

BT Industries AB (publ)

Annual Accounts 2003

- ▷ *Turnaround in global demand for industrial trucks noticed*
- ▷ *Orders received SEK 12,083 m. (SEK 12,556 m.), -4%*
- ▷ *Net sales SEK 11,877 m. (SEK 12,329 m.), -4%*
- ▷ *Income after financial net -8% to SEK 736 m., profit margin 6.2% (6.5%)*

Financial summary

SEK m.	Sept.- Dec. 3 months		January - December 12 months	
	2003	2002	2003	2002
Orders received	3,322	3,160	12,083	12,556
Net sales	3,325	3,330	11,877	12,329
EBITA ¹⁾	274	291	881	963
Operating income	197	206	569	627
Income after net financial items	234	255	736	796

Market development

Signs of an initial upturn in demand for trucks were noted back in late 2002. Global demand for trucks rose by nearly 7 percent in 2003. The most substantial increases were outside the mature markets in Europe and North America. What had been several years of falling demand in North America appears to have turned into renewed growth late in the year. Demand in North America rose by just over 5 percent. In Europe, growth was slightly lower, in part due to relatively weak economic conditions in Germany and France.

The total market is estimated at 633,000 trucks (594,000). Of this number, around 250,000 (242,000) are in the warehouse truck segment, where BT Industries has its core business. This segment grew by 3 percent during the year. BT Industries has also been active for some years in counterbalanced trucks – primarily electric-powered. This segment grew slightly less than the warehouse truck segment and is estimated at approximately 114,000 units. The combustion-powered counterbalanced truck segment, which is not BT Industries' primary focus, grew by nearly 12 percent during the year. This is mainly because the markets that reported the highest growth in demand were

outside Europe and North America, where the share of combustion-powered counterbalanced trucks is higher.

BT Industries' global market share in warehouse trucks declined somewhat during the year and is estimated at somewhat over 20 percent.

Structural changes

No major acquisitions or divestments of companies were made in 2003. In 2002 BT Industries acquired the operations of one of its dealers in the U.S. The company was consolidated in 2002 according to the equity method, since it was anticipated that the holding was temporary. In 2003 a decision was made to remain the majority owner of the company for the foreseeable future, because of which it was instead consolidated according to the purchase method during the year. As a result, sales increased by approximately SEK 180 m., while income was unaffected.

After the year-end a decision has been made to reorganize Toyota Industries' operations in Australia. BT Industries' marketing company in Australia – BT LiftTrucks Pty, Ltd. – will be legally

BT Industries AB (publ)

Annual Accounts 2003

transferred to Toyota Industries Corporation Australia as of April 1, 2004. BT will continue to be represented in the Australian market by its own brand, but through a coordinated import organization.

Orders and net sales

The Group's orders received amounted to SEK 12,083 m. (12,556), a decrease of 4 percent compared with the previous year. Net sales amounted to SEK 11,877 m. (12,329), also a decrease of 4 percent compared with the previous year. However, at comparable exchange rates and with comparable organizational structures, both orders received and net sales rose by approximately 3 percent.

At year-end the order backlog was essentially unchanged from the beginning of the year. At comparable exchange rates, the order backlog rose by around 7 percent.

Of the Group's net sales, 54 percent was in Western Europe, 36 percent in North America and 10 percent in the rest of the world. The North American share has fallen in recent years mainly due to the economic slowdown and subsequent decline in demand. Although demand recovered slightly in 2003, its relative share still fell. This is due entirely to the weaker U.S. dollar and resulting currency translation effects.

Net sales by product area were as follows:

SEK m.	Full-year		Change in %
	2003	2002	
Warehouse trucks	5,273	5,685	-7%
Counterbalanced trucks	1,699	1,789	-5%
Manual trucks	408	467	-13%
Total trucks	7,380	7,941	-7%
- % of total	62%	64%	
Parts	1,933	1,985	-3%
Service	1,357	1,293	5%
Other areas	1,206	1,110	9%
Total service market	4,497	4,388	2%
- % of total	38%	36%	
Net sales	11,877	12,329	-4%

Income

Gross income amounted to SEK 3,247 m. (3,324), a decrease of 2 percent. The gross margin was 27.3 percent (27.0), a slight increase from the previous year.

