



Buhler Industries Inc.

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NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Buhler Industries Inc. and the accompanying interim consolidated balance sheet as at June 30, 2005 and the interim consolidated statements of earnings, retained earnings and cash flows for the nine month period then ended are the responsibility of the Company's management. These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Gislason Targownik Peters.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

____/d/ J. Buhler _____

John Buhler
Chief Executive Officer
Winnipeg, Canada
July 21, 2005

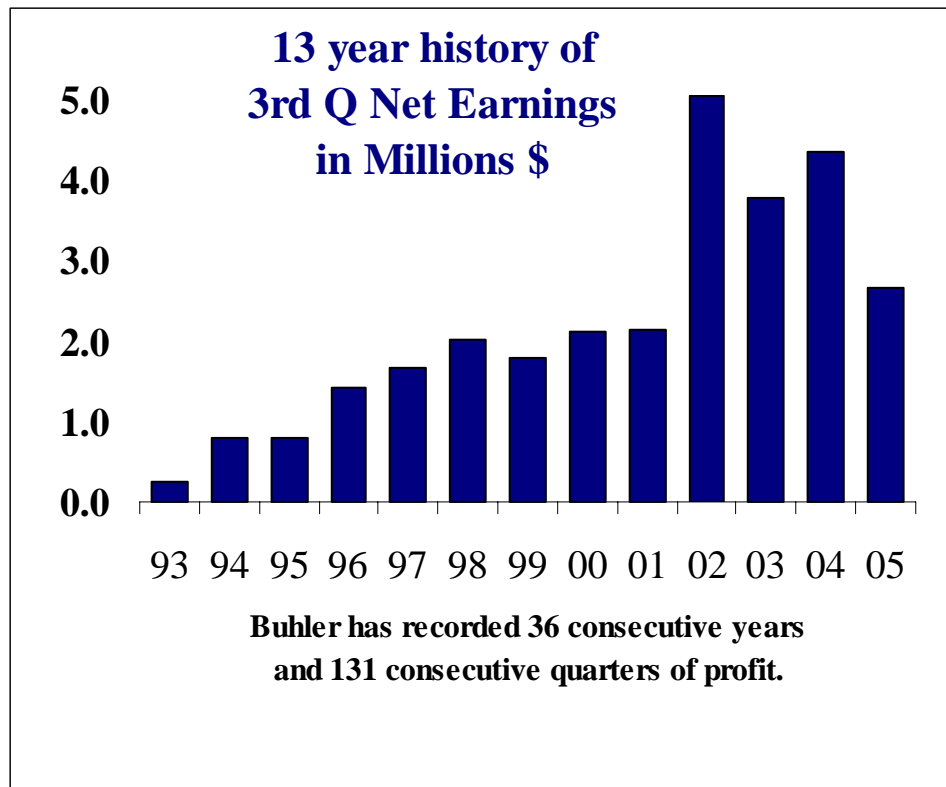
____/d/ Ossama AbouZeid _____

Ossama A. AbouZeid, Ph.D., MBA
Chief Financial Officer
Winnipeg, Canada
July 21, 2005

bühler

Third Quarter report

June 30, 2005



A Leading Manufacturer and Distributor of Farm Equipment

Management Discussion and Financial Analysis

Third quarter 2005 results were in line with our forecasted slow and steady recovery of our manufacturing operations.

Revenues increased by almost 1% in Q3 2005 to \$58.3 million in spite of the price increases imposed in January of this year.

Q3 2005 gross margin of 18.7% marks the third consecutive gross margin increase since high steel prices drastically eroded our gross margins to a low of 14% during Q4 2004. This quarter's gross profit rose slightly from Q3 2004 to \$10.9 million. Certain steel costs have decreased and we expect these price moderations to continue. This will support our forecasted margin recovery for the remainder of F2005 and throughout F2006. We are pleased to report that our F2005 gross margin will likely exceed our forecast of 18%. Barring any additional negative influences, we continue to work toward improving our margins to near 20% by the end of F2006.

General Selling and Administration expenses are down from last year and we will continue to focus on our conservative GSA nature. Research and Development expenses rose this quarter as we prepare the final stages of our new High Horse Power tractor launch this summer/fall.

