



**rb** RITCHIE BROS.  
Auctioneers



## CONTENTS

To Our Fellow Shareholders	2
Growth Potential	6
Creating Value for our Customers	11
Our Relationships with Equipment Buyers	14
Our Relationships with Equipment Sellers	18
Plans for the Future	27
The Ritchie Bros. Auction Process	32
Financial Information	33
Selected Financial and Operating Data	54
Supplemental Quarterly Data	55
Shareholder Information	56

In this annual report, all dollars amounts are stated in United States dollars unless a different currency is indicated.

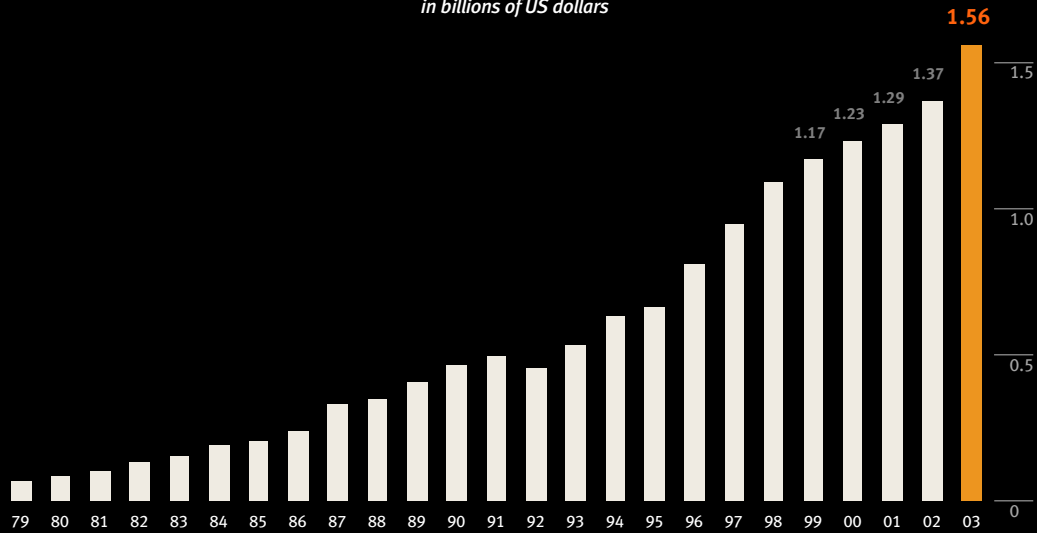
Ritchie Bros. Auctioneers conducts over 140 unreserved industrial auctions every year and operates through over 90 locations around the world.

We sell a wide range of construction, transportation, mining, forestry, petroleum, marine and agricultural equipment. All items in a Ritchie Bros. Auction are sold to the highest bidder without minimum bids or reserve prices.

## TWENTY-FIVE YEAR SUMMARY

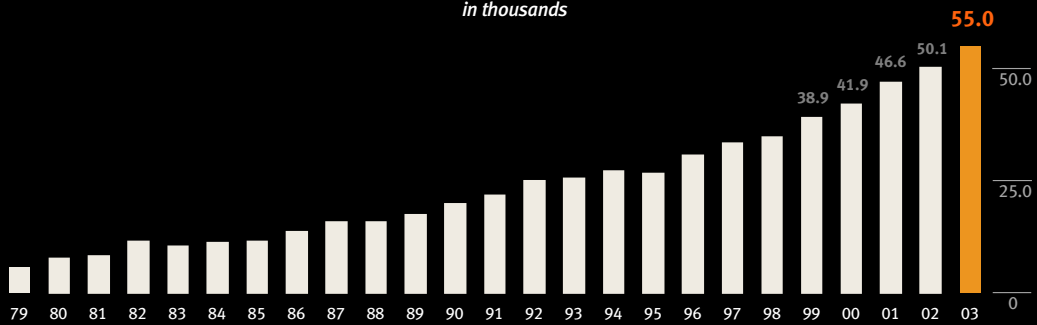
### GROSS AUCTION SALES

*in billions of US dollars*



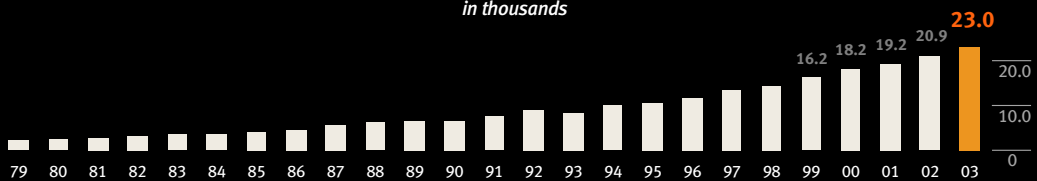
### BUYERS

*in thousands*



### CONSIGNORS

*in thousands*



**We value our customer relationships above all else.**



## To our Fellow Shareholders

**When we wrote to you last year, we said that the significant investments in people, facilities and infrastructure made from 1998 through 2001 had given us the capacity and operating leverage to grow our business profitably for many years to come. We noted that we had given ourselves the ability to hold larger more cost-effective auctions and that we had sufficient capacity in place to grow our business by as much as 50% from present levels. With this period of significant infrastructure expansion behind us, we were able to focus on productivity and customer service in 2003. We followed through on that plan and made our 40th year our most successful yet.**

In 2003 we served more customers than ever before. Over 23,000 consignors (12% higher than in 2002) chose unreserved Ritchie Bros. auctions when they decided to sell their trucks and equipment; and more than 55,000 buyers (also 12% higher than in 2002) bought trucks and equipment at our auctions. As a result, we were able to set new records for gross auction sales, auction revenues and net income. We took advantage of the foundation we had established and the momentum that continues to build around our unreserved auctions.

The productivity of our salesforce improved dramatically. Gross auction sales per sales representative increased from an average of \$7.2 million in 2002 to \$8.3 million in 2003. We attribute this improvement primarily to the increased maturity and experience of our sales force – the large number of Territory Managers added to the team from 1998 through 2001 have evolved from rookies into seasoned veterans. Going forward, we plan to increase the size of our sales force while striving to keep productivity above the \$8.0 million mark.

To continue growing our business, we need to work with people who haven't traditionally turned to the auction channel to buy or sell equipment, especially those who have relied on private sales (contractors selling directly to other contractors), which remains one of the most popular ways of buying and selling in our market. Our unreserved auctions may be the proverbial "better mouse-trap" but they don't sell themselves. Our job is to build relationships with potential customers and show them the benefits of participating in our global marketplace. The fact that an ever-increasing number of buyers and sellers are choosing Ritchie Bros. is proof that we are on the right track.

Continued growth will come from efforts on many fronts, including expansion into new asset categories and geographies, further development of our Internet tools, and additions to our international network of auction sites. But at the end of the day, the success of these initiatives is dependent on our ability to develop relationships with new customers. That's why in 2004

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**The success of each auction contributes to the success of the next — a large bidding audience helps us to attract more equipment, which attracts more bidders, which attracts more equipment, and so on. It has been this way for 40 years. This positive momentum is fueled by our steadfast commitment to holding only unreserved auctions and our company-wide focus on customer service.**

we will be working on several customer service initiatives including completion of the roll-out of a new customer relationship management system, increased enrollment in our training program for new Territory Managers, and customer service training for all staff.