The Group's EBITA (Earnings Before Interest, Tax and Amortization of intangible assets) decreased by 9 percent to SEK 881 m. (963). Operating income amounted to SEK 569 m., against SEK 627 m. in the previous year.

Income (the interest margin) from long-term rentals/leasing amounted to SEK 194 m., against SEK 206 m. in the previous year. Currency translation effects were significant here as well. At comparable exchange rates, income from long-term rentals/leasing rose by approximately 5 percent.

Other net financial income and expenses improved to SEK -28 m., against SEK -37 m. in the previous year. The improvement is an effect of generally lower interest rates and lower borrowing needs.

Income after net financial items amounted to SEK 736 m. (796), down 8 percent. The profit margin decreased to 6.2 percent, compared with 6.5 percent in the previous year.

The Group's total tax charge was SEK 265 m. (318) and net income for the year amounted to SEK 471 m. (478). Earnings per share after full taxes thus amounted to SEK 16.80 (17.05).

Capital expenditures

The Group's total net capital expenditures for tangible and intangible fixed assets amounted to SEK 594 m., compared with SEK 456 m. in the previous year.

Further investments were made during the year in the Swedish warehouse truck plant in order to raise capacity.

The Group's production units account for a combined 35 percent of total capital expenditures.

Approximately half of the Group's capital expenditures are to expand and restock the fleet of trucks for short-term rentals and customer demonstrations in the marketing organization.

BT Industries AB (publ)

Annual Accounts 2003

Financing and liquidity

The Group's total assets amounted to SEK 10,265 m., against SEK 10,610 m. at the beginning of the year.

The Group's cash flow has remained positive despite that working capital essentially was unchanged and the investment level was higher than the previous year. Operating cash flow amounted to SEK 472 m., against SEK 987 m. in the previous year.

A dividend of SEK 140 m. was paid to shareholders during the year.

Net borrowings amounted to SEK 365 m., compared with SEK 784 m. at year-end 2002. Thus, the net gearing ratio continued to decline, from 22 percent in the previous year to 10 percent.

The equity ratio was 36.5 percent, against 34.0 percent a year earlier.

During the year Toyota Industries established a new finance company, Toyota Industries Finance International AB (TIFI), a sister-company to BT Industries AB. It will be responsible for funding, internal banking, cash pool management and risk management for Toyota Industries' operations outside Japan. In 2004 a significant share of the BT Group's external financing will therefore be converted to financing via TIFI. The company is managed by BT Industries' treasury function in Sweden.

Other

During the year BT Industries' Swedish subsidiary, BT Rental AB, received approval as a credit market company under the supervision of the Swedish Financial Supervisory Authority. BT Rental AB manages a significant portion of the Group's lease financing. As a credit market company, it faces stringent quality requirements in terms of its processes, at the same time as it gains access to more financing alternatives.

During the year BT Industries' U.S. subsidiary, The Raymond Corporation, was erroneously sued by one of its former dealers, which is claiming damages of around USD 12 m. The company is of the opinion, after consulting legal experts, that the suit and claim of damages are unfounded and that no compensation should be paid. In the event the courts ultimately rule against The Raymond Corporation, BT Industries is of the opinion that it would not materially impact the company's financial position or earnings.

Personnel

As of December 31 the Group had 8,026 employees, compared with 7,794 at year-end 2002. The increase was mainly the result of the continued expansion of the service organization, although 180 new employees are also attributable to the acquisition of a dealer in the U.S.

BT's business areas

BT Industries' operations are organized into three business areas. In addition, BT Industries has central, Group-wide resources for, among other things, management, accounting, finance, IT and information.

Business Area BT EUROPE

Covering primarily Western Europe.

SEK m.	Full-year	
	2003	2002
Orders received	7,165	7,312
Net sales	7,061	7,224
Income 2)	525	558
Operating margin, % 3)	7.4%	7.7%
Operating capital 4)	1,566	1,562
Number of employees	4,831	4,736

BT EUROPE is responsible for BT Industries operations in Western Europe. The business area develops, produces and markets a wide range of electric powered warehouse trucks, counterbalanced trucks and manual trucks.

