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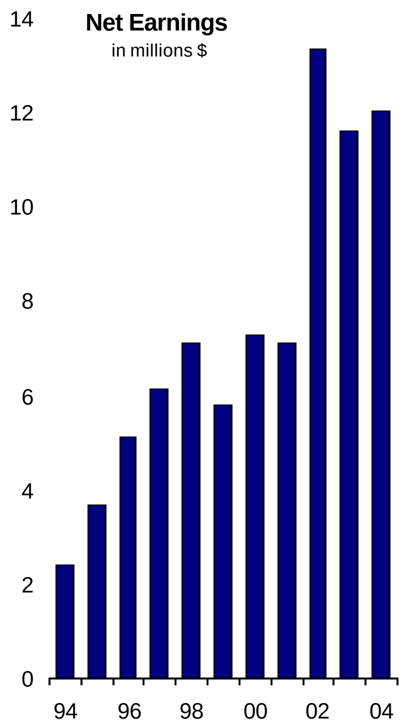
2004 Annual Report

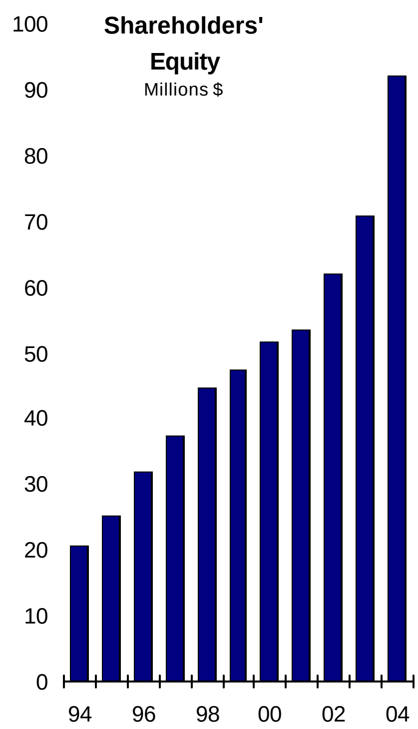
Ten Year Highlights

In thousands of Canadian dollars (except per share amounts)

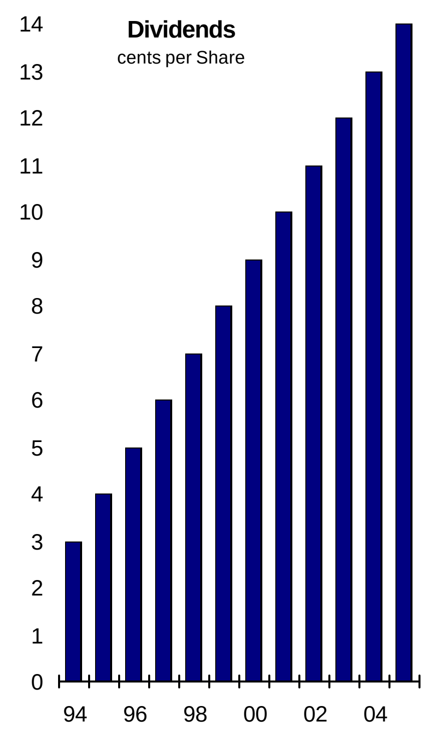
Year ended Sept. 30	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenue	56,575	66,517	85,375	89,194	79,961	116,700	187,633	232,619	181,162	**206,130**
Gross profit	16,522	21,288	27,060	29,243	26,207	30,302	31,410	49,485	41,233	**37,601**
EBITDA	8,593	11,709	15,668	17,595	14,488	15,882	14,518	26,202	21,874	**20,040**
Income from operations	9,063	12,207	16,313	17,420	14,943	16,789	16,527	29,727	25,098	**21,311**
As percentage of revenue	16%	18%	19%	20%	19%	14%	9%	13%	14%	**10%**
Shareholders equity	25,317	31,811	37,497	44,790	47,327	51,659	53,442	61,998	70,868	**92,047**
Capital expenditures-net	7,884	9,552	12,253	5,917	5,960	17,278	3,593	14,546	7,854	**4,470**
Number of employees	450	525	600	600	600	1,000	700	800	820	**850**
Earnings per share	0.18	0.22	0.26	0.29	0.24	0.30	0.30	0.58	0.51	**0.50**
Book value per share	1.22	1.38	1.57	1.80	1.93	2.13	2.27	2.70	3.08	**3.78**
Avg shares issued (millions)	20.8	23.0	23.9	24.9	24.5	24.2	23.5	23.0	23.0	**24.3**
Return on average capital	18%	19%	24%	26%	18%	14%	8%	18%	13%	**12%**
Return on average equity	16%	18%	18%	17%	13%	15%	13%	23%	18%	**14%**



2004 net profit includes $2.0 million in earnings from the gain on the sale of capital assets. This year marks the 36th consecutive year of profit.



The shareholders' equity was boosted by the infusion of an additional $12 million of capital from the issuance of two million shares.



The directors declared the 12th consecutive increase in dividends to 14 cents per share payable on January 14, 2005 to shareholders of record on December 3, 2004.

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To our Shareholders

John Buhler,
Chairman

Your company has now completed its thirty sixth consecutive year of profit and equity increase.

Last year's challenges of the Mad Cow Disease and the strong Canadian dollar did not go away, but were compounded this year by steel price increases of a magnitude never before seen. As we were unable to recover a large portion of the steel price increases, we are reporting the lowest gross margin percentage in the history of the Company.

Given all of these setbacks, management was still able to achieve an EBITDA of $20 million or 10% of revenue, down from last year's 12%. Without the $2 million gain from the sale of assets, the EBITDA would have been $18 million or 9% of revenue.

The Company invested $2.9 million in development of new products and $4.5 million in new equipment and facilities. These investments will contribute towards future growth of revenue and earnings.

I reached my 71st birthday on July 1st of this year and while I am becoming less active in the day to day operations, full retirement will only be considered when the fun goes out of the job. Last year I suggested that I planned to divest some of my share holdings over a ten year period. To date I have sold three million shares and watched the price rise in the process. I am now holding about 55% of the stock and expect to sell small quantities over the next few years, but would like to keep my ownership over 50%. I stated last year that the sale of shares would likely have a positive effect on the stock price and it did.

Congratulations to our management team and all of our employees who take so much pride in the success and the future of their Company.

Thank you.

John Buhler,
Chairman & CEO

Management Discussion & Financial Analysis

Craig Engel,
President

Fiscal 2004 began as a traditional year, but certainly proved to be anything but!

The various operations of our Company maintained our strategy of "slow and steady" growth, which has proven to be profitable and sustainable over the long term. Our products continue to penetrate markets under stiff competition. Their value is appreciated by our customers as a practical blend of price, quality and features. Our dealer base keeps on growing and showing enthusiasm for our products and the various roles they play in the farming communities.