Ours has always been a relationship business and we value our customer relationships above all else. Our past success is attributable to the strength of these relationships and without doubt our future success will be based on the same thing. This is why the entire Ritchie Bros. team is focused on providing the best possible

customer service. That team is comprised of 590 men and women working in 22 countries around the world, but we act as one in the aggressive pursuit of our common goal — *to offer our customers the best-run auctions in the world.*

We offer our thanks to our fellow employees for their dedication and commitment, to our fellow shareholders for their support, and to our customers for choosing Ritchie Bros. Auctioneers.



Peter Blake  
Senior Vice President,  
Chief Financial Officer

Dave Ritchie  
Chairman,  
Chief Executive Officer

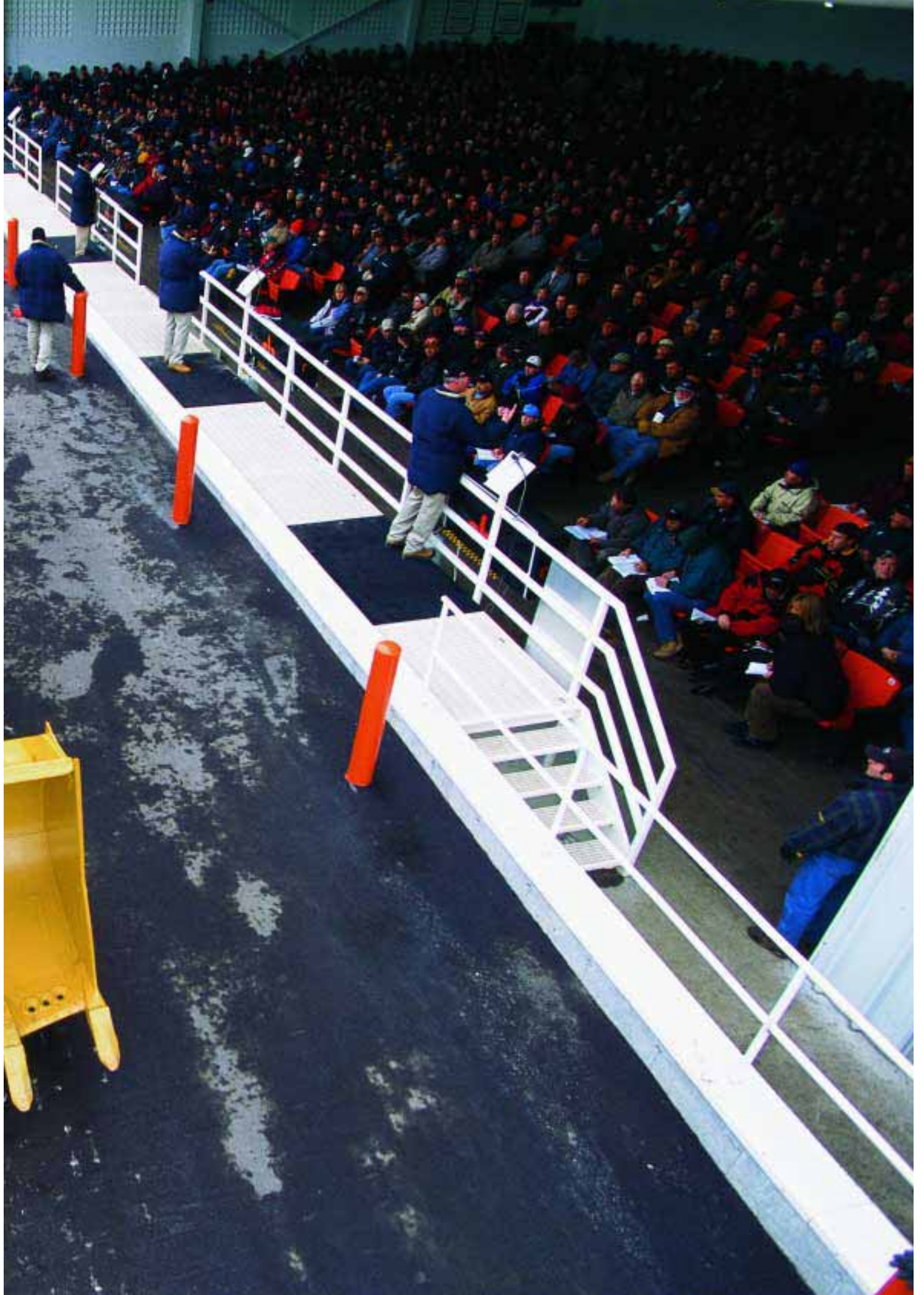
Rob Mackay  
Executive Vice President

Rob Whitsit  
Senior Vice President  
Southeast Division

Roger Rummel  
Senior Vice President  
Southwest & Mexico Divisions

Randy Wall  
President,  
Chief Operating Officer





## Growth Potential

**We operate in the massive and highly fragmented industrial equipment market. We sell more used trucks and equipment than anybody else in the world and we are larger than our next 40 auction competitors combined, but we serve only a small fraction of the total market — probably less than 2%. Our growth potential is obvious.**

We sell, through unreserved public auctions, a broad range of equipment, including equipment used in the construction, transportation, mining, forestry, petroleum, marine and agricultural industries. Our customers are primarily end users of equipment, such as contractors, and they also include equipment manufacturers, dealers, brokers and finance companies.

We are fortunate to have a dominant market position in a highly fragmented market. We have been growing steadily for 40 years but we still have significant growth potential.

**The opportunity has presented itself.** There is estimated to be in the range of \$1 trillion worth of used equipment of the type we sell in circulation worldwide, with

approximately \$100 billion of that equipment changing hands each year. Private sales between equipment owners and sales involving equipment dealers and brokers have traditionally accounted for most of the transactions in this highly fragmented market. We estimate that all auctioneers combined currently handle about 5% of the transactions. In our most mature markets, we believe that auctioneers are selling as much as 25% of the used equipment; in some markets Ritchie Bros. has 50% or more of the auction share. As the largest participant in a large and fragmented market, we see strong growth opportunities for many years, regardless of what is happening in the broader economy. Throughout the Company's history we have been able to grow our



Nick Nicholson  
Vice President  
South Central Division

Guylain Turgeon  
Managing Director  
European Operations

Bob Armstrong  
Vice President  
Finance & Internet Services;  
Corporate Secretary

Dale Finlan  
Chief Information Officer

Clay Tippet  
Vice President  
Marketing & Customer Relations

business during both good times and bad times, and we expect this to continue.