BT EUROPE offers a complete range of products and services for customers with high demands. These customers are active in a variety of industries. The common denominator is that efficient logistics is critical to their profitability.

Overall, BT EUROPE's markets reported a marginal upswing in 2003. Demand rose slightly in the UK and Scandinavia, but weakened in i.e. Germany, France and the Benelux countries.

Orders received amounted to SEK 7,165 m. (7,312), a decrease of 2 percent. Also net sales declined 2 percent to SEK 7,061 m. (7,224). However, converted at comparable currency rates both orders received and net sales rose by 2 percent.

Income amounted to SEK 525 m. (558), a decrease of 6 percent. The lower income is due to, among other things, substantial price pressure on large, pan-European contracts. The operating margin was 7.4 percent (7.7).

BT Industries AB (publ)

Annual Accounts 2003

Business Area BT RAYMOND

Covering primarily North America.

SEK m.	Full-year 2003	2002
Orders received	4,284	4,746
Net sales	4,247	4,615
Income 2)	303	371
Operating margin, % 3)	7.1%	8.0%
Operating capital 4)	956	990
Number of employees	2,436	2,401

BT RAYMOND has operative responsibility for BT Industries activities in North America. It develops, produces and markets a wide range of electric warehouse trucks as well as a smaller, though important, range of electric counterbalanced trucks.

BT RAYMOND's operations also include service, spare parts, an extensive leasing business and other services, along with the sale of hand pallet trucks.

Demand in the North American warehouse truck market remained slow during the first half of 2003 due to weak economic conditions in the U.S. A slight upturn in activity became noticeable toward the end of the year, which was seen in increased queries and, as a result, orders received.

Orders received, expressed in USD, rose by 8 percent. Due, however, to the weakness of the U.S. dollar relative to other currencies, orders received declined to SEK 4,284 m. (4,746).

Net sales decreased to SEK 4,247 m. (4,615). Expressed in USD, net sales thus rose by 10 percent.

Income amounted to SEK 303 m. (371), a decrease of 18 percent. Last year's income included a capital gain of SEK 20 m. on the sale of shares. The operating margin was 7.1 percent (8.0).

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- 1) EBITA = Earnings Before Interest, Tax and Amortization of goodwill. For BT, including income from long-term rentals/leasing.
 - 2) Income = operating income + income from long-term rentals/leasing. Amortization of goodwill at the Group level is not charged against the individual business areas.
 - 3) Operating income plus income from long-term rentals/leasing in relation to net sales.
 - 4) Operating capital = working capital incl. the share of the equity of associated companies plus tangible and intangible fixed assets, excl. goodwill.

Business Area BT INTERNATIONAL

Markets outside Western Europe and North America.

SEK m.	Full-year 2003	2002
Orders received	1,388	1,313
Net sales	1,338	1,222
Income 2)	57	50
Operating margin, % 3)	4.3%	4.1%
Operating capital 4)	319	261
Number of employees	714	625

Business area BT INTERNATIONAL has operative responsibility for BT Industries activities in over 50 countries, mainly outside Western Europe and North America.

Prioritizing market coverage and business development will enable BT Industries to secure its future position and expansion in fast-growing markets.

The business area markets a wide range of electric warehouse trucks, counterbalanced trucks, manual trucks and services. BT INTERNATIONAL's products are supplied mainly by Group units in business areas BT EUROPE and BT RAYMOND.

In markets in BT INTERNATIONAL's area of responsibility, demand was generally good during the year. Variations between markets were considerable, however. Significant growth was noted mainly in Oceania and Central and Eastern Europe. In key Eastern European markets, demand was driven by increased economic activity owing to the upcoming EU ascension of several countries in 2004. Other markets were affected by global concerns in the form of the war in Iraq and the SARS epidemic, among other things.

Orders received rose by 6 percent in 2003 to SEK 1,388 m. (1,313). Net sales increased by 9 percent to SEK 1,338 m. (1,222). At comparable exchange rates, orders received rose by 12 percent and net sales by 16 percent.

Income improved to SEK 57 m. (50) at the same time that the operating margin rose to 4.3 percent (4.1). The improvement in income is due to volume effects and a higher gross margin.

