



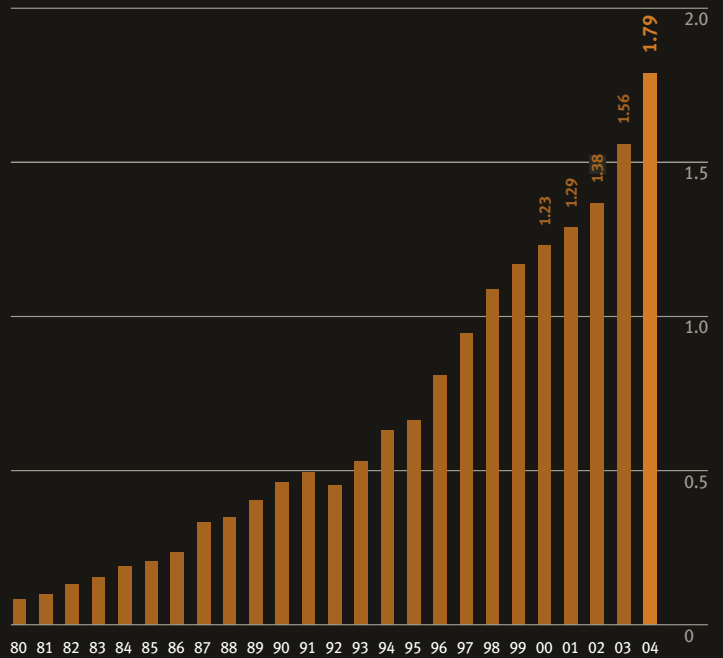
**rb** RITCHIE BROS.  
Auctioneers

Annual Report 2004

## Twenty-Five Year Summary

### Gross Auction Sales

in billions of US dollars



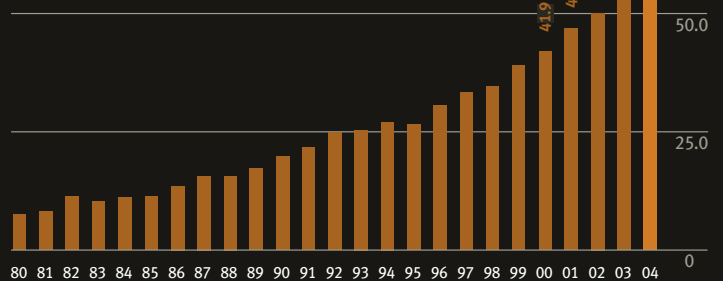
Ritchie Bros. Auctioneers conducts unreserved auctions through our network of over 110 offices, including 29 auction sites, in 25 countries around the world.

We sell a wide range of construction, transportation, mining, forestry, petroleum, material handling, marine and agricultural assets.

All items in every Ritchie Bros. auction are sold to the highest bidder without minimum bids or reserve prices.

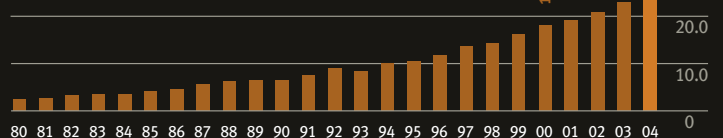
### Buyers

in thousands



### Consignors

in thousands



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

**ev·o·lu·tion** (ev'ə lōō'shən) *n.*  
1. an unfolding; process of development or change

## To our Fellow Shareholders

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When we look at our organization, we see a company that combines the advantages of being an industry leader with our historic traits of being nimble and entrepreneurial. Said another way, we are somewhere on the evolutionary path between a small company and a large company and we are doing everything we can to enjoy the benefits of both. We are using our ever-increasing scope and global reach to offer an unparalleled level of service to our customers, while at the same time nurturing the culture and guiding principles that have defined us since our first industrial auction in 1963. **As we continue to evolve, we will remain true to our roots** and use our dominant market position to the advantage of our customers, employees and shareholders.

In 2004 we sold equipment for more owners and registered more bidders at our auctions than in any prior year. This contributed to gross auction sales growth of 15%. As the largest participant in a highly fragmented marketplace we certainly have the potential to grow at this rate; but the fact that thousands of additional customers are putting their faith in our unreserved auctions each year remains significant because it confirms that we are delivering services that create real value for our customers. We do our utmost to ensure that we don't take our customers for granted. If we didn't have their trust and if we weren't able to provide them with the best net

return on the sale of their assets, we wouldn't deserve their business. That's why every Ritchie Bros. employee is focused on providing our customers with the best-run auctions in the world.

We remain committed to the unreserved auction process and to providing the best possible customer service during a time of significant **evolution in our marketplace**. The markets for used trucks and equipment have become increasingly transparent in recent years, thanks in large part to the depth of information available on the internet. Gone are the days when some participants had an information advantage over others. Now, all buyers and sellers are able to access timely, independent and accurate market information. In such an environment, transactions naturally migrate to the most efficient marketplace. In the equipment world, that efficient marketplace is a Ritchie Bros. unreserved auction.

Staying on top of changes in the industry and providing an increasingly valuable service to truck and equipment owners enabled us to achieve **several milestones in 2004**. Our \$63 million Orlando, Florida auction in February was the largest ever in Company history, eclipsing a mark set in 1998 in The Netherlands. In December, our European team reclaimed the record, posting a Euro 51 million (\$68 million) sale in Moerdijk, The Netherlands. In fact, teams at eight Ritchie Bros. sale sites held their



Statesville, North Carolina USA

largest ever auctions in 2004. Also during the year, our rbauctionBid-Live internet bidding service (in just its third year of operation) accounted for \$200 million of our total gross auction sales. While the vast majority of our customers participate in our auctions by attending and bidding in person, customers using rbauctionBid-Live are now the buyer or runner-up bidder on between 15% and 20% of all lots available for on-line bidding. This service has proven to be a perfect fit with our strategy of using technology to enhance, not replace, our live auctions.