**We are expanding our footprint in non-traditional markets.** In addition to growth in our core truck and equipment markets, we have been increasing our presence in other markets, especially agriculture. We will look at opportunities to expand into markets where we can create value for our customers by bringing some or all of the following competitive advantages to the table:

- ▶ Our reputation
- ▶ Our international network of auction sites
- ▶ Our customer base
- ▶ Our marketing systems
- ▶ Our Internet tools
- ▶ And most significantly, the ability of our unreserved auctions to deliver the best possible price

**Our Internet services are creating value.** One of the factors contributing to our growth in recent years has been the leveling of the playing field in the used equipment

market. Thanks in part to the Internet, equipment owners are now much better informed about market values and have easy access to information about what's available for sale. While some market participants had an information advantage in the past, the increasing transparency in today's market has changed that significantly. In an environment where all players have equal access to information, transactions migrate to the most efficient marketplace, which in our industry is a Ritchie Bros. unreserved auction. Evidence that this increasing transparency is favoring Ritchie Bros. is the fact that our average bidder audiences have increased by approximately 20% since we began offering buyers the opportunity to participate in our live auctions over the Internet. The vast majority of our bidders still choose to attend our auctions in person and physically inspect the equipment; but the rbauctionBid-Live service and the depth of information available on the rbauction.com website have enabled us to expand our bidding audiences, creating an environment where Internet bidders and live bidders compete against each other on a level playing field – this is the best of both worlds for bidders and consignors.



Dean Siddle  
Vice President  
Senior Valuation Analyst

Sylvain Touchette  
Vice President  
Eastern Canada Division

Mike Ritchie  
Vice President  
Western Canada Division

Vic Pospiech  
Vice President  
Administration & Human Resources

Mike Murray  
Vice President  
Northwest Division

Denis Prevost  
Vice President  
National Accounts

**AVERAGE INDUSTRIAL AUCTION IN 2003**

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**\$11.0 million** in gross auction sales  
**1,200** registered bidders  
**1,100** lots  
**160** consignors

**UNRESERVED – WHY IS IT SO IMPORTANT TO US?**

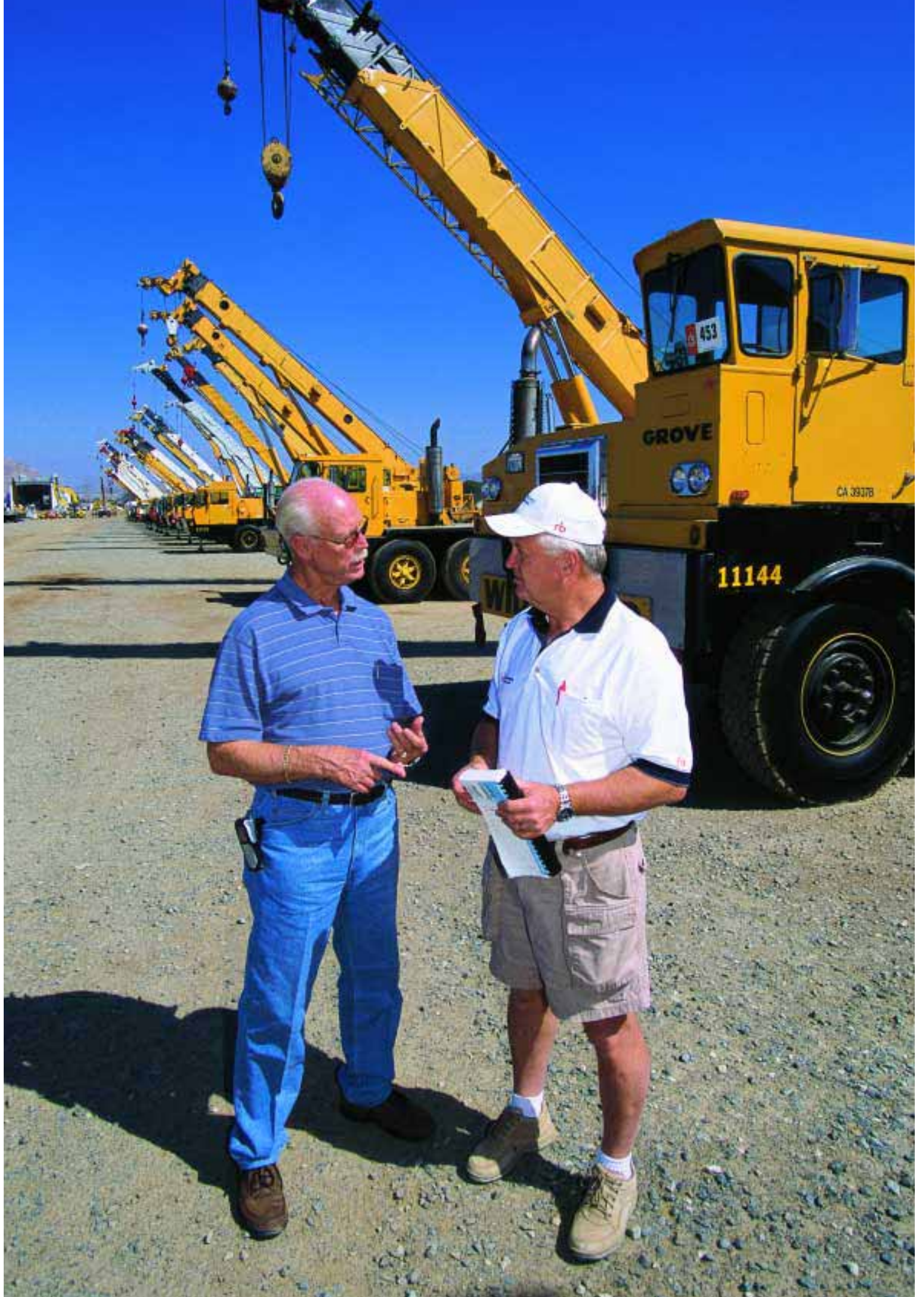
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Each and every Ritchie Bros. auction is “unreserved”. At Ritchie Bros. “unreserved” means that there are no minimum prices – everything sells to the highest bidder on sale day. We do not allow consignor buy-backs, bid-ins or any other type of artificial price manipulation. “Unreserved” is a founding principle of our Company and one of our most significant competitive advantages. We have maintained our steadfast commitment to this process for over 40 years because we believe that our customers deserve to be treated with fairness and integrity. In our view, the only auction that lives up to this standard is an unreserved auction.

By sticking to our policy of holding only unreserved auctions, we are able to attract a large and diverse bidder audience — an average of 1,200 bidders from all over the world participate in each of our industrial auctions. By allowing these bidders to compete in an open and fair auction environment, we are able to transcend local market conditions and deliver the best possible prices.







## Creating Value for our Customers

**At the end of the day, it comes down to providing the highest possible level of customer service and developing strong customer relationships.**

We understand the importance of these relationships, and in 2003 we rededicated ourselves to customer service and our goal of offering our customers the best run auctions in the world. How do we do this?