BT Industries AB (publ)

Annual Accounts 2003

The Parent company

BT Industries AB is primarily engaged in the management, oversight and control of the Group's overall operations. The Parent Company also provides Group-wide resources for accounting, finance, IT and information.

Net sales amounted to SEK 56 m. (74) and consist primarily of intra-Group rental and IT income. Income after net financial items, including dividends from subsidiaries, amounted to SEK 407 m. (438). Net income for the year was SEK 319 m. (331). Total assets amounted to SEK 6,837 m. (6,594). Cash and bank balances amounted to SEK 70 m. (122). The equity ratio was 39 percent (38). Net capital expenditures for tangible and intangible fixed assets totaled SEK 22 m. (13). The average number of employees declined to 26 (35) due to an internal reorganization within the Group.

Outlook for 2004

The long-term growth rate of more than 5 percent annually that has been generated by the warehouse truck industry for several decades is expected to continue.

In 2003 truck demand again picked up after the relatively substantial decline in 2001 and 2002. The upswing began primarily in the combustion-powered counterbalanced truck segment. In 2004 demand is expected to continue to rise, and the warehouse truck segment is anticipating slightly higher growth than the previous year.

A slight increase in demand, combined with modern production units and a marketing organization with good market coverage, gives BT Industries a positive outlook for 2004.

Mjölby March 5, 2004

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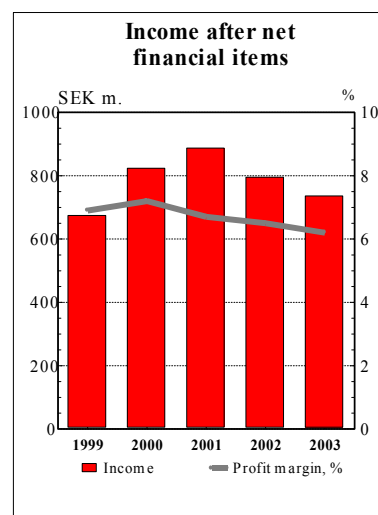
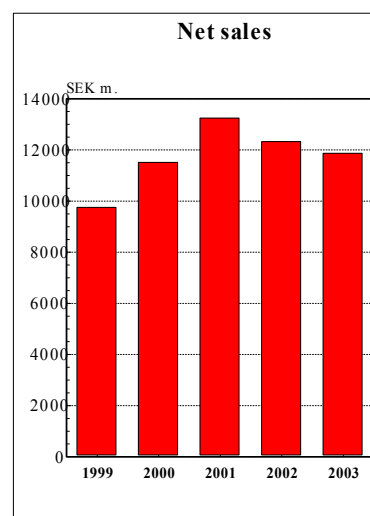
BT Industries AB (publ)

Annual Accounts 2003

Income statements

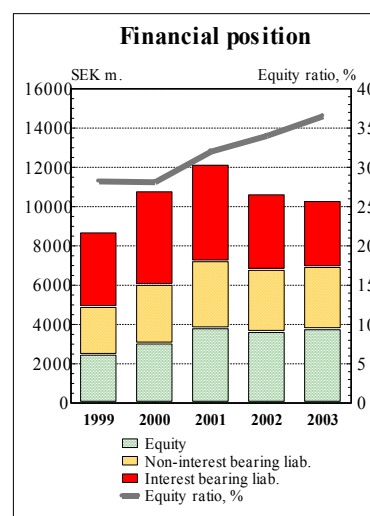
SEK m.	Full-year	
	2003	2002
Net sales	11,877	12,329
Cost of sales	-8,630	-9,005
Gross income	3,247	3,324
Product development	-243	-263
Marketing and sales	-1,419	-1,360
Administration	-938	-1,002
Amortization of goodwill	-118	-130
Income in associated companies	10	-2
Other operating income	131	168
Other operating expenses	-102	-108
Operating income	569	627
Income from financial investments		
Income from long-term rentals/leasing	194	206
Interest income and other financial income	70	90
Interest expenses and other financial	-97	-127
Income after net financial items	736	796
Tax	-265	-318
Net income	471	478

Ave. no. of shares outstanding, thousands	28,000	28,000
Earnings per share, estimated tax, SEK	15.70	17.00
Earnings per share after full tax, SEK	16.80	17.05
Total depreciation and amortization	-571	-581