During 2004, we also saw **evolution within our management team**. Peter Blake, having been with the company for 14 years, most recently as CFO, became CEO on November 1. Peter assumed the role from outgoing CEO Dave Ritchie. Dave will of course remain very active in the business and continues to serve as the Chairman of our Board. In addition, two highly qualified independent directors – Eric Patel and Beverley Briscoe – were added, giving our seven-member Board a majority of independent directors. These steps do not signal a change in direction but merely reinforce the Company's desire to be proactive in the important areas of management succession and corporate governance. Dave remains the Company's largest shareholder and his name is still on the door – no matter how much we grow or change, Dave will be there to ensure that we maintain our unique corporate culture and our focus on the customer.

As we head into 2005, we are embarking on an aggressive plan to improve the way we conduct business. We are talking not about a revolution, but rather an **evolution of our business processes**. We have given ourselves until the middle of 2007 to put in place more efficient, consistent and scalable processes that will enable us to meet our growth objectives through 2010 and beyond. Some of our processes and systems are excellent, but others need to evolve to keep pace with our planned growth. We refer to this initiative as Mo7 (short for Mission 2007) and we will keep you posted on our progress.

At the end of the day, even though our business, our team and our processes will continue to evolve, we are still in the business of using unreserved auctions to create an efficient global marketplace for the purchase and sale of industrial assets. As we have grown from an upstart regional auctioneer to a global leader with 110 offices in 25 countries, we have remained true to our core values of integrity, honesty and fairness. **We work hard, we have fun and we strive to provide great service to our customers.** It's our legacy and we are proud of it.

We are also proud of the dedication and commitment demonstrated each day by every member of the Ritchie Bros. family, a family that today includes over 600 full-time employees and thousands of part-time employees. We thank them for their hard work, their "glass is half-full" attitude and their willingness to join us on this evolutionary ride. We also offer our sincere thanks to our fellow shareholders for their support, and to all our customers for choosing Ritchie Bros. Auctioneers.



David E. Ritchie  
Chairman



Peter J. Blake  
Chief Executive Officer





*Moerdijk, The Netherlands*

## The Evolution of Ritchie Bros.

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### How we became the world's largest auctioneer of industrial equipment

Dedication to our founding principles, including our commitment to the unreserved auction process, has led to a steady evolution over more than 40 years. What started as a small family business in the town of Kelowa, British Columbia is now a public company with more than 110 offices, including 29 auction sites, in 25 countries around the world.

Ritchie Bros. has been able to evolve from a small company operating with a regional focus to a global leader operating around the world by doing what's right – treating our customers fairly and operating to the highest

### Our market has evolved

Part of our success can be attributed to changes in equipment owners' perceptions about the auction industry. Thanks in part to our commitment to ethical business practices, our customers don't view auctions as a method of last resort. Our unreserved auctions are global marketplaces that deliver an efficient market for the exchange of industrial assets.

The internet has had a dramatic impact on our market. It has created transparency and a level playing field; and it has all but eliminated the information advantage that some participants used to have. Equipment owners are now much better informed about equipment values and availability. As the market has become more transparent,



## From three brothers...

standards of business ethics. Sticking to our principles and focusing on our core business has allowed us to grow consistently over the years, with the result that we now sell more used trucks and equipment than any other organization in the world.

We operate in the massive and highly fragmented industrial equipment market. Even though we are the largest participant, our share of the total used truck and equipment market is probably less than 2%. As our business has matured, we have remained focused on steadily increasing our share of the global industrial equipment market. Our strategy is simple – grow our gross auction sales by developing strong relationships with our customers and by offering those customers the best-run auctions in the world.

buyers and sellers have looked for the most efficient marketplace. And this shift – away from traditional channels towards efficient channels – has benefited Ritchie Bros. Our business is very simple: we provide a marketplace for buyers and sellers to transact business. As the market has become increasingly transparent, transactions have naturally migrated to the most efficient marketplace, meaning that more and more equipment owners have been choosing our auctions. This is a trend that we believe will continue.



...to a team of 600+



Byemoor, Alberta Canada



## UNRESERVED

One thing that has not changed since Dave and his brothers held their first auction is the fact that 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 regardless of price. We do not allow consignors to buy-back, bid-in or in any way artificially manipulate the price of assets sold in our auctions.

“Unreserved” is one of our most significant competitive advantages. We maintain a steadfast commitment to this process because we believe that auctions should be open and transparent, and because our customers deserve to be treated fairly. In our view, the only auction that lives up to this standard is a truly unreserved auction.

By maintaining our policy of conducting only unreserved auctions, we are able to attract a large and diverse bidding audience – an average of over 1,300 bidders from all over the world participated in each of our industrial auctions in 2004. By allowing these bidders to compete in an open and fair auction environment, we are able to provide a global marketplace that transcends local market conditions and delivers the best possible prices.



Los Angeles, California USA

## Management Advisory Committee



Nick Nicholson  
Vice President South Central,  
Mexico and South America Divisions

Sylvain Touchette  
Vice President Eastern Canada Division

Vic Pospiech  
Vice President Administration & Human Resources

Rob Mackay  
Executive Vice President

Mike Murray  
Vice President Northwest Division

Mike Battistel  
Vice President Information Technology,  
Chief Information Officer



Rob Whitsit  
Senior Vice President Southeast and Northeast Divisions

Bob Armstrong  
Vice President Finance, Chief Financial Officer,  
Corporate Secretary