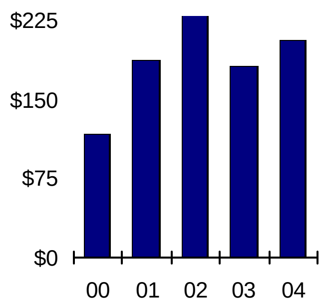
Our tractor organization completed its 4th year of operation and we are pleased to report that it has met or exceeded our goals regarding sales and dealer development. We plan to continue to work hard to take our niche tractor products to the next level in North America. We are also contemplating markets outside North America and will select territories of interest, while never losing sight that our most important market is North America.

The unexpected increases in the price of steel has caused us to rethink our short term bottom line objectives. As with any cost increase, our gross margins suffer. The steel price increases have been of such magnitude that we were required to take the unprecedented step of imposing a mid year "steel surcharge" on many of our products. Our strategy has been (and will continue to be) to impose the minimum possible steel surcharge while minimizing any bottom line erosion. We anticipate that steel prices will find their natural stable price over the next 12 months, however, we do expect that this price will be considerably higher than the average costs we have experienced over the last 5 or 10 years. We are not speculating where steel prices will land, but will continue to weather this storm with minimal shock to our end customers and nominal short term change to our bottom line.

As you may expect, our financial performance during 2004 was also somewhat untraditional in many respects. Please refer to the following specific discussions about our financial reports.

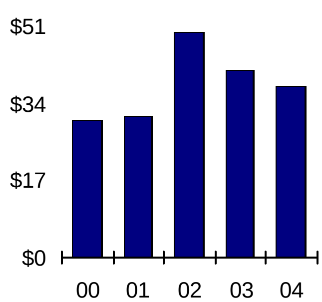
Management Discussion & Financial Analysis

Sales and Growth *(millions)*



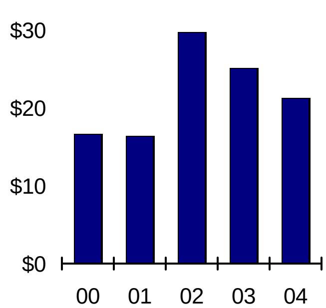
Revenue increased by 14% to $206 million compared with $181 million last year. We had estimated that revenues would increase this year, but would not exceed the high of 2002. Tractor sales accounted for most of the increase. Our core products continue to experience sales increases in areas which are not as affected by BSE (Mad Cow Disease). We are forecasting flat or small revenue increases for 2005.

Gross Profit *(millions)*



Gross profit decreased to 37.6 million (18.2% of revenue) compared with $41.2 million (22.8% of revenue) last year. The drop in gross profit is a combination of the continuing weak US dollar and the increases in the price of steel. Our steel surcharge offset a portion of these additional costs, however, we expect that our price increases will have a negative impact on revenue and it is difficult to forecast the outcome. Therefore, we expect that gross margins will continue to range between 16% - 18% for the next four quarters.

Income from Operations *(millions)*



Operating income of $21.3 million is down from last year's $25.1 million. The loss in income can be directly attributed to three causes:

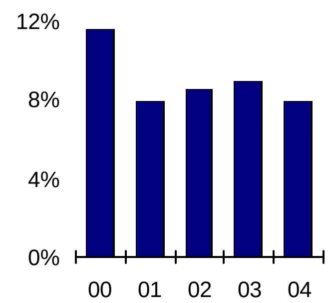
(1) the decreased gross margin brought on by the sudden increase in the cost of steel.

(2) the reduced sales in Canadian territories owing to the BSE crisis.

(3) the lingering effects of the weakened US dollar.

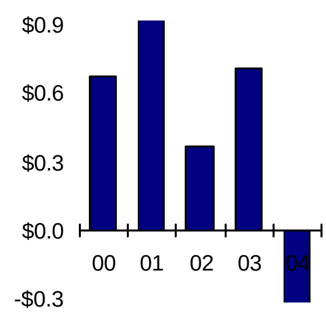
We are forecasting that income from operations will remain flat or lower until all of the above issues have been resolved.

Selling & Administration Expense *(% of Revenue)*



Selling and administration expenses as a percentage of revenue were reduced to 8% compared with 9% last year and well below the 5 year average of 8.7%. SG&A expense was $16.3 million compared with $16.1 million last year. Management has been able to control this expense at a time when restraint is very important. Last year, we forecast that we could hold this expense at 9%. We now believe, with increased sales, we can keep this expense at 8% of revenue.

Net Interest Expense *(millions)*

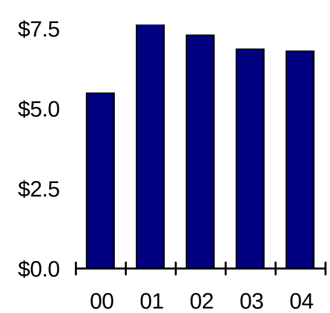


Interest expense became interest income as a result of three initiatives:

- our commitment to reduce inventory level;
- the sale of two million shares from treasury;
- and the fact that long term loans are interest free.

We had forecast that our interest expense would decrease for 2004, but we did not expect the decline to be this great. If we do not make any major acquisitions next year, we could see another year of zero interest expense in fiscal 2005.

Amortization Expense *(% of Revenue)*



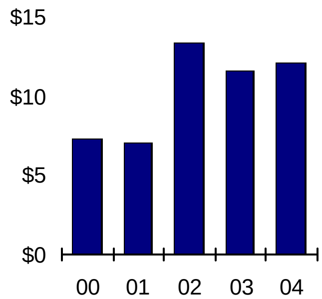
Amortization expense of $6.8 million is down from last year's $6.9 million and will continue to reduce in future years until we make some major equipment purchases. The Company has purchased $89 million in capital assets over the past 10 years. The Company follows the practice of replacing obsolete equipment with state of the art equipment.

Research and Development Expense

The Company continued with its goal and commitment to keep its products modern and current in the market place. This year's R&D expense of approximately $3 million is expected to continue in the future.

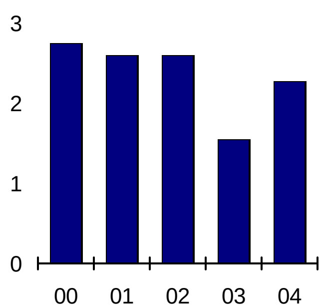
Management Discussion & Financial Analysis

Net Earnings *(millions)*



Net earnings increased by 3.6% to $12 million ($0.50 per share on an average of 24.3 million shares) compared with $11.6 million ($0.51 per share on an average of 23 million shares) last year. Net earnings include $2.0 million earned from the sale of 3 properties that were no longer used for Company operations. As our history shows, the Company typically experiences a gain on disposal of assets. In the last 6 years, the Company has averaged in excess of $500,000 gain per year. This year was somewhat exceptional in that we had $2.0 million of gain. Therefore, in actual fact, income from our manufacturing operations is lower by approx $1.5 million. The recent unprecedented steel price increases (in some cases exceeding 100%) will continue to have a negative impact on earnings. We are forecasting flat earnings for next year and they will likely remain flat until such time that the BSE crisis is settled and we are able to recoup more of the steel price increases.