### **Our dedicated customer service team**

At the end of 2003, we had 188 sales representatives calling on equipment owners around the world. The members of our sales team, together with our Customer Service Managers, are critical to our success – they represent the frontline in our ongoing effort to develop strong relationships with our customers. Many of our salespeople come to us with an equipment background, having worked for an equipment or truck dealership, rental company or contractor. They apprentice with an experienced member of our team before taking on their own territory. It can take 24 months or longer for a new Territory Manager to reach the level of productivity that we expect. More recently, we have also been focusing on hiring younger people with post secondary degrees (who

may not have an equipment background but are bright, hard working and ambitious) and putting them through our comprehensive training program for new Territory Managers. The first graduates of this program are now working as Territory Managers in several regions and many are already demonstrating the potential to become future leaders of our company. Adding quality people to our team, giving them the right tools and then helping

them up the learning curve is a core part of our strategy for delivering superior customer service.

### **Our international network of auction sites**

We conduct recurring auctions at 29 locations around the world, giving us a network of sites that is attractive to consignors of equipment with widely dispersed fleets and to equipment manufacturers wanting access to multiple regional markets. Many of our auction sites are equipped with environmentally certified painting and refurbishing facilities, purpose-built auction theatres and equipment display yards. This network of sites allows us to deliver to our customers an unparalleled level of

*Our focus on people and relationships will allow us to continue growing our business.*



## WHAT DRIVES OUR SUPPLY OF EQUIPMENT?

We can do well in good times and in bad, as long as circumstances are changing. Any economic, political or other factor that leads to a desire or need for people to buy or sell equipment creates work for Ritchie Bros. Economic uncertainty typically fuels the supply of used equipment. So do fleet realignments, financial pressure, mergers and acquisitions, inventory reductions, lease returns, project completions and even retirements. As long as a few of these factors are at work somewhere in the world, Ritchie Bros. has customers to call on. Because the used equipment market is so large and because there are so many different drivers influencing owners' decisions to sell, our business volume is not related to economic cycles.



service. Our 22 permanent auction sites have, on average, over 50 acres of developed land, and some have over 100 acres. We have ample room at most of our locations to hold larger auctions and grow our business. In 2004, we will be opening our newest permanent auction site on 90 acres in Sacramento, California. This will replace our existing regional operation on leased land in Stockton.

**Our supporting systems and the people behind them**

Less visible but no less important is the supporting infrastructure that enables us to deliver our services efficiently and effectively. To support the size and breadth of our operations, we have developed sophisticated marketing and information technology operations. We are continually refining the way we do things and are always looking for better ways to help our customers. Our systems today — from marketing to salesite

operations to Internet bidding — enable us to provide an unparalleled level of service to our customers. Our newest technology tool is a sophisticated customer relationship management system that we began rolling out to our sales force during the second half of 2003. The information provided by this system should enable our Territory Managers to deliver better service to existing customers and be more efficient in their efforts to develop relationships with new customers.

As a Company, our challenge is to use these tools — our people, our facilities and our infrastructure — to create value for our customers. The ever-increasing numbers of buyers and consignors who choose Ritchie Bros. are the proof that we are succeeding.





## Our Relationships with Equipment Buyers

There are many places a buyer can go to acquire equipment. An increasing number of equipment buyers are coming to our auctions. Why?

### **Unreserved auctions create a transparent market**

We sell everything on an unreserved basis. As a result, bidders at our auctions compete on an open and level playing field. There are no minimum prices and sellers are not allowed to bid on their own equipment. While some auctioneers openly permit sellers to bid on their own items, or will bid on the equipment themselves to artificially support prices, we maintain a strict commitment to our policy prohibiting consignors from bidding on their own equipment, either directly or through agents. And Ritchie Bros. doesn't bid on any of the equipment in our auctions.

**CUSTOMER RELATIONSHIPS –**  
*We have over **400,000** active customers in over 200 countries*

Our commitment to selling everything on an unreserved basis is one of our most significant competitive advantages when it comes to attracting bidders; and large bidder

audiences attract consignments, which in turn attract more bidders, in a self-reinforcing cycle.

### **Buyers pay a fair market price**

Because everything is sold on an unreserved basis, buyers at

a Ritchie Bros. auction always pay a fair market price. All bidders compete on an equal basis irrespective of their negotiating skills or buying power; and they know that the people they are bidding against are legitimate bidders like themselves. We don't promise any bargains, but our buyers can always be confident that they are paying fair market value.



Not only does every item sell on sale day to the highest bidder, once the auctioneer says “SOLD” the negotiations are over. The buyer simply pays Ritchie Bros. and then takes possession of the equipment without any need to haggle over payment or delivery terms.

**Clear title is guaranteed to our buyers**

Buyers at a Ritchie Bros. auction do not need to be concerned about the financial condition of the sellers. If we can't deliver clear title, the buyer receives a full refund. Without such a guarantee, buyers run the risk of having their equipment repossessed by the bank that financed the previous owner — something buyers attending other auctions don't think about until it's too late. We commit considerable resources to identifying and coordinating the release of all liens before we sell the equipment.

**Customers can inspect, test and compare before bidding.**

We recognize that used equipment needs to be inspected and compared to other units before being purchased. On average, 80% of our buyers are end users of equipment who intend to take the equipment to their jobsite and use it to earn income – they are not willing to buy without inspecting. We organize our auction yards so that customers can compare similar items and determine the condition and value of the equipment before placing any bids. Marshalling the equipment at our auction yards and allowing our customers to “kick the tires” are very valuable features of a Ritchie Bros. auction.

**We make it easy to buy**

Our sale sites feature covered theater-style seating for the bidders — during the auction, the rolling stock is driven over an elevated ramp in front of the bidders.

In addition to displaying the equipment to facilitate on-site inspections, we arrange for transportation, finance and other service companies to be present at our auction sites so customers can get competitive quotes before they bid.

Our dedicated and experienced sales and support team is a key factor in our success, and they are always available if bidders need additional help or information.

**Buyers don't waste their time**

During 2003, the average Ritchie Bros. industrial auction included over 1,100 lots from 160 different consignors, covering a diverse array of truck and equipment categories and manufacturers. At our auctions, an equipment buyer can inspect in one day what might have taken weeks if the equipment were being offered for sale by a number of vendors in various locations. A buyer can

purchase multiple brands and models of equipment and attachments in one place, on one day, with one invoice — rather than having to negotiate with multiple vendors. And because many consignors take advantage of our painting and refurbishing services, the equipment typically requires little, if any, additional investment by its new owner before it can be put to work. This one stop shopping approach addresses the needs of our customers, most of whom are contractors who are willing to spend only a limited amount of time away from their jobsites.

**Bidders can be in two places at once**

Customers who are able to satisfy themselves as to the value of particular pieces of equipment, but can't be at the auction site on sale day, can still participate in one of two ways:

**rbactionBid-Live INTERFACE**

The screenshot shows the 'rbactionBid-Live' web interface. At the top, it displays 'LOT: 1546 Choice of 4' for a '2001 - CATERPILLAR 960G WHEEL LOADER'. The current bid is \$80,000, and the ask price is \$90,000. A 'BID \$90,000' button is visible. The interface includes a 'Live Auction' section with a video feed of the wheel loader, an 'Auction Catalog' table listing other lots, and a 'Currency Converter' window showing USD to EUR conversion. Callouts point to various elements: 'Number of Lots in Choice Group' (4), 'Current Bid and Ask Prices' (\$80,000/\$90,000), 'Bidder Number' (8213), 'Bid Limit and Purchase Totals' (\$90,000), 'Lot Information' (2001 - CATERPILLAR 960G WHEEL LOADER), 'Bid Status' (BID ACCEPTED - YOU'RE IN), 'Lot Selection Area' (Choice of 4 Remaining), 'Bid Button' (BID \$90,000), 'Auctioneer's Messages' (Choice of 4 Remaining), 'Live Auction Display' (See images of the equipment for sale and hear the auctioneer live and in real-time), and 'Auction Catalog' (Table of lots).