Dean Siddle  
Vice President, Senior Valuation Analyst

Clay Tippett  
Vice President Marketing & Customer Relations

Mike Ritchie  
Vice President Western Canada Division

Roger Rummel  
Senior Vice President



Denis Prevost  
Vice President National Accounts

Scott Forke  
Vice President Central Division

Steve Simpson  
Vice President Southwest Division

Peter Blake  
Chief Executive Officer

Guylain Turgeon  
Managing Director European Operations

Randy Wall  
President, Chief Operating Officer

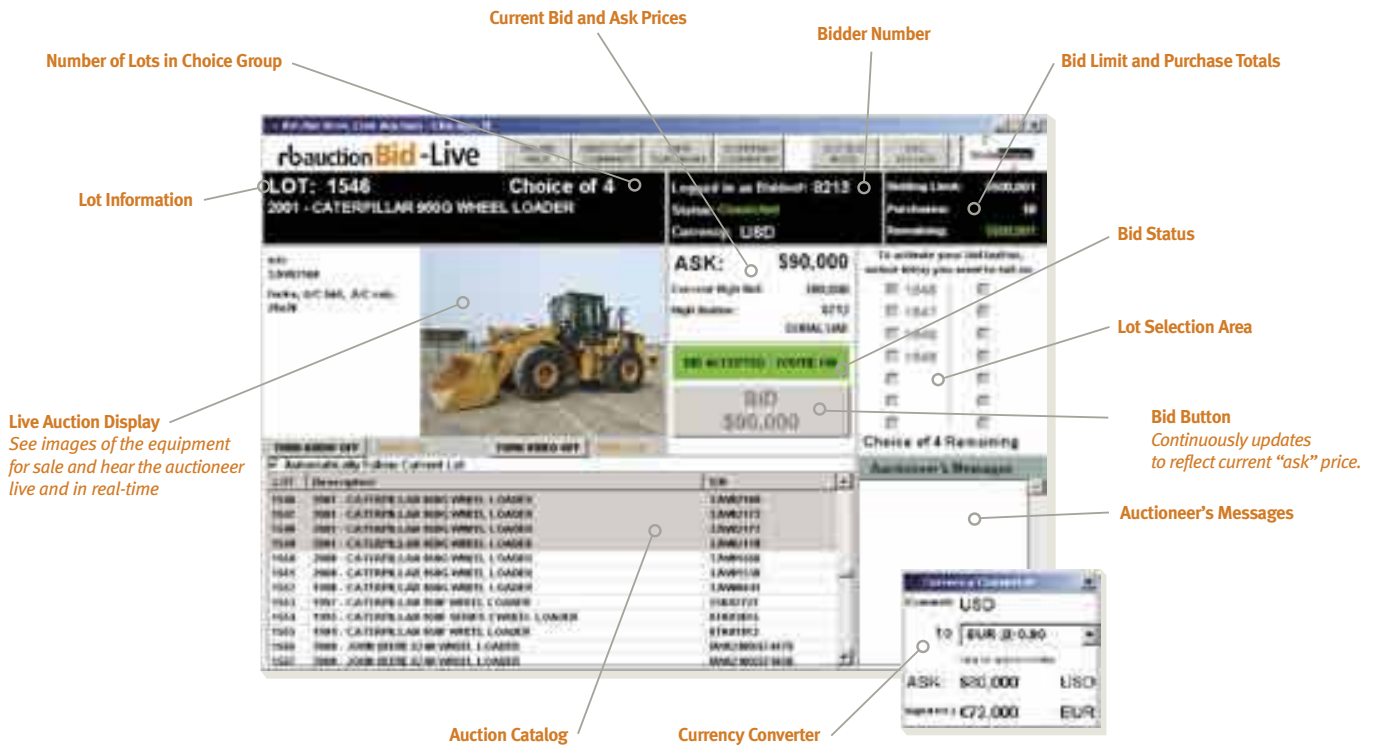
### Our auctions have evolved

We have taken advantage of the internet to add remote bidding to our live industrial auctions. The rbauctionBid-Live service allows our customers to watch our auctions over the internet from anywhere in the world and permits qualified customers to participate – live and in real time – in our unreserved auctions. This system has proven to be a significant competitive advantage for Ritchie Bros. Not only has it increased the size, diversity and multi-national character of our bidding audiences, but the rbauctionBid-Live system also allows our customers to participate in more than one auction at a time, all from the comfort of

The vast majority of our bidders still choose to attend our auctions in person; however, 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.

As our auctions have been evolving, and the number of consignments and bidders per auction and the average gross auction sales have all been growing. In part, this

### rbauctionBid-Live Interface



their office or home. Being able to participate in our live auctions over the internet allows our customers to take less time away from their work. This is a valuable service for our buyers, roughly eighty percent of whom are end users of equipment – contractors for example – who are buying income-producing assets to use in their business. Since launching our internet bidding service, the average number of bidders participating in our industrial auctions has increased from approximately 1,000 bidders to over 1,300 bidders.

is because the success of one auction contributes to the success of the next – a large bidding audience helps us to attract more equipment to the next auction, which attracts more bidders, which attracts more equipment, and so on. In addition, thanks in part to the information available on the rbauction.com website, our auctions now typically increase in size significantly in the weeks leading up to the sale, as potential consignors take note of the depth and selection of trucks and equipment already consigned and decide to consign their equipment so as not to

miss out on the opportunity. These are indicators of our positive momentum, which is fueled by both our steadfast commitment to holding only unreserved auctions and our company-wide focus on customer service.

**Our average industrial auction –**

	2004	2002	2 year increase
<b>Gross auction sales</b> <i>(in millions of dollars)</i>	12.0	9.8	22%
<b>Registered bidders</b>	1,378	1,106	25%
<b>Lots</b>	1,215	1,070	14%
<b>Consignors</b>	169	148	14%

**Our business processes have evolved**

Our auctions have been and will continue to be supported by an infrastructure that enables us to deliver our services efficiently and effectively. To facilitate the size and breadth of our operations, we have developed sophisticated marketing and information technology operations. Yet we are continually refining the way we do things and are always looking for better ways to help our customers. In 2004 we embarked on an ambitious program to completely rethink our business processes with the goal of implementing more efficient, consistent and scalable processes that will allow our business to continue to evolve in the years ahead and accommodate the growth we are expecting. We have labeled the project Mo7, short for Mission 2007, and our goal is to complete the main components of this initiative by the end of 2007, leaving us with processes and systems that will help us to achieve our objectives, while providing the highest possible level of service to our customers.

**Our team has evolved**

While we will continue to put considerable energy into the development of industry leading systems and processes, the real strength of our business remains our team of over 600 employees around the world. Included in this number are approximately 200 sales representatives – our Territory and Regional Managers. We have witnessed a significant growth in our sales force over the last ten years, and this growth has been supported by the ongoing training and development of our people, combined with a commitment to recruiting the right people.

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.

Recently, we have also been hiring people who may not have an equipment or sales background but who have post-secondary degrees and are bright, hard working and ambitious. We put these new recruits through a comprehensive training program that exposes them to all aspects of our unique business. The first graduates of this program are now working as Territory Managers in several regions around the world 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 the continued evolution of our sales force.