Inventory Turns

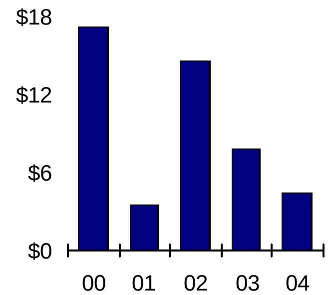


Management worked very hard to meet last year's forecast of improved inventory turns in 2004. Inventory turns improved to 2.3 from 1.5 last year. The Company has a policy of purchasing goods in bulk and warehousing the inventory as opposed to purchasing on a "just in time" basis. We also like to carry a reasonable inventory of finished goods in order to meet the seasonal demand.

Share Capital

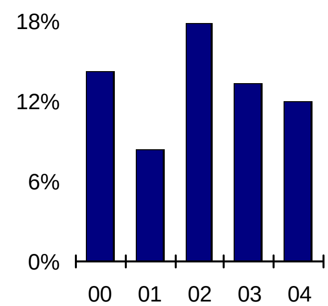
During fiscal 2004, the Company issued two million new shares to meet the growing share purchasing demand from the public. All of these shares were ultimately sold on the public market, and as such increased the total number of outstanding shares to 25 million (23 million last year). In addition, John Buhler continued his commitment to reduce his holdings in an orderly fashion. As such, the public float now exceeds 44% of the outstanding shares of the Company. Over time, we see the public float increasing to nearly 50%, but, this will be done in an organized manner and as stated in the past, we expect this will have a positive affect on the stock.

Asset Purchases *(millions)*



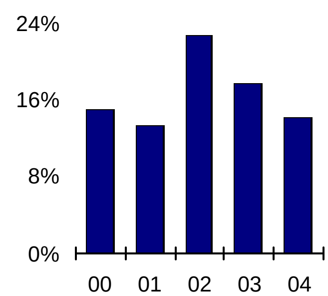
Over the past 10 years the Company has invested $89 million in capital assets. This includes the purchase of the tractor factory in the year 2000 and the Fargo and Saskatoon factories in 2002. Capital expenditures for other years were mostly for new equipment. The Company invests in state of the art equipment in order to maintain efficient operations. The Company will continue, on average, to invest the equivalent of the annual amortization on new equipment.

Return on Capital



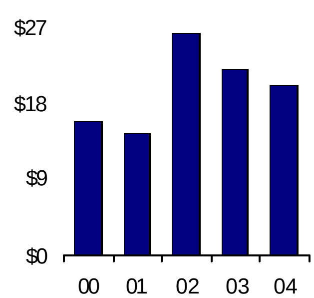
Return on capital of 12% is down from last year's 13% and lower than our 5 year average of 13%. ROC is calculated by dividing the earnings before interest and taxes by the sum of bank debt, long term debt, leases and total equity. The Company has no leases.

Return on Equity



Return on equity of 14% is now below our five year average of 17%. The increase in share capital from $17.9 million to $30 million made it difficult to achieve a higher ratio. We are not forecasting an increase in this important indicator for 2005.

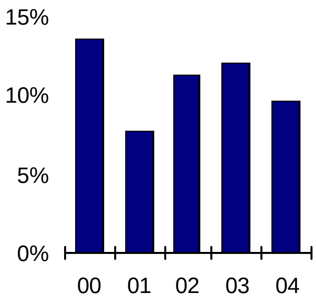
EBITDA *(millions)*



EBITDA of $20 million is down from last year's $21.9 million, but ahead of the 5 year average of $19.7 million. Last year we projected an increase in EBITDA, however we were not able achieve this for all the reasons mentioned earlier. This year's EBITDA was supported by $2 million from the gain on sale of capital assets, therefore, we are forecasting lower EBITDA for 2005.

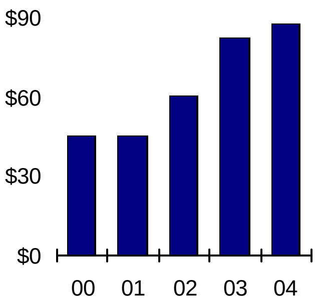
Management Discussion & Financial Analysis

EBITDA *(as a percentage of revenue)*



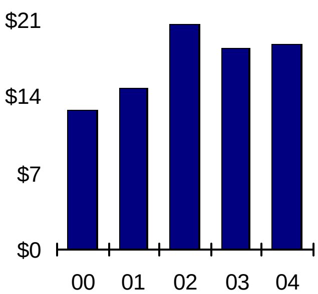
EBITDA as a percentage of revenue now stands at 10%, down from last year's 12% and below the 5 year average of 11%. We had our sights set on reaching 15%, but now with the reduction in gross margin, we will need to be satisfied with a lower percentage, as it will be difficult to improve on this number for next year.

Liquidity, Working Capital



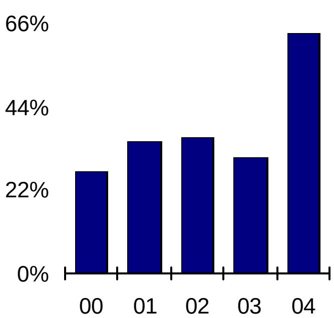
Working capital improved slightly to $87 million compared with $83 million last year. Without the $12 million increase in equity, we would have reported a reduction in working capital.

Net Cash Flow *(millions)*



The Company generated cash flow of $19.5 compared with $18.5 last year. Cash flow is higher than our 5 year average of $17.3 million. Cash flow is the sum of net after tax earnings plus amortization.

Cash Flow *(as a percentage of debt)*



Cash flow as a percentage of debt has increased to 63% compared with 31% last year. This chart measures the percentage of debt that can be paid with one year's cash flow. The Company can now retire 63% of its' total debt with one year's cash flow.

Corporate Governance

Complete governance details are described in the Annual Information Form and Proxy Circular.

Risks

Management considers fluctuations in commodity prices and fluctuations in the Canadian dollar to be a normal part of conducting business in this industry. Going forward, the Company considers the degree of risk to be greater until the exchange rates stabilize.

Looking Forward

We are forecasting gross margins between 16 to 18% for fiscal 2005. As such, management is charged with the challenge of minimizing any bottom line affects. Our continued focus on an efficient selling and administration, reduced or eliminated interest expense and controlled R&D gives us the ability to assume a lower gross margin, with the goal of keeping the bottom line flat. We expect that by fiscal 2006 the steel prices will have stabilized and we will be in a better position to forecast gross margin increases.