LOT	Description	SN
1546	2001 - CATERPILLAR 960G WHEEL LOADER	3JW92168
1547	2001 - CATERPILLAR 960G WHEEL LOADER	3JW92173
1548	2001 - CATERPILLAR 960G WHEEL LOADER	3JW92177
1549	2001 - CATERPILLAR 960G WHEEL LOADER	3JW92178
1550	2000 - CATERPILLAR 960G WHEEL LOADER	3JW92188
1551	2000 - CATERPILLAR 960G WHEEL LOADER	3JW92128
1552	1999 - CATERPILLAR 960G WHEEL LOADER	3JW92181
1553	1997 - CATERPILLAR 950F WHEEL LOADER	3D9K1271
1554	1995 - CATERPILLAR 950F SERIES 3 WHEEL LOADER	KTR93145
1555	1994 - CATERPILLAR 950F WHEEL LOADER	KTR93143
1556	2000 - JOHN DEERE 520H WHEEL LOADER	DV6280024278
1557	2000 - JOHN DEERE 520H WHEEL LOADER	DV6280024058

**rbactionBid-Live** is our Internet bidding service. This service allows qualified bidders to hear the auctioneer, follow the bid and ask numbers and see the item being sold, live and in real-time over the Internet. Bidding is as simple as clicking the bid button, which continuously updates to reflect the auctioneer's current asking price. By the end of 2003, Internet bidders were representing approximately 20% of the registered bidders at our auctions.



**Proxy Bids** from qualified bidders can be submitted in advance of the auction via our website, via fax, or by calling the sale site directly. Customers placing proxy bids specify the maximum price they are willing to pay for the lots in which they are interested. Proxy bids are

introduced into the auction process just as they would have been if the bidders were attending the auction in person. The auctioneer ensures that proxy bidders never pay more than they would have if they had been there to place their own bids on auction day.

**SERVICES FOR EQUIPMENT OWNERS @ rbaction.com**

**Sale Day Catalogs**  
On-line access to auction catalogs with all lots listed in sale order

**Equipment Search**  
A sophisticated tool that allows you to search through all items consigned to upcoming auctions

**rbactionBid**  
**rbactionBid-Live**  
A tool that allows customers to place live real-time bids into our auctions

**rbactionBid-Proxy**  
A tool for submitting bids in advance of the live auction

**rbactionReResults**  
Access to 24 months of Ritchie Bros. auction results

**rbactionFleetValuator**  
A tool that allows equipment owners to estimate the value of their fleets with reference to Ritchie Bros. auction results



**Multi-Language Support**  
French, German and Spanish webpages for our international customers

**Auction Calendar**  
A Complete listing of all scheduled Ritchie Bros. auctions.

**rbactionUpdates**  
email updates regarding upcoming auctions

**rbactionConsign**  
A streamlined consignment process for customers with annual contracts



## Our Relationships with Equipment Sellers

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Equipment sellers come to Ritchie Bros. to achieve the highest possible return on the sale of their equipment. How do we do that?

### **We deliver a global marketplace**

We typically mail about 50,000 full-colour brochures for each of our auctions to a strategic selection of customers from our proprietary database of over 400,000 potential bidders in over 200 countries. In addition, all of the equipment is listed on our website and our auctions are advertised in trade journals and industry publications, as well as promoted to the bidders attending other Ritchie Bros. auctions. This marketing effort allows us to directly expose the trucks and equipment being sold in our auctions to a large and geographically diverse pool of buyers. Interested bidders can then participate in our auctions either in person or by bidding on-line using the rbauctionBid-Live service, ensuring that the largest possible bidding audience is participating in the auction.

### **Our auctions are able to transcend local market conditions**

Our auctions attract a large number of foreign and out-of-state/out-of-province buyers. Transportation costs are frequently not an issue for these bidders because, compared to the value of the equipment, such costs can be relatively insignificant — particularly the costs of ocean freight. As a result, we are able to deliver world market prices for our consignors' equipment regardless of local market conditions. On average, over 50% of our gross auction sales go to buyers from outside the region in which the auction is held.

### **We help our consignors get the most net dollars for their equipment**

Although we charge higher commissions than some other auctioneers, the comprehensive service we provide in order to enhance the resale value of the equipment enables us to achieve higher returns for equipment sellers. Over 23,000 consignors chose Ritchie Bros.



in 2003 because they understood that our unreserved auctions would put the most net dollars in their pockets at the end of the day.

On average, over 1,200 bidders participate in each of our industrial auctions. Bidders participate aggressively, whether they are at the auction site or bidding over the Internet, because they know our auctions are fair and open. The introduction of Internet bidding has resulted in an average 20% increase in registered bidders — rather than negatively impact our live crowds, the rbauctionBid-Live service has allowed us to add a significant number of new bidders to each auction. Because we are using the Internet to enhance (rather than replace) our live auctions, consignors get the best of both worlds.

**THE RITCHIE BROS. VALUE PROPOSITION IS SIMPLE:**

***We get you the best net return on the sale of your equipment.***

On sale day, our experienced auctioneers and ringmen create an exciting atmosphere and a rapid pace, selling up to 100 lots per hour. And with over 80% of our buyers

being end users, prices are often closer to retail than wholesale. Our auctions provide the environment needed to generate the best prices.

In addition, our experience over 40 years and 2,400 auctions has taught us that some pieces of equipment sell better in their “working clothes”,

while in other cases an investment in new tires, some body work or a fresh coat of paint can increase the value of a piece well beyond the cost of the work itself. A prudent plan to make a machine “auction-ready” can generate returns well in excess of the refurbishing costs; and when we see such an opportunity, we will recommend it to our consignor.

**We offer an international network of auction sites**

With regularly scheduled auctions at 29 auction sites around the world, and numerous off-site sales, owners can sell their equipment when and where they want. This gives us an unparalleled ability to help owners sell their equipment, whether they have a single piece in their yard or a fleet spread out over several states, provinces or countries.

The Ritchie Bros. value proposition is simple: we get you the best net return on the sale of your equipment.

**We do all the work**

We take the hassle out of selling equipment so our customers can concentrate on their business. We help consignors sell their equipment quickly, efficiently and with a minimum commitment of time, energy or costs. We can coordinate transporting the equipment to the auction site and look after any cleaning, refurbishing or painting required to get the equipment auction-ready. We store the

equipment in our secure yards prior to the sale and until the equipment is removed by the new owner. We also handle questions from prospective bidders, take care of the marketing and title searches, and set up the auction yard so bidders can inspect, test and compare the equipment. Perhaps most importantly, we help our consignors with all of their equipment — any make, model or manufacturer, high-value or low-value, big or small, young or old. After the auction, we handle the collections and we pay out the net proceeds. Our consignors don't have to negotiate with multiple buyers.