Leading this team is a management group that has also been growing and developing in recent years; and 2004 marked a significant step in this process. Dave Ritchie, one of the founding brothers, stepped down from his role as CEO. Peter Blake, our former CFO, took over the role of CEO as part of an organized succession plan. As Ritchie Bros. continues to grow and evolve, we will continue to put significant effort into the training and development of our managers so that the future of our company can be as solid as our past.

Overseeing our succession plans and the overall direction of our company is our Board of Directors. We have always been proud of our corporate governance and in 2004 we completed several initiatives in this area. We now have a majority of independent directors on our Board, with the addition in 2004 of two highly qualified candidates – Eric Patel and Beverley Briscoe. And with Dave Ritchie relinquishing the CEO title, we have separated the Chairman and CEO roles. Also in 2004, we established a fully independent Nominating and Corporate Governance Committee, with responsibility to oversee Ritchie Bros.’ corporate governance programs. We also adopted a Code of Business Conduct and Ethics, which applies to all employees, officers and directors. The Code, together with our corporate governance guidelines and other governance materials, is available on the [rbauction.com](http://rbauction.com) website.



*Moerdijk, The Netherlands  
December 1-3, 2004  
€51 Million (\$68 million)*

## The Evolution of our Customer Base

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Most new customers start their relationship with Ritchie Bros. by registering to bid at one of our auctions. Our experience has shown that once customers start buying at our auctions and realize the value of the service we offer, they are well on their way to becoming consignors. Many of our customers are both buyers and consignors at our auctions – they don't view auctions as either "the place to buy" or "the place to sell", they see our auctions as an efficient marketplace for both buying and selling. We view this as the natural evolution of a Ritchie Bros. customer.

Today, roughly eighty percent of our buyers are end-users of trucks and equipment. Our ability to deliver this global retail marketplace has brought new consignors to our auctions. In recent years we have seen increasing participation in our auctions by large, multi-national companies who want access to the benefits of the Ritchie Bros. method.

An example of this type of consignor is CitiCapital, with whom we recently signed an agreement under which we are the exclusive remarketer for all North American industrial equipment returned to CitiCapital at end-of-lease or upon repossession. As part of our relationship with CitiCapital, they have developed proprietary software that will allow virtually instant credit approval for financing applications made online and at our sites. Both aspects of our relationship with this global leader are positive for Ritchie Bros. and indicative of the market position we have attained.

### Why Buyers Choose Ritchie Bros.

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

➔ **Ritchie Bros. unreserved auctions provide a level playing field and a transparent market.** While some auctioneers openly permit consignors to bid on their own items, or will bid on the equipment themselves to artificially support prices, we strictly prohibit consignors from bidding on their own equipment, either directly or through agents. And Ritchie Bros. does not bid on any of the equipment in our auctions. Our commitment to these principles ensures that Ritchie Bros. auctions create an open and fair market for the exchange of industrial assets.

An appealing aspect of our auctions for buyers is that all bidders participating in Ritchie Bros. auctions compete on an equal basis regardless of their economic strength or negotiating power. They know that the people they are bidding against are legitimate bidders like themselves. As a result, our buyers can always be confident that they are paying fair market value.

➔ **We guarantee clear title.** 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 liens before we sell the equipment.



Chicago, Illinois USA



Orlando, Florida USA

## From last resort...

### ➤ All the equipment is marshaled in central locations.

We make it easy for bidders to inspect, test and compare the trucks and equipment in our auctions. 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. The market for used income-producing assets is very different from the market for commodities and collectibles. As a result, 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 offer one-stop shopping.** During 2004, the average Ritchie Bros. industrial auction included over 1,200 lots from 169 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 regions or by an auctioneer that didn't provide a central marshalling point for the equipment. 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 or travelling to multiple locations. 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.

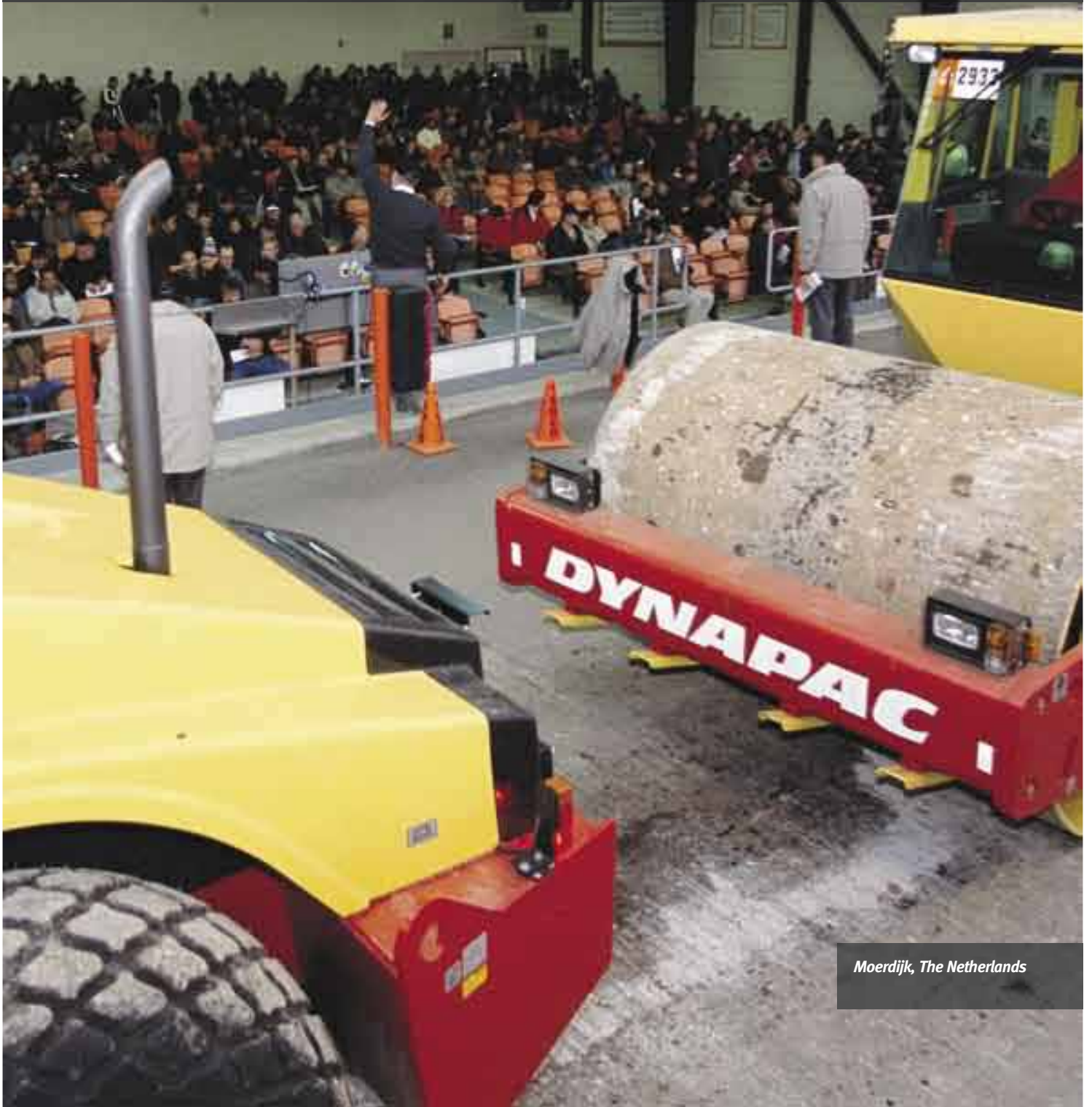
Not only does every item sell on sale day to the highest bidder regardless of its price, but once the auctioneer says “SOLD” the negotiations are over. The buyer simply pays Ritchie Bros. and takes possession of the equipment.