During fiscal 2005, we will operate under a slightly different management structure. I have decided to split my role as President and Chief Operating Officer. Grant Adolph has accepted the position of Chief Operating Officer. Grant has worked for our company since 2000 and was responsible for managing our tractor division. His acceptance of this new role will allow me to concentrate on our corporate and longer term needs and strategies of the Company. Grant will focus his activities on providing a more dedicated guidance and leadership to our 10 factories and 7 distribution centers. Grant's attention to the COO tasks will certainly increase the unified approach from all areas of our Company, as we tackle the huge challenges which lie ahead.

Jean-Guy Fillion (VP) retired in 2004 and Jim Friesen (CFO) will retire during 2005. We welcome a newcomer to our Company, Ossama AbouZeid (incoming CFO) who has been working diligently since August 2004 to ensure as seamless and transparent an exit as possible for Jim and Jean-Guy. We wish Jim and Jean-Guy all of the best in their next phase of life and cannot begin to describe their importance to the company during their tenure. We equally look forward to the new personalities in our Company.

As such, I give you my commitment and the commitment of our new management team, that we are prepared and eager to take on the challenges of fiscal 2005.

Craig Engel,
President
November 26,2004

Management's Responsibility For the Financial Statements

The consolidated financial statements of Buhler Industries Inc. were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's Auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

James H. Friesen
Chief Financial Officer
November 26, 2004

Larry Schroeder
Vice President

Auditor's Report

To The Shareholders of Buhler Industries Inc.

We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 2004 and 2003 and the consolidated statement of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

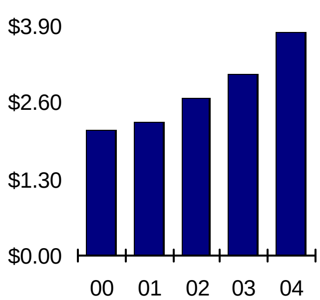
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

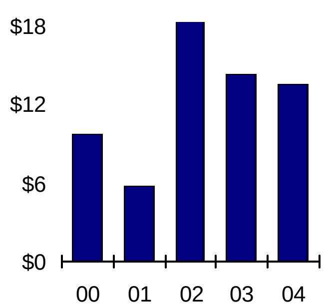
Winnipeg, Manitoba
November 26 , 2004

Gislason Targownik Peters
Certified General Accountants

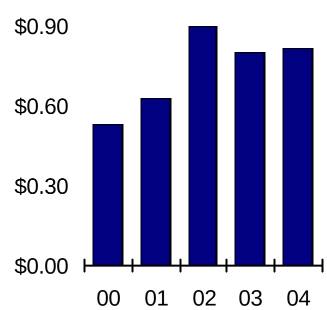
Equity *(per share)*



Pre Tax Earnings *(millions)*



Net Cash Flow *(cents per share)*



Consolidated Statements of Earnings

For the years ended September 30 ($000's)

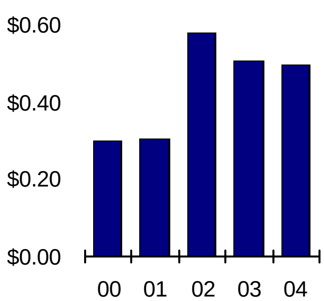
	2004		2003	
Revenue	$ 206,130		$ 181,162	
Cost of goods sold	168,529		139,929	
Gross Profit	37,601	18.2%	41,233	22.8%
Selling & administration expenses	16,290	7.9%	16,135	8.9%
Income from Operations	21,311	10.3%	25,098	13.9%
Gain on disposal of assets	(2,010)		(726)	
Interest expense (income)	(328)		703	
Amortization	6,812		6,894	
Research and development costs	2,903		3,683	
Non-controlling interest	378		267	
Net Earnings before Taxes	13,556	6.6%	14,277	7.9%
Provision for Income Taxes (note 10)	1,507	11.1%	2,647	18.5%
NET EARNINGS	$ 12,049	5.8%	$ 11,630	6.4%

Consolidated Statements of Retained Earnings

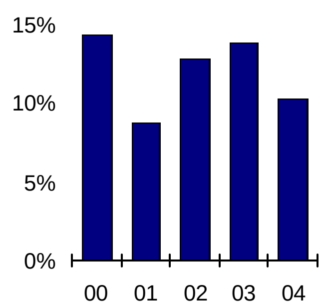
For the years ended September 30 ($000's) except per share amounts

	2004	2003
Retained Earnings beginning of year	$ 52,988	$ 44,118
Net earnings for the year	12,049	11,630
Dividends	(2,990)	(2,760)
Retained Earnings end of year	$ 62,047	$ 52,988
Earnings per share		
Basic	$ 0.50	$ 0.51
Fully diluted	$ 0.50	$ 0.51

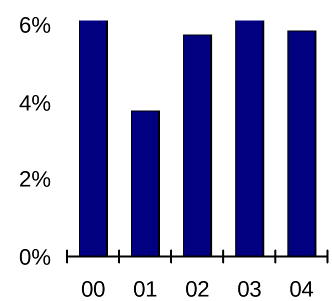
Earnings *(cents per share)*



Operating Income *(% of Revenue)*



Net Earnings *(% of Revenue)*



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Consolidated Balance Sheets

For the years ended September 30 ($000's)

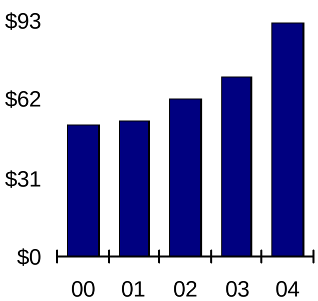
	2004	2003
ASSETS		
Current Assets		
Cash	$ 15,360	$ -
Accounts receivable	35,091	40,694
Inventories (note 2)	73,762	90,495
Prepaid expenses	771	1,083
Total Current Assets	124,984	132,272
Property plant and equipment (note 3)	38,335	43,454
Future income taxes (note 10)	3,552	2,380
Investments - at cost	173	175
Total Assets	$ 167,044	$ 178,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	$ -	$ 16,560
Account payable and accrued liabilities	33,059	28,287
Income taxes payable	1,234	1,623
Current portion of long term debt	3,277	3,272
Total Current Liabilities	37,570	49,742
Advances from related party (note 5)	823	11,179
Long term debt (note 7)	25,770	29,398
Total Liabilities	64,163	90,319
Non-controlling interest (note 8)	10,834	17,094
SHAREHOLDERS' EQUITY		
Share capital (note 12)	30,000	17,880
Retained earnings	62,047	52,988
Total Shareholders' Equity	92,047	70,868
Total Liabilities and Equity	$ 167,044	$ 178,281

Approved on behalf of the Board:

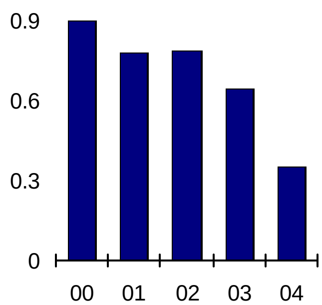
Director:

Director:

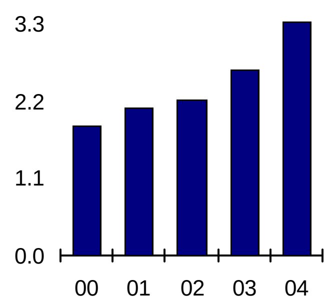
Total Equity *(millions)*



Debt to Equity *(ratio:1)*



Working Capital *(ratio : 1)*



Consolidated Statement of Cash Flows

For the years ended September 30 (000's)	**2004**	2003
Cash provided by (used in) operating activities		
Net earnings	**$ 12,049**	$ 11,630
Add (deduct) non-cash items		
Amortization	**6,812**	6,894
Gain on disposal of assets	**(2,010)**	(726)
Gain on foreign exchange	**(1,233)**	(93)
Future income taxes	**(1,172)**	(600)
	14,446	17,105
Net change in non-cash working capital balances*	**27,031**	(26,714)
	41,477	(9,609)
Investing activities		
Purchase of capital assets, net of investment tax credits	**(4,470)**	(7,854)
Proceeds on sale of capital assets	**4,792**	2,148
Investments	**2**	(21)
	324	(5,727)
Financing activities		
Issuance of share capital	**12,120**	-
Increase in long term debt	**-**	820
Repayment of long term debt	**(3,628)**	-
Increase (decrease) in non-controlling interest	**(6,260)**	15,337
Advances (repayment) from related party	**(10,356)**	(456)
Dividends paid	**(2,990)**	(2,760)
	(11,114)	12,941
Foreign exchange gain on cash held in foreign currency	**1,233**	93
Net cash provided (used) in the year	**31,920**	(2,302)
Cash (bank indebtedness), beginning of year	**(16,560)**	(14,258)
Cash (bank indebtedness), end of year	**$ 15,360**	$ (16,560)

***Net change in non-cash working capital balances is comprised of:**		
Accounts receivable	**$ 5,603**	$ (1,506)
Inventories	**16,733**	(20,134)
Prepaid expenses	**312**	(177)
Accounts payable, accrued liabilities and taxes payable	**4,383**	(4,897)
Net cash provided (used)	**$ 27,031**	$ (26,714)

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc., which is accounted for using proportionate consolidation.

(b) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Capital assets and amortization

Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 to 5%	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired

(d) Foreign currency translation

The accounts of the United States subsidiaries, which are considered integrated foreign operations, have been translated into Canadian dollars on the following basis:

1) monetary assets and monetary liabilities at the year-end rates of exchange;
2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
3) revenue and expense items, other than amortization, at the average rate for year.

The resulting currency translation gains and losses are included in earnings.

(e) Financial instruments

Foreign exchange and interest rate risk

These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Other risks

The Company is exposed to credit risk on its accounts receivable. Going forward, as part of the Company's risk management, the Company will assume some risk in insuring some of its widely held assets.

Fair value

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

2. INVENTORIES *(000's)*

	2004	2003
Land for development	$ 2,482	$ 2,593
Finished goods	36,126	50,245
Work in process	4,797	4,263
Raw materials	30,357	33,394
	$ 73,762	$ 90,495

3. CAPITAL ASSETS *(000's)*

			2004	2003
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Land	$ 4,255	$ 0	$ 4,255	$ 4,763
Buildings	28,422	10,109	18,313	20,422
Equipment	47,355	33,233	14,122	16,957
Computers	4,325	2,770	1,555	1,189
Software & tools	3,051	2,961	90	123
	$ 87,408	$ 49,073	$ 38,335	$ 43,454

4. BANK INDEBTEDNESS

The Company has available a financing facility with the Bank of Montreal in the amount of $30,000,000. The credit facility is secured by a mortgage, debenture, general security agreement and assignment of receivables and inventory. All interest rates are at prime or less.

5. ADVANCES FROM RELATED PARTY *(000's)*

The advance (loan) from related party is from the majority shareholder, holding 55% of the shares of the Company. The advance is non-interest bearing with no specific terms of repayment. The advance (loan) fluctuates throughout the year and the shareholder reserves the right to charge interest at bank prime in the event that it becomes a permanent facility. Subsequent to year end the amount of $6,300 was advanced to the related party as an interest bearing note. The Company has provided a letter of credit for $665 (2003 - $665) to secure a line of credit for an entity in which the majority shareholder has a significant influence.

6. RELATED PARTY TRANSACTIONS *(000's)*

	2004	2003
Companies Controlled by Officers or Family Members		
Accounts receivable	$ 65	$ 443
Investments	0	280
Revenue	599	839
Capital Asset Disposals		
Proceeds on disposition	2,675	550
Gain (Loss)	1,206	82
Enterprises Influenced by Controlling Shareholder		
Accounts receivable	0	8,235
Revenue	6	54
Capital expenditures / repairs and maintenance	172	839
Inventory purchased	0	167
Capital Asset Disposals		
Proceeds on disposition	160	0
Book Value	49	0
Gain (Loss)	111	0
Controlling Shareholder		
Fees paid for management services	170	270
Immediate Family Members of Controlling Shareholder		
Fees paid for management services	60	113

All transactions with related parties are recorded at the exchange amount agreed to by the related parties.

7. LONG TERM DEBT *(000's)*

	2004	2003
Long term debt	$ 29,047	$ 32,670
Current portion	3,277	3,272
Long term portion	$ 25,770	$ 29,398

The unsecured, interest free, Industry Canada loan is repayable in 120 equal monthly installments of $265 commencing July 31, 2003. The U.S. Bank loan (State of North Dakota interest free loan) is repayable over 10 years and is secured by Company assets. $3,277 is repayable annually over the next 5 years. In the event of default of the Industry Canada Loan, the entire balance then outstanding shall, after the expiry of 30 days, bear interest and become due and payable in accordance with the Interest and Administrative Charges Regulations enacted pursuant to the Financial Administration Act of Canada.

8. NON-CONTROLLING INTEREST

During the 1999 fiscal year, Buhler Industries Inc. created a controlled manufacturing partnership operating as Buhler Manufacturing, through which a significant portion of the manufacturing activity is now conducted. The partnership was formed to optimize the organizational structure and efficiency of the Company.

Notes to Consolidated Financial Statements

The non-controlling interest represents a partner's interest in the assets, liabilities & income in the partnership. The partnership's financial activities have been accounted for by consolidation. The Company has provided a $20 million dollar guarantee, for a fee, to the Bank of Montreal to secure a loan to the new partner. These proceeds were used by the new partner to invest in the partnership.