Balance sheets

SEK m.	December 31	
	2003	2002
ASSETS		
<i>Fixed assets</i>		
Goodwill	1,244	1,543
Other intangible assets	67	58
Tangible	1,754	1,706
Financial	1,589	1,835
Total	4,654	5,141
<i>Current assets</i>		
Inventory	1,299	1,373
Current receivables	3,504	3,523
Cash and banks	808	572
Total	5,611	5,468
TOTAL ASSETS	10,265	10,610
EQUITY AND LIABILITIES		
<i>Equity</i>	3,747	3,608
<i>Provisions</i>	995	927
<i>Liabilities</i>		
Long-term liabilities	429	573
Current liabilities	5,094	5,502
TOTAL EQUITY AND LIABILITIES	10,265	10,610

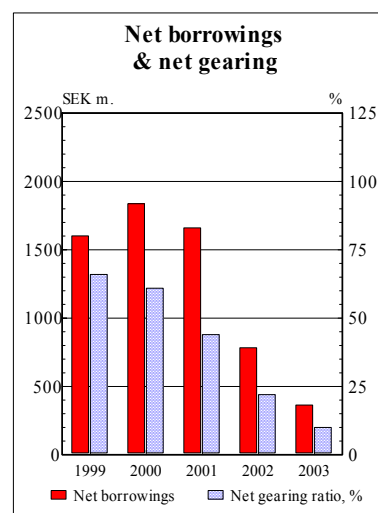
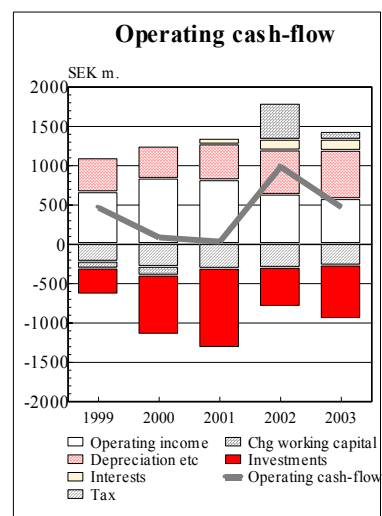


BT Industries AB (publ)

Annual Accounts 2003

Statements of cash flows

SEK m.	Full-year	
	2003	2002
Operating activities		
Operating income	571	627
<i>Non cash flow related items</i>		
Depreciations acc. to plan	571	581
Other	44	-19
Non cash flow related items	615	562
Income from long-term rentals/leasing	205	208
Other financial items, net	-65	-71
Tax paid	-273	-302
Cash flow from operating activities before changes in working capital	1,054	1,025
Changes in working capital	98	458
Cash flow from operations	1,152	1,483
Investment activities		
Investments in financial fixed assets	-86	-49
Investments in tangible and intangible fixed assets	-594	-447
Cash flow from investment activities	-680	-496
OPERATING CASH FLOW	472	987
Acquisitions/disposals of companies, net	-31	0
Financing activities		
Change of loans	-58	-433
Dividend paid	-140	-280
Cash flow from financing activities	-198	-713
Change in cash and banks	243	274
Cash and banks brought forward	572	335
Translation differences in cash and banks	-7	-37
Cash and banks carried forward	808	572

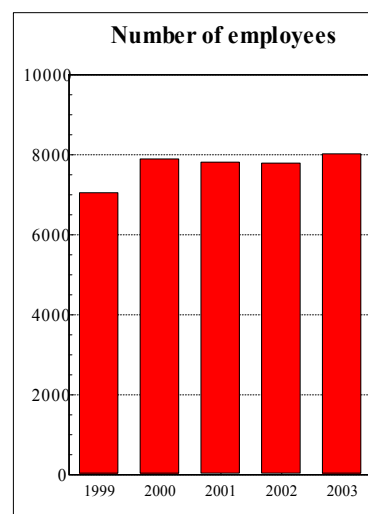


Net borrowings

SEK m.	December 31	
	2003	2002
Interest-bearing assets	2,996	3,058
Interest-bearing liabilities	3,361	3,842
NET BORROWINGS	365	784