This efficient 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.

➤ **You can bid from your office.** Customers who are able to satisfy themselves as to the condition and value of a particular piece of equipment, but can't be at the auction site on sale day, can still participate in one of two ways:

- ▶ Our internet bidding service, rbauctionBid-Live, 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 2004, over 25,000 customers from 110 countries were registered to use the rbauctionBid-Live service and internet bidders were representing approximately 20% of the registered bidders at our auctions. We sold nearly \$200 million worth of trucks and equipment to internet bidders in 2004.
- ▶ 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 had attended 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.

...to first choice





### **What drives the supply of equipment to our auctions?**

Analysts estimate that there is approximately \$1 trillion worth of used equipment of the type we sell in circulation worldwide, and that approximately \$100 billion of that changes hands each year. Because the opportunity available to us is so large and our market share is relatively small, we are able to grow our business in good times and in bad, regardless of what is happening in the broader economy.

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. Said another way, 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.

Because the used equipment market is so large and because there are so many different drivers influencing owners' decisions to sell, our business volume and our ability to grow are not directly tied to economic cycles.



Denver, Colorado USA

# From local bidding audiences...

## Why Sellers Choose Ritchie Bros.

Thousands of new consignors choose Ritchie Bros. each year because they realize that we can get them higher net proceeds on the sale of their assets than they would be able to achieve by selling through another channel. In a market that is estimated to have in the range of \$100 billion in transactions annually, private sales between equipment owners and sales involving equipment dealers and brokers still account for most of the business. However, the equipment market has become more sophisticated in recent years, and an increasing number of sellers are concluding that these traditional channels don't have the ability to access the global retail marketplace and therefore aren't able to get them the best possible price for the sale of their trucks and equipment.

As our business has grown and evolved we have introduced more and more equipment owners around the world to the Ritchie Bros. auction method. Our strategy is simple – continue to chip away at the broader used truck and equipment markets by offering a compelling value proposition to our customers. The increasing transparency in our market helps us to do this.

How does an equipment owner reach the decision to sell his key assets at one of our unreserved auctions? Our business is built on relationships, and our relationships with our customers are paramount. An equipment owner can't do business with us if he doesn't know us; and he won't do business with us if he doesn't like and trust us. By focusing on customer relationships and by maintaining our commitment to doing what's right we are earning the trust of more and more equipment owners around the world.

There are a number of advantages that we are able to provide to our consignors:

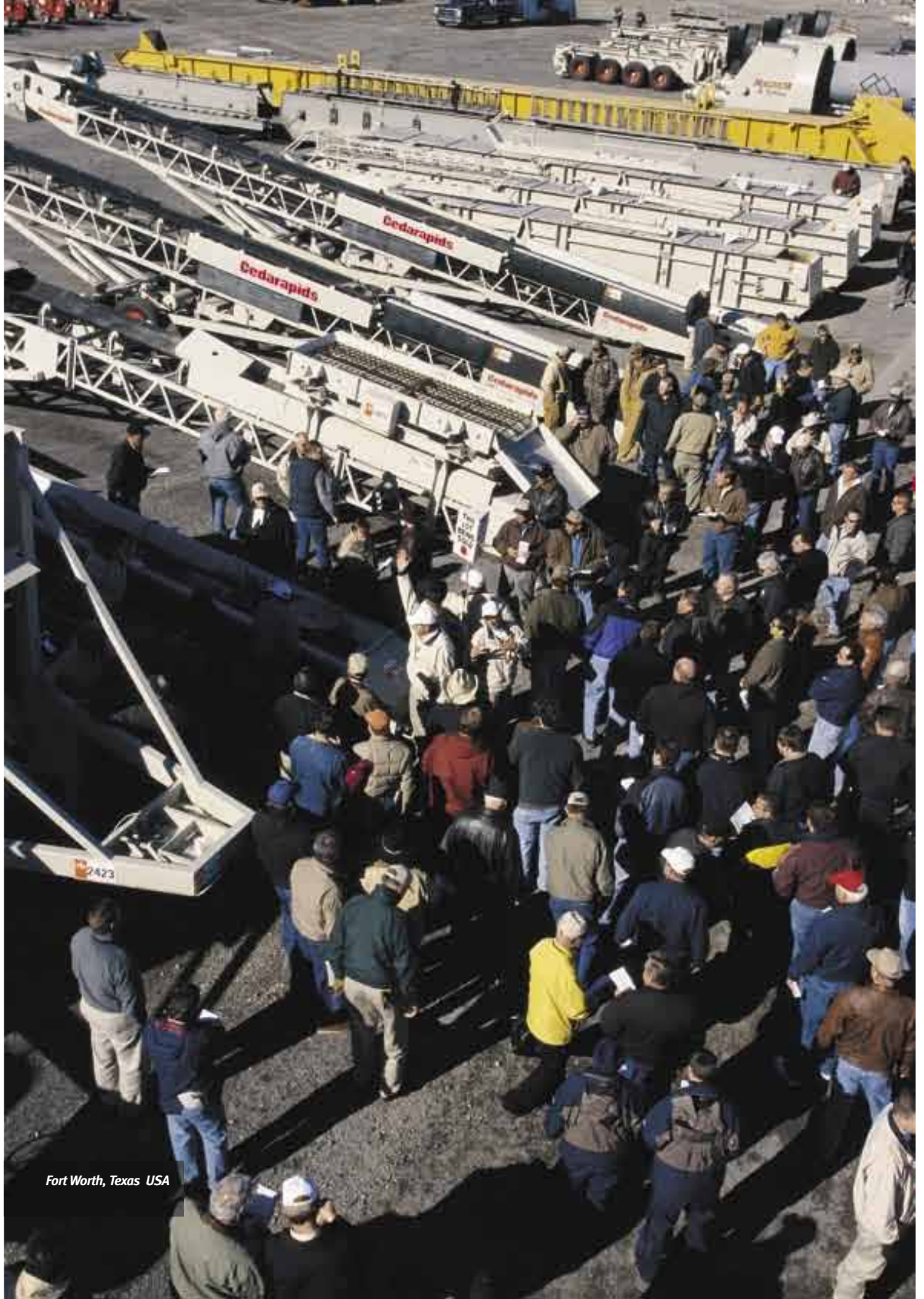
➔ **We deliver a global marketplace.** We typically mail about 50,000 full-colour brochures for each of our auctions to a strategic selection of customers from our proprietary database of over 400,000 potential bidders in more than 200 countries. In addition, all of the equipment offered for sale is listed on our website and our auctions are advertised in trade journals and industry publications, as well as promoted to the thousands of bidders attending other Ritchie Bros. auctions around the world. This marketing effort directly exposes the trucks and equipment being sold in our auctions to a large and geographically diverse pool of potential buyers. Interested bidders can then participate in our auctions either in person or by bidding on-line, which ensures that the largest possible international audience is participating in the auction.