9. INTEREST PAID *(000's)*

	2004	2003
Operating loan	**$ 411**	$ 717
Long term debt	**0**	0
	$ 411	$ 717

10. INCOME TAXES *(000's)*

	2004	2003
At Canadian statutory rate	**$ 5,155**	$ 6,901
Losses utilized during the year	**(111)**	(365)
Manufacturing Profits deduction	**(351)**	(789)
Future taxes		
Loss carry forward	**(393)**	161
Timing differences	**(779)**	(761)
Total future taxes	**(3,521)**	(600)
Tax credits and other	**(2,014)**	(2,500)
Income tax provision	**$ 1,507**	$ 2,647

Loss Carried Forward & Tax Credits

The Company has non-capital loss carry forwards of $286, expiring in 2012 and thereafter, that are available to be applied against certain taxable income in future years. The potential tax benefits that will result from claiming these have been recognized. Income taxes paid during the year were $2,290 (2003-$4,650)

Future income taxes are recorded to reflect the timing differences arising in the deduction of warranty costs for tax purposes from the year in which they are accounted for and from the amounts of amortization provided in the year compared to the allowances deducted for income tax purposes. Future tax benefits are composed of a liability of $428 relating to amortization of capital assets, a benefit of $3,339 in respect of provisions for warranty, and a benefit of $641 relating to unused tax losses.

11. SEGMENTED INFORMATION *(000's)*

The Company has organized its business between agricultural and non-agricultural operations due to the differences in the products and approaches in marketing and manufacturing in both segments. The agricultural equipment segment produces a wide variety of agricultural equipment, whereas the non-agricultural operations consist primarily of custom metal fabrication.

		2004		**2003**
	Canada	**US**	Canada	US
Revenue	**$ 189,762**	**$ 16,368**	$ 167,800	$ 13,400
Earnings	**11,779**	**270**	11,500	130
Capital Assets	**32,093**	**6,242**	38,500	5,000
	Ag	**Non-Ag**	Ag	Non-Ag
Revenue	**$ 198,130**	**$ 8,000**	$ 169,200	$ 12,000
Interest revenue	**568**	**175**	672	323
Interest expense	**405**	**10**	1,202	496
Earnings	**9,499**	**2,550**	10,700	930
Assets	**156,062**	**10,982**	172,000	6,300

Included in Canadian revenue are export sales, primarily to the United States, of $145 million (2003 - $102 million). The accounting policies of the segments are the same as described in the note for significant accounting policies. The Company accounts for inter-segment sales at current market prices. Revenue from the top two customers was $14 million and $13 million, both in the agricultural segments.

12. CAPITAL STOCK AND OPTIONS *(000's)*

Authorized, an unlimited number of common shares.

	2004		**2003**	
	No. of Shares	**$**	No. of Shares	$
Issued as at Sept. 30	**25,000**	**30,000**	23,000	17,880
Options exercised	**2,000**	**12,120**	0	0

There are no options outstanding as of September 30th, 2004.

13. DEFERRED PROFIT SHARING PLAN

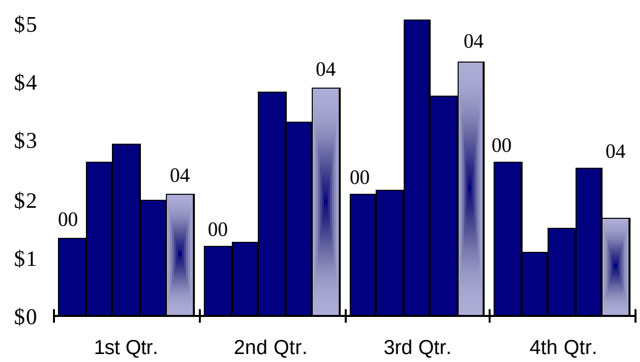
In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. In 2004, the Company contributed $200,000 to the plan (2003-$150,000). The plan trust owns approximately 1.2 million Buhler shares.

Additional Quarterly Data

Quarterly Net Earnings Results *(000's)*

	2000	**2001**	**2002**	**2003**	**2004**
1st Q	$ 1,343	$ 2,625	$ 2,950	$ 1,985	**$ 2,093**
2nd Q	1,200	1,258	3,831	3,336	**3,915**
3rd Q	2,103	2,150	5,059	3,782	**4,361**
4th Q	2,652	1,082	1,520	2,527	**1,680**
Total	**$ 7,298**	**$ 7,115**	**$13,360**	**$11,630**	**$12,049**

Net Quarterly Income *(millions)*



The Company has now completed 128 consecutive quarters of profit. Next year's quarterly earnings are expected to be lower.

Company Profile

Buhler Industries Inc. was established in 1933 and operated as Standard Gas Engine Works until the Company was purchased by John Buhler in 1969. The Company has since grown to become a significant player in the farm equipment industry.

Today, the Company operates ten modern manufacturing plants and seven distribution centres totaling over 1.5 million square feet of facilities and employing over 800 people. The Company remains strongly committed to its core business as a manufacturer of a wide range of agricultural equipment marketed throughout North America under the brand names: "Buhler", "Allied", "Farm King", "Inland" and "Buhler Versatile".

In 2000, the Company purchased the only tractor manufacturing plant in Canada. Ranging from 145 hp to 425 hp, the tractors became the perfect compliment to the Company's long standing portfolio of short-line farm equipment, which includes grain augers, 3-point hitch attachments, front end loaders and haying equipment.

Audit Committee

Philipp R. Ens, Chairman
Allan L.V. Stewart
James H. Friesen
Craig Engel

Legal Counsel

Perlov Stewart Lincoln
Winnipeg, Manitoba

Exchange Listing

The shares of Buhler Industries Inc. are listed on the Toronto Stock Exchange and trading under the symbol "BUI".

Corporate Banker

Bank of Montreal
Winnipeg, Manitoba

Cusip Number

119 918 100

Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Corporate Office

1201 Regent Avenue West,
Winnipeg, Manitoba, R2C 3B2
Ph: (204) 661-8711, Fax: (204) 654-2503
Web site: www.buhler.com

Auditors

Gislason Targownik Peters
Winnipeg, Manitoba

Annual Meeting

The annual meeting of shareholders will be held on Saturday, January 29th, 2005, 11:00 am, at The Fairmont Hotel, Portage & Main, Winnipeg, Manitoba.