**Our refurbishing facilities are environmentally certified**

We have built environmentally certified refurbishing facilities at many of our auction sites and can arrange for all necessary painting and refurbishing work to be done right in our yards. Environmental compliance is important to Ritchie Bros. and all of our refurbishing facilities are designed to recycle all waste products generated. With environmental regulations tightening the world over,



equipment owners who want to paint their equipment before selling it are finding that they have fewer and fewer alternatives. As a result, our refurbishing facilities have become a valuable competitive advantage.

**We tailor our auction contracts to meet the needs of our customers**

Our goal is to come up with the contract that best suits the needs of the customer. Most of our consignments are done on a straight commission basis. In these cases, we act as agent for the consignor and earn a percentage of the selling price. In other cases, when a consignor is selling a significant fleet, we can offer to underwrite the sale by providing the owner with a guarantee or by purchasing the equipment outright. Even though the equipment still sells without any price protection or reserves at the auction, the owner is assured a guaranteed minimum amount. In these cases, we factor in a higher commission rate since we are effectively providing an insurance policy on the resale value of the equipment.



**Ritchie Bros. is a reliable and reputable business partner**

Ritchie Bros. has an impressive balance sheet, has been conducting unreserved industrial auctions for over 40 years and is a public company listed on both the New York Stock Exchange and the Toronto Stock Exchange. Our customers know that we have the financial strength to live up to our commitments — when they sign a contract with Ritchie Bros. they know that their equipment will sell, that it will sell for fair market value, and that they will be paid in full. They can also be proud that they are doing business with a trusted and reputable business partner that adheres to the highest standards of business ethics.

**RISK MANAGEMENT**

**Straight commission contracts pose little risk to Ritchie Bros. However, in cases where we underwrite a contract, either by offering a guarantee or an outright purchase, we assume the risk of the sale. These underwritten contracts represented about 25% of our business in 2003, which is in line with our typical business mix.**

**We mitigate our risk when entering into underwritten contracts by building a risk premium into our commission rate and by following an appraisal process that draws on our extensive field experience and our proprietary appraisal database. We also use our knowledge of major equipment deals around the world to form a view of the pipeline of equipment coming to market and to anticipate any potential supply/demand imbalances. Further mitigating the risk is our limited exposure to changes in equipment values — the time from signing a contract to the date of the auction is typically only 30 to 45 days.**

## 2003 CUSTOMER EXPERIENCE SURVEY

In June 2003, we hired an independent research company to survey 25,000 of our customers, randomly selected from across North America. Here are some of the most significant results.

### Percentage of respondents who were either "Satisfied" or "Very Satisfied" in these areas

	<i>Satisfied or Very Satisfied</i>
Overall level of satisfaction with Ritchie Bros.	89%
Level of satisfaction with our Auction Services and Facilities	83%
Level of satisfaction with our website — rbauction.com	82%
Level of satisfaction with their RBA Territory Manager	82%

### Percentage of respondents who rated us either "Better" or "Much Better" than our competitors in these areas

	<i>Better or Much Better</i>
Professionalism	89%
Integrity	83%
Trustworthiness	82%
Dependability	84%
Customer Service	83%
Consistency of Service	85%
Innovation	83%
Expertise	85%

Respondents indicated that they attend an average of 3.6 Ritchie Bros. auctions per year. Over 40% attend 4 or more per year. Respondents also indicated that they travel an average of 250 miles to attend our auctions. Almost 40% travel more than 200 miles.

71% of respondents plan to maintain their level of business with Ritchie Bros. over the next year while 25% plan to increase the amount of business they do with us, citing growth, expansion, and favorable past auction results as reasons. Only 4% plan to do less business. In addition, 91% recommended Ritchie Bros. to friends and colleagues during the past year.











## Plans for the Future

**Our strategy for 2004 is essentially the same strategy we have been following since our first industrial auction in 1963. We are still focused on customer service, we are still committed to the unreserved auction process and we are still looking to grow. We plan to stay focused on what we do best – selling industrial assets at unreserved public auctions around the world.**

The total number of registered bidders at our industrial auctions increased 16% to 181,000 in 2003. One of the drivers behind the growth in registered bidders was the roll-out of rbauctionBid-Live, our Internet bidding service. By the end of the year, Internet bidders were representing approximately 20% of the registered bidders at our auctions; instead of replacing live bidders, the Internet brought new participants to our auctions, resulting in much larger overall audiences. In addition, the popularity of the rbauction.com website has continued to grow as an ever increasing number of equipment owners are turning to rbauction.com for the information they need to manage their fleets. The Internet has given us the opportunity to add a new dimension to our customer relationships – a virtual dimension.

The growing number of consignors and bidders choosing Ritchie Bros. points to the increasing popularity of our auctions. While we have an extensive customer base, introducing our services to equipment owners who don't yet know us, and to industries where we are only scratching the surface, remains a critical growth strategy for Ritchie Bros. At the same time, we must remain flexible and responsive to the needs of each customer. We understand that our customers choose Ritchie Bros. not because we are the biggest, but because we provide the best service.

### **We intend to concentrate on the following areas in 2004:**

#### **Expanding into related asset categories**

We will continue to look for growth outside our traditional markets where we can see opportunities to create value for customers. In recent years, we have looked to boost our sales of agricultural equipment and over-the-road trucks and trailers. We have also been expanding our activities in the marine sector — including industrial marine and pleasure craft, and have been selling an increasing amount of industrial and agricultural real estate.

We are open to new opportunities, especially when we have a competitive advantage by virtue of our reputation, our network of auction sites, our customer base, and the ability of a Ritchie Bros. unreserved auction to generate world market prices.

#### **Expanding into new geographic markets**

In 2003, we saw significant growth in our Canadian, European and Middle Eastern operations. We didn't hold any auctions in Asia in 2003 due to the lack of demand for equipment from local buyers, trade barriers in several countries and depressed purchasing power throughout



the region. However, we were able to generate significant consignments from the region by helping Asian consignors access stronger markets in other parts of the world.

During 2003 we held our first ever auctions in Greece and South Africa and we opened a sales office in Brazil. Over the next five years, we expect that our most significant sales growth will come from the United States and Europe. But by the end of this decade, we anticipate that our growth will be shifting to markets such as China, India, Brazil and Eastern Europe. We are currently working with customers in all of these markets but have yet to hold auctions there. As we develop more and deeper relationships with local equipment owners (primarily by working with buyers from these consumption-oriented regions), and as these markets evolve, we expect to increase our level of activity, leading eventually to local auctions.

Our operations in 2003 were impacted by the general weakening of the US dollar. Approximately 30% of our revenues and 40% of our expenses are denominated in currencies other than the US dollar (in our case, primarily the Canadian dollar and the Euro). Because these amounts are translated into US dollars for presentation in our financial statements, our overall revenues and expenses end up being affected by currency swings. However, the revenue and expense amounts roughly offset with the result that the bottom line impact of currency swings in 2003 was essentially neutral.