Changes in equity

SEK m.	December 31	
	2003	2002
Equity brought forward, January 1	3,608	3,788
Foreign currency translation effects etc	-192	-378
Dividend paid	-140	-280
Net income	471	478
Equity carried forward	3,747	3,608



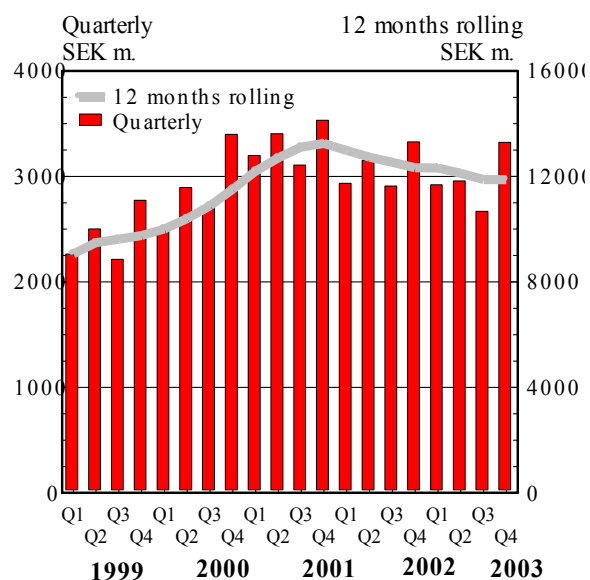
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Annual Accounts 2003

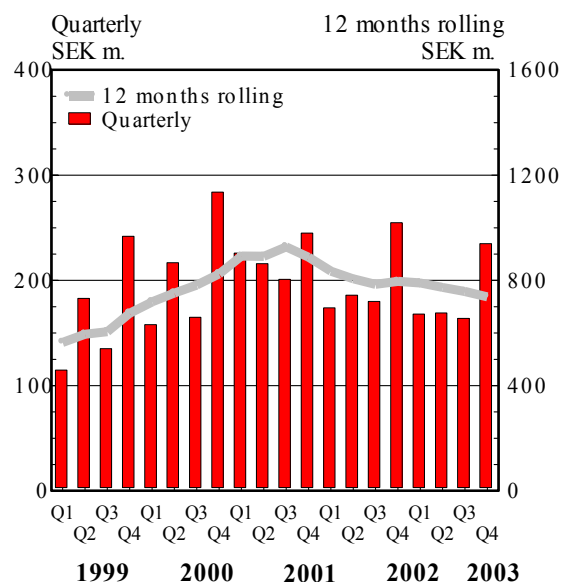
Quarterly development

Amounts in SEK m.	Q1		Q2		Q3		Q4	
	2003	2002	2003	2002	2003	2002	2003	2002
Orders received	3,027	3,096	2,993	3,288	2,741	3,012	3,322	3,160
Net sales	2,923	2,936	2,958	3,154	2,671	2,909	3,325	3,330
Cost of sales	-2,121	-2,136	-2,166	-2,304	-1,948	-2,131	-2,395	-2,434
Gross income	802	800	792	850	723	778	930	896
Gross margin, %	27.4%	27.2%	26.8%	26.9%	27.1%	26.7%	28.0%	26.9%
Operating expenses	-676	-667	-663	-705	-606	-634	-733	-691
Operating income	126	133	129	145	117	144	197	205
Interest margin LTR/leasing	52	62	49	44	48	46	45	54
Operating margin, %	6.1%	6.6%	6.0%	6.0%	6.2%	6.5%	7.3%	7.8%
Net financial items, other	-10	-21	-8	-3	-1	-10	-8	-3
Income after net financial items	168	174	170	186	164	180	234	256
Profit margin, %	5.8%	5.9%	5.7%	5.9%	6.1%	6.2%	7.0%	7.7%

Net sales



Income after financial net



BT Industries AB (publ)

Annual Accounts 2003

Key ratios

		Full-year 2003	2002
EBITA margin, %	1)	7.4%	7.8%
Operating margin, %	2)	6.4%	6.8%
Profit margin, %	3)	6.2%	6.5%
Interest coverage, multiple	4)	23.9	13.7
Capital turnover ratio, multiple	5)	2.1	2.1
Return on capital employed, %	6)	14.1%	14.3%
Return on equity, %	7)	12.8%	12.9%
Net gearing ratio, %	8)	10%	22%
Equity ratio, %	9)	36.5%	34.0%