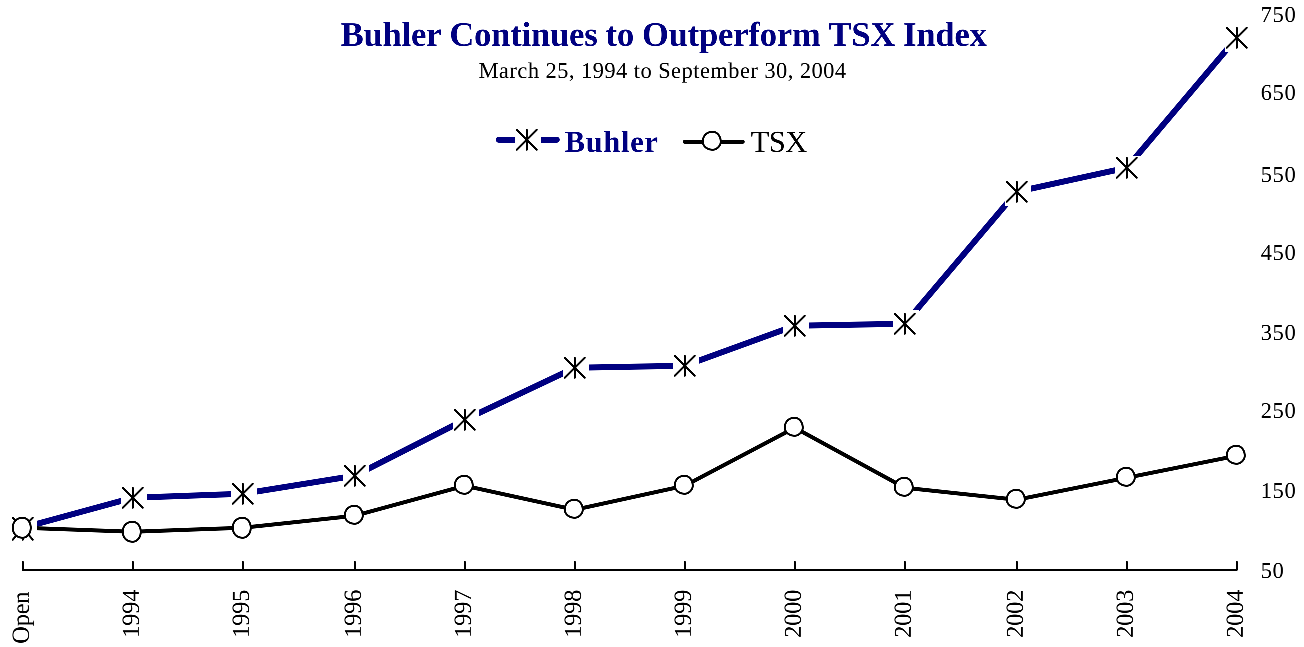
Directors, Officers and Senior Management

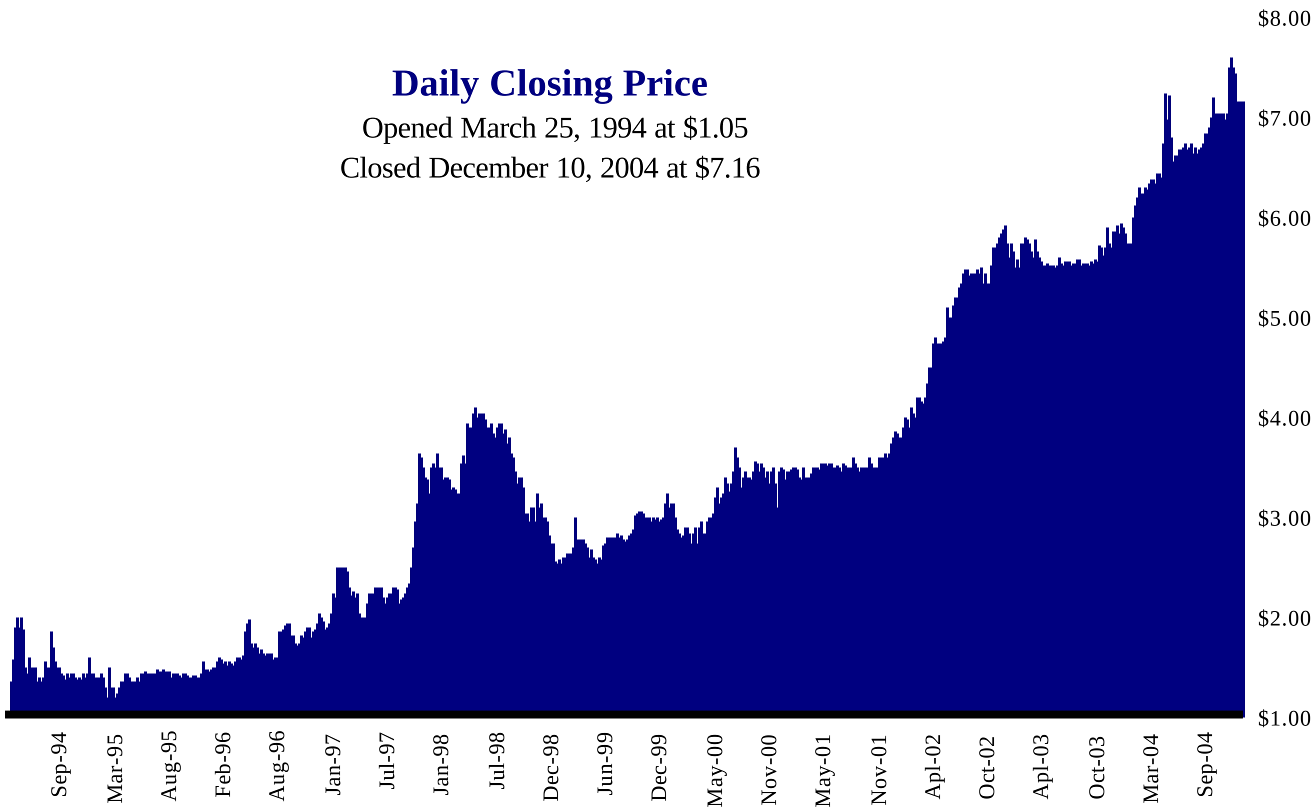
Name	Office	Principal Occupation
John Buhler	Chairman/Officer	Chief Executive Officer, Buhler Industries Inc.
Bonnie Buhler	Director	Highland Park Financial Inc.
Philipp Ens	Director	Chairman, Triple E Canada Inc.
Craig Engel, *P.Eng.*	Director/Officer	President, Buhler Industries Inc.
James H. Friesen, *C.M.A.*	Director/Officer	Secretary and Chief Financial Officer, Buhler Industries Inc.
Allan Stewart, *B.A., LL.B.*	Director	Lawyer, Perlov Stewart Lincoln
Jean-Guy Fillion, *C.G.A.*	Officer	Vice President, Buhler Industries Inc.
Larry Schroeder	Officer	Vice President Marketing, Buhler Industries Inc.
Ossama AbouZeid *Ph. D., MBA*	Management	(Incoming Chief Financial Officer), Buhler Industries Inc.
Grant Adolph, *P.Mgr.*	Management	Chief Operating Officer, Buhler Industries Inc.
Eric Allison	Management	Manager, OEM Division
Helen Bergen, *C.H.R.P.*	Management	Manager, Human Resources, Buhler Industries Inc.
Andrey Gornik, *P.Eng.*	Management	Operations Manager, Inland Division
Rick Kneeshaw, *C.I.M.*	Management	Operations Manager, Morden Division
Min Lee, *I.S.M.*	Management	Chief Information Officer, Buhler Industries Inc.