➔ **We attract a large and diverse bidding audience.** On average, over 1,300 bidders participated in each of our industrial auctions in 2004, and approximately eighty percent of our buyers were end users such as contractors (as compared to resellers). Because of this high participation level from end users, our auctions are not the wholesale events that people often expect when they think of auctions. And our bidders participate aggressively, whether they are at the auction site or bidding over the internet, because they know our auctions are fair and open. By using the internet to enhance (rather than replace) our live auctions, we have made it possible for our consignors to get the best of both the live and on-line worlds.

...to international  
retail marketplace.



*Edmonton, Alberta Canada*



Fort Worth, Texas USA

➤ **Our auctions transcend local market conditions.**

Because of our extensive marketing efforts and because the assets we sell flow freely across most borders, our auctions attract a large number of foreign and out-of-state/out-of-province buyers. Transportation costs, particularly the costs of ocean freight, are usually relatively minor compared to the value of the equipment. As a result, we are able to deliver world market prices when selling our consignors' equipment, regardless of local market conditions. On average, over half of our sales go to buyers from outside the region in which the auction is held.

➤ **We help our consignors achieve the most net dollars on the sale of their equipment.** Although we charge higher commissions than some other auctioneers, the comprehensive service that we provide and the effort we put into enhancing the resale value of the equipment enables us to achieve higher returns for equipment sellers. On sale day, our experienced auctioneers and ringmen create an exciting atmosphere and a rapid pace. Our auctions provide the environment needed to generate the best possible prices. We attracted almost 25,000 consignments in 2004 because consignors understood that our unreserved auctions would put the most net dollars in their pockets at the end of the day.

➤ **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. This network of sites also gives us permanence – our customers know that we are in business for the long term, which is critical in a business based on trust.

➤ **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 individual consignor. Most of our consignments are handled 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, typically 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 unreserved and without any price protection at the auction, the owner is assured a guaranteed level of proceeds. In these cases, we factor in a higher commission rate as we are effectively providing an insurance policy on the resale value of the equipment.

➤ **We take the hassle out of the selling process so our customers can concentrate on their business.** We help consignors sell their equipment quickly, efficiently and with a minimum commitment of time, energy and cost. We can coordinate transporting the equipment to the auction site and look after any cleaning, refurbishing or painting required to prepare the equipment for auction. 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, coordinate all necessary sales taxes, and pay out the net proceeds. Our consignors can concentrate on their business rather than negotiating with numerous potential buyers and dealing with paperwork.

The fact that CitiCapital has chosen to outsource to us the remarketing of all North American industrial equipment returned to them at end-of-lease or upon repossession is indicative of the value we bring to our customers.

➤ **We are 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 of doing business with a trusted and reputable business partner that adheres to the highest standards of business ethics.



Phoenix, Arizona USA

## **Evolution of an auction site – a case study:**

### **Sacramento, California**

We conducted our first offsite sale in northern California in 1972. This was followed by a sale in 1974 and another in 1978. This pattern, characterized by occasional offsite sales, continued for many years before we hired our first resident Territory Manager in northern California.

In 1994 we leased a property near Stockton, California. We operated from this regional auction unit for ten years, while establishing relationships with equipment owners, building our team of employees and exposing equipment owners in Northern California to our unreserved auctions.

In 2003, once we were certain of the market potential, we purchased 90 acres on the Interstate highway outside Sacramento, on which we built a new permanent auction site. The site opened in March 2005, and if history repeats, we expect it to be a springboard for growth in northern California in the years ahead.

Sacramento is an example of our low-risk approach to growth. We are not faced with issues of start-up losses or poorly deployed capital because we hit the ground running, with many years of experience in the region already under our belts.