Although it is not having a discernable impact on our earnings, the relative weakness of the United States dollar and the relative strength of the Euro and the Canadian dollar are having an impact on the buying and selling patterns of equipment owners. As expected, an increasing number of foreign buyers are participating in our US auctions and we are noticing a reduced level of



participation by Americans in our non-US auctions. Anything that causes change is good for Ritchie Bros. because it generates transactions. The dynamics of changing currency valuations are complex, but for Ritchie Bros., change is positive.

#### **Expanding our international network of auction sites**

Since 1997 we have made significant investments in our network of auction sites — adding several new sites and upgrading several older ones. During 2003, we opened new permanent auction sites in Orlando, Florida and Prince George, British Columbia. We established new regional auction units in Valencia, Spain and Melbourne, Australia

We now have 22 permanent auction sites (each with an average of over 50 acres of developed land) and 7 regional auction units. A regional auction unit is an auction site on leased land, typically with fairly modest facilities, whereas a permanent auction site is on land owned by Ritchie Bros.

We plan to open our new permanent auction site in Sacramento, California in the second half of 2004, which will replace our existing regional auction unit in Stockton, California. We intend to continue to add permanent auction sites and regional auction units to our network at the rate of one or two sites a year, when suitable opportunities present themselves. Our focus for the next several years will likely be in the United States and Europe, but we are always on the lookout for attractive opportunities to increase our presence in new markets.



**ORLANDO, FLORIDA** – Grand opening auction held on Feb 20-21, 2003 at the new 99-acre auction site.

### **Building our customer service team**

Our future growth depends on the quality of our customer relationships and our ability to deliver superior customer service. As a result, it is critical that we continue to recruit, train and develop the best people. In 2003 we placed a significant focus on sales force productivity and due in part to initiatives undertaken over the last several years, we have increased average gross auction sales per sales representative from \$6.9 million in 2001, to \$7.2 million in 2002, and to \$8.3 million in 2003. To support further increases in productivity, we recently deployed a new customer relationship management system. This new system, together with ongoing training and development initiatives, should help us achieve our sales growth and productivity goals.

While our front line Territory Managers are the most visible members of our customer service team, every Ritchie Bros. employee has contact with our customers and plays an important role in our customer service efforts. In recognition of this, we have customer relations specialists in both our training department and our marketing

department. In 2003 we conducted a customer survey to find out how we are doing, and to discover ways that we can do things better. The results were excellent but, as hoped, the survey did identify some areas for improvement. We intend to use the results of this survey to continue to strive for excellence in the way we serve our customers, and improve relationships in every way we can.

We believe that our focus on people and relationships will allow us to continue growing our business.

### **Using the Internet**

We will continue to use the Internet to enhance our auctions, not replace them. We fully understand that buyers of used equipment like to kick tires and that success in our market will continue to be based largely on personal relationships, reputation and trust. However, it has been exciting to watch the Internet become an increasingly valuable tool for our customers. We remain committed to being technology leaders and to the extent that we can use the Internet and other technologies to expand our services further, we will do so.



Our most exciting Internet service, rbauctionBid-Live, allows customers to follow the auction, hear the auctioneer, and place bids, all live and in real-time over the Internet. By the end of the year, over 10,000 customers from over 80 countries were using the service. Internet bidders were competing on as many as 40% of the items being offered online and were buyer or runner-up bidder on over 15%.

An increasing number of customers are having their first contact with Ritchie Bros. on the rbauction.com website. Many spend hours on our website gathering information about equipment for sale as well as recent selling prices. Our customers have always been able to turn to their Territory Managers for information and advice regarding fleet management. Now the rbauction.com website has become an equally

valuable tool, providing another dimension to the already deep relationships between Ritchie Bros. and our customers.

**Our future looks bright**

Thanks to aggressive expansion in recent years, we are working from a very solid base. We have the infrastructure and capacity to grow revenues faster than costs and we plan to continue along that path. Working off this platform and seeking out opportunities to enhance customer service and develop new markets, our plan is to deliver long-term earnings growth and increased shareholder value.

*The popularity of our website and the value of our Internet services have added a new virtual dimension to our customer relationships.*



## The Ritchie Bros. Auction Process

### STEP 1

#### Getting to know the owner and his equipment

The auction process begins when an equipment owner meets with one of our Territory Managers. We get to know the owner's needs and, if necessary, we appraise his equipment. Photographs and particulars of the equipment are reviewed by the people participating in the appraisal; a typical appraisal team includes two people from the local area, two from head office and, if necessary, additional people with specialized expertise. After their individual appraisals are complete, members of the appraisal team compare results and conclude on a final appraised value for the fleet.

### STEP 2

#### Drafting the auction contract

We sit down with the customer and work out the details of the auction contract. Straight commission contracts are the most common. In some cases, we also offer the consignor a guarantee of gross proceeds or an outright purchase contract. In certain circumstances, we offer cash advances and other options. We draft a contract tailored to the consignor's individual needs and requirements.

### STEP 3

#### Getting the equipment "auction ready"

Once the equipment arrives at the auction site, we coordinate any cleaning, refurbishing, repair work or painting that the consignor requires in order to get the equipment ready for auction. When we see an opportunity to add value in excess of the costs of refurbishing, we'll recommend doing the work.

### STEP 4

#### Marketing the equipment to the world

Marketing is done through full-color auction brochures that are mailed to a targeted selection of typically in the range of 50,000 customers from our extensive database. In addition, every piece of equipment is posted on our highly trafficked website at [rbauction.com](http://rbauction.com). Our auctions are also advertised through trade journals and general media, and we promote them at all intervening Ritchie Bros. auctions, ensuring that the equipment is exposed to the widest possible audience of potential buyers.

### STEP 5

#### Searching the equipment for liens

To ensure that buyers can purchase with confidence, we guarantee them the clear title of everything we sell or a full refund of their purchase price. Our search department identifies and arranges for the release of all liens and encumbrances so buyers are assured of acquiring good and marketable title to items purchased at our auctions.

### STEP 6

#### Setting up the auction yard

The equipment is sorted and displayed in logical groupings so prospective buyers can easily inspect, test and compare similar pieces. We have knowledgeable staff on hand to answer bidders' questions. We also arrange for caterers, finance company representatives, customs brokers, transportation companies and other services to be present on the site.

### STEP 7

#### Auction day

On auction day, our auctioneers, ringmen, yard staff, Internet services team and customer relations staff conduct what we believe to be the best run auctions in the world. We sell between 50 and 100 lots every hour. Our auctions are efficient, exciting and completely unreserved.

### STEP 8

#### Taking care of business

After the auction is over, we collect the proceeds from the buyers, including all relevant sales taxes (which we administer and remit to proper authorities) coordinate the release of the equipment to its new owners, and disburse the proceeds, along with detailed settlement statements, to the consignors.