Ten Year Summary

Year Ended September 30,	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
SUMMARY OF OPERATIONS					In thousands of Canadian dollars (except per share amounts)					
Revenue	56,575	66,517	85,375	89,194	79,961	116,700	187,633	232,619	181,162	**206,130**
Cost of goods sold	40,053	45,229	58,315	59,951	53,754	86,398	156,223	183,134	139,929	**168,529**
Gross profit	16,522	21,288	27,060	29,243	26,207	30,302	31,410	49,485	41,233	**37,601**
Selling & admin. expense	7,459	9,081	10,747	11,823	11,264	13,513	14,883	19,758	16,135	**16,290**
Income from operations	9,063	12,207	16,313	17,420	14,943	16,789	16,527	29,727	25,098	**21,311**
Gain on sale of capital assets	-	-	-	(727)	(346)	(1,039)	(733)	(134)	(726)	**(2,010)**
Interest expense (Income)	1,063	679	457	458	434	671	1,032	369	703	**(328)**
Amortization	2,727	3,685	4,809	4,808	5,126	5,520	7,684	7,339	6,894	**6,812**
Research & development exp.	470	498	645	552	577	1,043	1,895	2,850	3,683	**2,903**
Non-controlling interest	-	-	-	-	224	903	847	809	267	**378**
Net Earnings before taxes	4,803	7,345	10,402	12,329	8,928	9,691	5,802	18,494	14,277	**13,556**
Income taxes	1,100	2,212	4,271	5,216	3,131	2,393	(1,313)	5,134	2,647	**1,507**
NET EARNINGS	**3,703**	**5,133**	**6,131**	**7,113**	**5,797**	**7,298**	**7,115**	**13,360**	**11,630**	**12,049**
CASH FLOW SUMMARY										
Capital asset purchases	7,884	9,552	12,253	5,917	5,960	17,278	3,593	14,546	7,854	**4,470**
Long-term debt incurred	2,587	-	1,201	-	2,417	31,656	-	-	-	**-**
Reduction of long-term debt	-	1,689	-	7,696	-	-	2,894	795	1,657	**3,628**
Dividends Paid	832	1,097	1,432	1,703	1,992	2,209	2,435	2,584	2,760	**2,990**
Net cash flow	6,430	8,573	10,940	11,921	10,923	12,818	14,799	20,699	18,524	**18,861**
Bank cash (indebtedness)	365	(1,576)	(2,724)	(2,348)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)	**15,360**
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	8,616	13,386	12,352	12,996	13,793	46,789	27,277	40,094	41,777	**51,222**
Inventory	12,792	13,188	16,586	19,014	20,610	52,846	60,179	70,361	90,495	**73,762**
Total current assets	21,408	26,574	28,938	32,010	34,403	99,635	87,456	110,455	132,272	**124,984**
Total assets	44,180	54,341	60,716	61,139	74,843	149,073	127,531	156,305	178,281	**167,044**
Total current liabilities	9,731	16,108	16,131	13,004	14,195	54,038	41,783	49,860	49,742	**37,570**
Total short and long term debt	10,409	10,034	11,246	5,741	7,587	47,240	42,245	57,743	60,409	**29,870**
Total liabilities	18,863	22,530	23,219	16,349	27,516	97,414	74,089	94,307	107,413	**74,997**
Total shareholders equity	25,317	31,811	37,497	44,790	47,327	51,659	53,442	61,998	70,868	**92,047**
Shares o/s (avg. in millions)	20.8	23.0	23.9	24.9	24.5	24.2	23.5	23.0	23.0	**24.3**
Working capital	11,677	10,466	12,807	19,006	20,208	45,597	45,673	60,595	82,530	**87,414**
DATA PER COMMON SHARE										
Revenue	$ 2.72	$ 2.89	$ 3.57	$ 3.57	$ 3.27	$ 4.82	$ 7.98	$ 10.11	$ 7.88	**$ 8.47**
EBITDA	0.41	0.51	0.66	0.71	0.59	0.66	0.62	1.14	0.95	**0.82**
Price to EBITDA	3.5	3.3	3.6	4.3	5.2	5.4	5.8	4.6	5.9	**8.7**
EBIT	0.28	0.35	0.45	0.51	0.38	0.43	0.29	0.82	0.65	**0.54**
Net earnings	0.18	0.22	0.26	0.29	0.24	0.30	0.30	0.58	0.51	**0.50**
Price to earnings	8.14	7.44	9.32	10.68	12.91	11.85	11.90	9.04	11.02	**14.54**
Cash flow	0.31	0.37	0.46	0.48	0.45	0.53	0.63	0.90	0.81	**0.78**
Dividends Paid	0.04	0.05	0.06	0.07	0.08	0.09	0.10	0.11	0.12	**0.13**
Closing share price	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57	**7.20**
Shareholders' equity	1.22	1.38	1.57	1.80	1.93	2.13	2.27	2.70	3.08	**3.78**
STATISTICAL DATA										
Current ratio	2.2	1.6	1.8	2.5	2.4	1.8	2.1	2.2	2.7	**3.3**
Int. bearing debt to equity ratio	0.3	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2	**-**
Number of shareholders	1,000	1,350	1,600	1,700	1,700	1,600	1,600	1,600	1,600	**1,600**
Inventory turnover	3.1	3.4	3.5	3.2	2.7	2.8	2.6	2.6	1.5	**2.3**
Gross margin (% of revenue)	29%	32%	32%	33%	33%	26%	17%	21%	23%	**18%**
SG&A (% of revenue)	13%	14%	13%	13%	14%	12%	8%	8%	9%	**8%**
EBITDA (% of revenue)	15%	18%	18%	20%	18%	14%	8%	11%	12%	**10%**
Net earnings (% of revenue)	7%	8%	7%	8%	7%	6%	4%	6%	6%	**6%**
Return on average capital	18%	21%	24%	26%	18%	14%	8%	18%	13%	**12%**
Return on average equity	16%	18%	18%	17%	13%	15%	13%	23%	18%	**14%**

Stock Data





Year end Sept. 30	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74	3.75	5.50	5.92	**7.30**
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70	3.00	3.48	5.20	**5.48**
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57	**7.20**
Trading Volume *(000's)*	1,311	867	1,927	3,015	4,134	2,274	1,092	2,800	1,836	1,321	**5,024**