quarters, leading to the highest rental utilization in the fourth quarter in over 10 years – a testament to the return of a more robust freight environment. During the year, we again demonstrated the counter-cyclical cash flow nature of our business model with positive free cash flow of $190 million, consistent with the prior year. We provided additional value to investors by increasing our quarterly dividend for the 13th time since the beginning of 2005. We also reduced leverage to 191% which is just below our long-term debt-to-equity target range of 200% to 250%.

Noteworthy in 2017 was our implementation of a Zero-Based Budgeting process to reduce overhead spend throughout the organization to help fund further strategic investments in sales, marketing, and IT to drive future growth.

2017 was a year of unprecedented natural disasters that impacted not only our business but our employees and their communities with three large hurricanes and two major earthquakes impacting the U.S., Mexico and the Caribbean, as well as the wild fires in California. The collaboration among employees to help one another and ensure that our customers' businesses kept moving was a testament to the organization's culture and its dedication to deliver on the promises to our customers.

It was particularly gratifying to again be honored in 2017 for leadership within the business world, our industry and the communities we call home: *FORTUNE* magazine again named Ryder among the World's Most Admired Companies for the sixth consecutive year. Additionally, *Forbes* recognized Ryder as one of America's Best Employers for the third straight year. In connection with our participation in the U.S. Chamber of Commerce's Hiring Our Heroes program, Ryder was honored to be awarded the Lee Anderson Veteran and Military Spouse Employment Award for overall excellence in hiring and retaining veterans, transitioning service members, and military spouses. Since joining the program in 2011, Ryder has hired approximately 6,000 veterans. 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

In 2018, we are anticipating solid earnings growth across all business segments, driven by robust contractual revenue growth from record sales results in 2017 as well as the strength of our sales pipeline. We forecast a significant increase in ChoiceLease fleet growth of 6,500 vehicles, based on a continued trend toward outsourcing, our ongoing sales and marketing initiatives, and a strengthening freight environment. We are also anticipating strong rental revenue growth in this accelerating freight environment and plan to grow the rental fleet by 6%.

In DTS, we are expecting strong 9% operating revenue growth driven by new sales from the second half of 2017 and a strong pipeline as we enter 2018. This topline growth along with cost savings initiatives will drive bottom line growth.

In SCS, we are expecting solid operating revenue growth of 6% reflecting record sales activity in 2017 and new business wins from a strong sales pipeline. We anticipate SCS will realize higher earnings due primarily to revenue growth, higher pricing and improved operating performance.

Additionally, we expect our Zero-Based Budgeting process to significantly lower overhead costs. We also anticipate 2018 earnings to benefit from Tax Reform, primarily due to a lower effective income tax rate. These expected overhead reductions and tax benefits will improve earnings and fund 2018 strategic investments in sales and marketing, new product development, and technology, which are focused on driving long-term revenue and earnings growth.

We expect continued headwinds in the used vehicle market: While we anticipate a modestly improved outlook for used vehicle pricing in 2018 that will benefit year-over-year results, we still expect used vehicle sales to incur a loss for the year.

We are planning significantly higher capital expenditures this year primarily due to increased investments to grow our lease fleet, and to refresh and expand our rental fleet. We expect to deliver higher operating cash flow of $1.8 billion, reflecting the returns from several years of fleet investment. Free cash flow is forecast at negative $600 million, reflecting increased capital spending to support fleet growth.

We've continued to grow the business despite an ongoing challenging marketplace. That's been a further validation of the strength of our business model, our growth strategy, and the ability of our team to be nimble and execute in ever-changing market conditions. In the long-term, we will further build on the success of our strategy to penetrate the large do-it-yourselfer market by continuing to provide an even more extended and flexible range of solutions that make it easier for companies to partner with Ryder and drive their businesses forward, providing long-term value for customers and shareholders alike.

In closing, I want to thank you for your continued belief and investment in Ryder. Our team of more than 36,000 employees appreciates your support and we're committed to fully realizing Ryder's exceptional 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 2018

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 59 - 64 of the accompanying Annual Report on Form 10-K.