# Auction Sites

**Vancouver, BC** ①  
Tel +1.604.580.0166 Fax +1.604.580.1245

**Prince George, BC** ②  
Tel +1.250.963.8491 Fax +1.250.963.8135

**Grande Prairie, AB** ③  
Tel +1.780.538.1100 Fax +1.780.539.7230

**Edmonton, AB** ④  
Tel +1.780.955.2486 Fax +1.780.955.2662

**Toronto, ON** ⑤  
Tel +1.905.857.2422 Fax +1.905.857.5195

**Montréal, QC** ⑥  
Tel +1.450.464.2888 Fax +1.450.464.4460

**Truro, NS** ⑦  
Tel +1.902.895.3700 Fax +1.902.662.2272

**Olympia, WA** ⑧  
Tel +1.360.956.1500 Fax +1.360.956.1508

**Stockton, CA** ⑨  
Tel +1.209.858.9666 Fax +1.209.858.5598  
*\*New Sacramento location scheduled for opening in second half of 2004*

**Perris, CA** ⑩  
Tel +1.909.940.9441 Fax +1.909.940.9442

**Phoenix, AZ** ⑪  
Tel +1.602.269.5631 Fax +1.602.269.5674

**Albuquerque, NM** ⑫  
Tel +1.505.836.0738 Fax +1.505.839.2070

**Denver, CO** ⑬  
Tel +1.303.659.3962 Fax +1.303.659.2902

**Fort Worth, TX** ⑭  
Tel +1.817.237.6544 Fax +1.817.238.9898

**Houston, TX** ⑮  
Tel +1.713.455.5200 Fax +1.713.455.5270

**Kansas City, MO** ⑯  
Tel +1.816.318.9159 Fax +1.816.318.9124

**Minneapolis, MN** ⑰  
Tel +1.952.469.1700 Fax +1.952.469.1732

**Chicago, IL** ⑱  
Tel +1.815.941.6400 Fax +1.815.942.8053

**Atlanta, GA** ⑲  
Tel +1.770.304.3355 Fax +1.770.304.3366

**Statesville, NC** ⑳  
Tel +1.704.873.6633 Fax +1.704.873.3394

**Orlando, FL** ㉑  
Tel +1.863.420.9919 Fax +1.863.420.2447

**North East, MD** ㉒  
Tel +1.410.287.4330 Fax +1.410.287.4332

**Toluca, MEX** ㉓  
Tel +52.72.22.1129.22  
Fax +52.72.22.1129.40

**Singapore** ㉔  
Tel +65.477.9222 Fax +65.477.9233

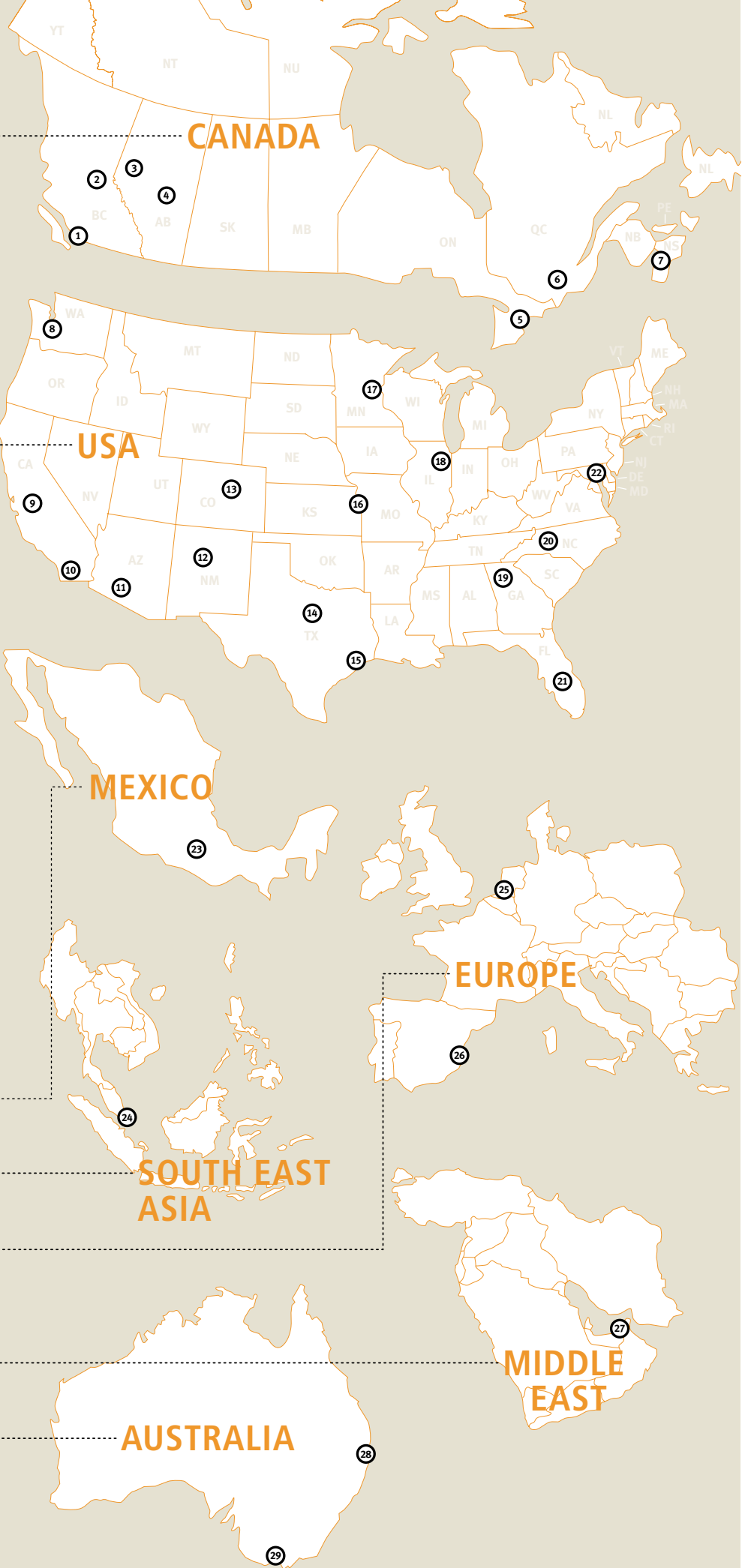
**Moerdijk, NLD** ㉕  
Tel +31.168.39.22.00 Fax +31.168.39.22.50

**Valencia, ESP** ㉖  
Tel +34.962.69.85.00 Fax +34.962.67.35.65

**Dubai, UAE** ㉗  
Tel +971.4.883.8398 Fax +971.4.883.8495

**Gold Coast, QLD** ㉘  
Tel +61.7.3382.4444 Fax +61.7.3382.4433

**Melbourne, VIC** ㉙  
Tel +61.3.9369.7322 Fax +61.3.9369.7344





**rb RITCHIE BROS.**  
Auctioneers

6500 River Road, Richmond, BC, Canada V6X 4G5  
Tel: 604.273.7564 Fax: 604.273.6873

[www.rbauction.com](http://www.rbauction.com)