## The Evolution of an Auction Site

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Our business evolves in new geographic markets in a consistent manner, regardless of the location. Whether we are taking our first steps into New Delhi, Beijing or Sacramento, we follow the same basic approach. We start by getting to know customers from a new region when they travel to one of our existing auction sites. We will then send a Territory Manager into the new region to assess the market opportunity available to us and to start meeting more equipment owners. Once we have identified an opportunity in a new region we typically open a sales office in the area. In 2004 we opened sales offices in several new areas, including Iran, Indonesia, and China and we hired our first sales representative in India. In the first quarter of 2005 we opened a sales office in Poland. There are vast parts of the world where the Ritchie Bros. name has never been heard. Our goal is for Ritchie Bros. auctions to be familiar to as many equipment owners in as many regions as possible.

We do not invest to any significant extent in a new market until we are convinced that there is a profitable opportunity available to us. Our primary goal in the early stages of market development is to introduce equipment owners to the Ritchie Bros. model. Encouraging them to attend one of our auctions is often the first step. Consignments from these new regions are typically transported to one of our existing auction sites. Eventually we will establish enough momentum in a new market to conduct an auction at a temporary location in the region, usually on a rented piece of land or on a consignor's property.

A number of successful sales in a region will give us the confidence to start looking for a site on which to

establish a more permanent presence. Our next stage of development is often a regional auction unit, located on leased land and including modest auction and administrative facilities with minimal capital invested. We had seven of these regional auction units at the end of 2004.

We are equally conservative when we consider evolving a regional auction unit into a permanent auction site, which is our term for a full-fledged auction facility on land owned by Ritchie Bros. Our permanent auction sites are located on an average of approximately 60 acres of land and typically include a purpose-built covered auction theatre, an equipment display yard, administration offices, a customer registration area and an environmentally certified paint and refurbishment facility. We had 22 permanent auction sites at the end of 2004. Our permanent auction sites have changed significantly in the last number of years. The sites we have built recently tend to be located on over 90 acres of land, and we have been enhancing the design of our facilities to improve the customer experience.

Our network of auction sites is an important competitive advantage that allows us to deliver an unparalleled level of service to our customers. In addition, our network helps to increase the exposure to the Ritchie Bros. name amongst truck and equipment owners – large numbers of potential customers drive by our auction sites each day. Customers in one region may also have equipment buying and selling needs in one of our other regions – it is very common for buyers and consignors to transact business through multiple Ritchie Bros. locations. These are all important factors contributing to our growth.





*Morgan City, Louisiana USA*

## Our Plans for Growth in 2005 and Beyond

Our business has grown and developed over the last several years, and we expect further changes in the coming years. Our strategy for dealing with this continuing evolution is essentially unchanged from the strategy we have been following since our first industrial auction in 1963. We will remain focused on customer service and we will continue doing what we do best – selling industrial assets at unreserved public auctions around the world. We are also committed to maintaining the unique Ritchie Bros. culture – we are proud to be an entrepreneurial work-hard / play-hard organization.

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 truck and equipment owners who don't yet know us, and to industries and regions where we are only scratching the surface, remains a critical growth strategy for Ritchie Bros. At the same time, we must remain flexible, nimble 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 them with value and service.

It is difficult to estimate our long-term growth potential. However, looking at our Canadian experience can be instructive. We consider our Canadian operations to be our most mature – we have been operating in this market for more than 40 years and our gross auction sales in Canada have grown to be in the range of \$300 million. While the population and economy of the United States are roughly ten times the size of Canada's, our sales in the United States are in the range of \$1.0 billion, or only about three times our Canadian sales. This simple comparison would suggest that we could grow our sales in the United States to roughly \$3.0 billion per year before reaching the level of market penetration we currently enjoy in Canada. Extending this logic to Europe would suggest significant growth potential in that market as well (our current European sales are less than our Canadian sales).

This tells us that the opportunity available to us in our current markets is enormous, not to mention the large and growing economies of China, India, Brazil and other parts of the world where we have yet to hold our first auctions. It is against this back-drop of market potential that we have developed our strategies for the next stage of our evolution.

### ***We intend to concentrate on the following areas in 2005:***

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

Over the next five years, we expect that most of our sales growth will come from the United States and Europe. However, we anticipate that the subsequent wave of growth will come from markets such as China, India, Brazil and Eastern Europe. We are currently working with customers and opening offices in these markets but have yet to hold auctions there. In 2004 we opened offices in Tehran, Iran; Jakarta, Indonesia; and Beijing, China. We also established a presence in New Delhi, India. As these markets evolve, we expect to increase our activity levels, leading eventually to local auctions.

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

We will continue to look for growth both within and outside our traditional markets – where ever we can see opportunities to create value for customers. In recent years, we have boosted our sales of agricultural

### **New Market Opportunities**

**In addition to growth in our core truck and equipment markets, we have been increasing our presence in other markets. We will look at opportunities to expand into markets where we can create value for 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.*



Fort Worth, Texas USA

equipment and over-the-road trucks and trailers as well as our sales of unused equipment. 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.

Our sales of agricultural equipment have been growing rapidly in recent years, fueled primarily by the growing number of on-the-farm sales we have been holding in western Canada. We look forward to expanding this business in Canada and into the United States in the coming years.

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

Since 1997 we have made significant investments in our network of auction sites – adding new sites and upgrading several older ones. We did not open any new auction sites in 2004 but we were very active in our pursuit of properties in several regions. We recently acquired 75 acres of land in Nashville, Tennessee on which we intend to construct a new permanent auction site and we were busy with the completion of our newest permanent auction site in Sacramento, California, which will open in March 2005. Currently, we have property under option and are actively looking for potential sites in several regions in North America and Europe.

We intend to continue to add or expand permanent auction sites and regional auction units when suitable opportunities present themselves, most likely at the rate of one or two per year.

#### **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. We have enjoyed continued improvements in the productivity of our sales force in recent years, and we intend to increase our investments in training and development initiatives to support further increases in productivity, which should help us to achieve our sales growth goals.

#### **Rethinking our business processes**

In 2004 we launched our Mission 2007 initiative. We are examining our business processes to ensure that they can handle the next stage of our evolution. We are committed to making the project a success and have dedicated significant management resources to ensuring that we design and put in place by 2007 more efficient, consistent and scalable processes to handle the future growth of our business. Although we will not take our eye off our goal of growing our sales and our earnings, we intend to give the Mo7 project the attention and resources it deserves in 2005.