Share data

		Full-year 2003	2002
Earnings per share after full tax, SEK	10)	16.80	17.05
Earnings per share after standard tax, SEK	11)	15.70	17.00
EBITA per share, SEK	12)	31.45	34.40
Cash flow per share, SEK	13)	16.85	35.25
Dividend per share, SEK		5.00	10.00
Equity per share, SEK	14)	133.80	128.85
No. of shares, thousands		28,000	28,000

DEFINITIONS

- 1) Operating income plus amortization of goodwill and income from long-term rentals/leasing divided by net sales.
- 2) Operating income plus income from long-term rentals/leasing in relation to net sales.
- 3) Income after net financial items in relation to net sales.
- 4) Operating income plus interest income divided by interest expenses.
- 5) Net sales divided by the average of capital employed at the opening and close of each period.
- 6) Operating income plus interest income including income from long-term rentals/leasing in relation to the average of capital employed at the opening and close of each period.
- 7) Net income for the period in relation to the average of equity at the opening and close of each period.
- 8) Net borrowings in relation to equity and the minority share at the close of each period.
- 9) Equity including the minority share in relation to total assets at the close of each period.
- 10) Net income for the period divided by the average number of shares.
- 11) Income before tax charged with standard tax of approx. 35% on income after net financial items plus non-tax deductible amortization divided by the average number of shares.
- 12) Operating profit before amortization of goodwill, plus interest income including income from long-term rentals/leasing divided by the average number of shares.
- 13) Operating cash flow according to the statement of cash flows divided by the average number of shares.
- 14) Equity divided by the number of shares on the closing day.

BT Industries AB (publ)

Annual Accounts 2003

Five-year summary

SEK m.	2003	2002	2001	2000	1999
Income statements					
Net sales	11,877	12,329	13,248	11,518	9,759
Gross income	3,247	3,324	3,548	3,247	2,847
EBITA	881	963	1,122	1,094	899
Operating income	569	627	810	831	660
Income after net financial items	736	796	888	824	675
Net income	471	478	552	552	431
<i>Total depreciation according to plan</i>	<i>-571</i>	<i>-581</i>	<i>-575</i>	<i>-482</i>	<i>-417</i>
Balance sheets					
Fixed assets	4,654	5,143	6,048	5,345	4,531
Current assets	5,611	5,467	5,803	5,554	4,136
Total assets	10,265	10,610	11,851	10,899	8,667
Equity	3,747	3,608	3,788	3,070	2,442
Minority share	-	-	3	3	2
Liabilities and provisions	6,518	7,002	8,060	7,826	6,223
Total liabilities and equity	10,265	10,610	11,851	10,899	8,667
Net borrowings					
Interest-bearing assets	2,996	3,058	3,259	2,932	2,193
Interest-bearing liabilities	3,361	3,842	4,920	4,770	3,796
Net borrowings	365	784	1,661	1,838	1,603
Cash flow					
Cash flow from operations	1,152	1,483	1,042	838	797
Cash flow from investments 1)	-680	-496	-1,007	-751	-330
Operating cash flow	472	987	35	87	467
Key ratios					
EBITA margin, %	7.4%	7.8%	8.5%	9.5%	9.2%
Operating margin, %	6.4%	6.8%	7.5%	8.5%	8.2%
Profit margin, %	6.2%	6.5%	6.7%	7.2%	6.9%
Return on capital employed, %	14.1%	14.3%	16.5%	18.5%	16.8%
Return on equity, %	12.8%	12.9%	16.1%	20.0%	19.3%
Capital turnover rate, multiple	2.1	2.1	2.1	2.1	2.0
Interest coverage, multiple	23.9	13.7	6.9	5.8	5.2
Net gearing ratio, %	10%	22%	44%	60%	66%
Equity ratio, %	36.5%	34.0%	32.0%	28.2%	28.2%
Personnel					
Number of employees at year-end	8 026	7 794	7 820	7 899	7 054

1) Excluding acquisitions of companies

For definitions, see page 9.