## **Risk Management**

Three-quarters of our business is relatively risk free because it is conducted on a straight commission basis. We assumed the risk of sale on approximately one-quarter of our business in 2004, which is in line with our typical business mix. In these situations we underwrote the contracts, by either providing a guarantee of minimum sale proceeds or buying the assets outright.

We mitigate our risk when entering into underwritten contracts by building a risk premium into our commission rate and by following a rigorous appraisal process that draws on our extensive field experience and our proprietary database of equipment sales. 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. We are the largest participant in the global used truck and equipment markets, so we have an unparalleled view of what's happening in these markets. 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, and truck and equipment prices tend not to be as volatile as prices in stock and commodity markets.

### Using the internet

We will continue to use the internet to enhance our auctions, not replace them. Our internet bidding service rbauctionBid-Live is an excellent example of this strategy. We fully understand that buyers of used trucks and equipment want to inspect, test and compare the assets before they buy, 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. 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 and recent selling prices.

Our customers have always been able to turn to their Territory Managers for information and advice regarding their equipment fleets. The rbauction.com website has



## From local...

become a complimentary and valuable tool, providing a virtual dimension to the already deep relationships between Ritchie Bros. and 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.

### The next stage of our evolution

Ritchie Bros. is constantly changing and adapting so that we can continue to provide the best possible service to our customers in the dynamic and increasingly transparent used truck and equipment markets. But some things don't change – our values and our culture. Working from the base of core values laid down over 40 years ago by our founders Ken, John and Dave Ritchie, we will continue to evolve our business to meet the needs of our customers, all the while working to deliver long-term earnings growth and increased shareholder value.



...to global



Chicago, Illinois USA

## 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. The people participating in the appraisal review photographs of and detailed condition notes about the equipment; a typical appraisal team includes people from the local area as well as appraisers working out of our head office and, if necessary, 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**  
Next, we meet with the owner and work out the details of the auction contract. Straight commission contracts are the most common. In some cases, we offer the consignor alternatives such as a guarantee of minimum sales 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 ready for the auction**  
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**  
We market the equipment by sending out on average 50,000 full-color auction brochures to a targeted selection of 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 to our buyers the clear title of everything we sell. 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 service providers 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. Our auctions are efficient, exciting and completely unreserved.
- STEP 8 Taking care of business**  
After the auction is finished, 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

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**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  
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**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

**Sacramento, CA** ⑨  
Tel +1.530.724.3900 Fax +1.530.724.3270

**Los Angeles, CA** ⑩  
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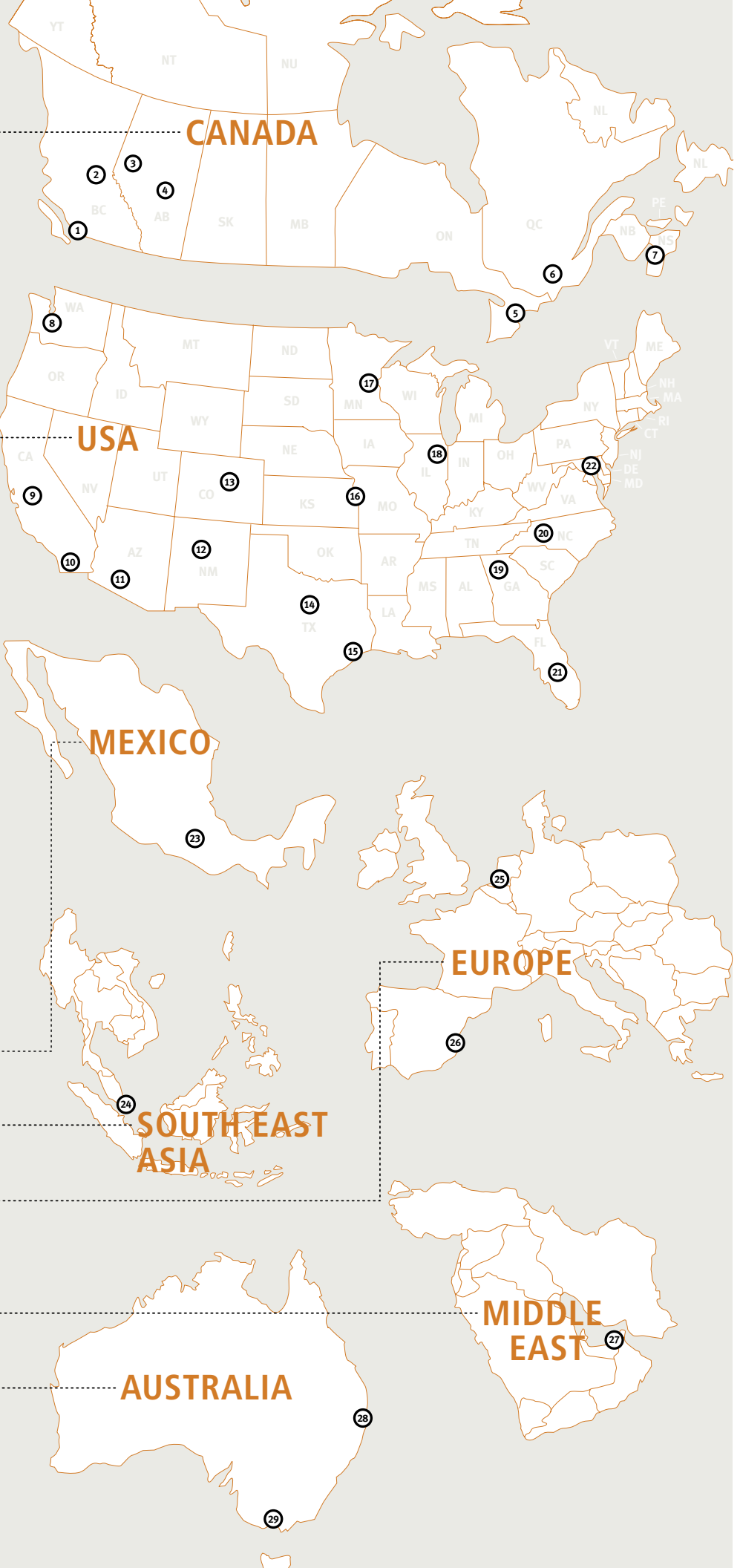
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