Income from operations for Q3 increased, indicating that our manufacturing operations are continuing their slow and steady profit improvement.

During Q3 of last year, we experienced a large gain on sale of assets through the sale of two buildings which were no longer used by the Company. As forecasted, we did not experience a similar gain during this quarter. As such, our earnings before tax are lower than Q3 2004.

Last quarter we forecasted \$0.46 - \$0.47 per share for fiscal 2005. We are now reducing this forecast to read \$0.43 - \$0.44 cents per share (based on 25 million shares outstanding).

Traditionally, our inventory levels peak during each third quarter and this year was no exception. Our inventory has reached a new high on many of our short line products as we prepare to meet a high demand throughout the upcoming selling season. We also traditionally build a reasonable quantity of tractor products to supply both the North American and outside markets during the upcoming fall selling season.

Looking Forward

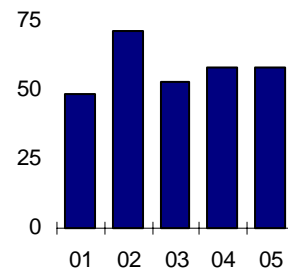
Revenues for the next 5 quarters are expected to match the previous year's levels, however, we do forecast that our slow and steady gross margin improvement will continue and margins in the range of 18% - 20% are anticipated through the end of F2006. We will continue to monitor GSA expenses and will continue with necessary R&D expenses which are required to retain our long term

competitiveness in the marketplace.

Please refer to the following discussions about specific aspects of our financial reports.

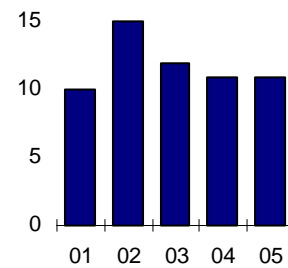
Craig Engel
President
June 30, 2005

Sales and Growth (million C\$)



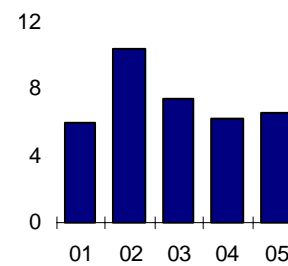
Revenue for the third quarter increased by 0.9% to \$58.3 million compared with \$57.7 million last year. Revenue for nine months increased by 3.3% to \$168.1 million compared with \$162.7 million last year. It is anticipated that revenues will remain flat for the 4th quarter and possibly into next year as the crop conditions are not favorable in large areas of our marketplaces.

Gross Profit (million C\$)



Gross profit for the third quarter increased marginally to \$10.9 million or 18.7% of revenue compared with \$10.8 million or 18.7% of revenue last year. Gross profit for nine months decreased to \$30.1 million or 17.9% of revenue compared with \$31.4 million or 19.3% of revenue last year. The weakness in gross profit is the result of the continuing weak US dollar and the increases in the cost of steel. We expect that gross margins will continue at a reduced level of around 18% - 20% for the next several quarters.

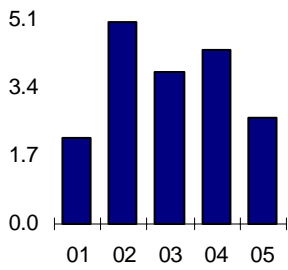
Income from Operations (million C\$)



Third quarter income from operations improved slightly to \$6.6 million or 11.3% of revenue compared with \$6.3 million or 10.9% of revenue last year. Income from operations for nine months reduced to \$17.7 million or 10.5% of revenue compared with \$18.6 million or 11.4% of revenue last year. The reduced income from operations is a direct result of costs incurred due to the significant increases in steel prices, lingering effects of the weakened US dollar and the "Mad Cow" crisis.

Management Discussion and Financial Analysis

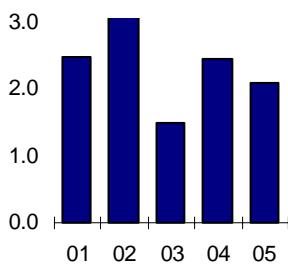
Net Earnings (millions C\$)



Net earnings for the third quarter decreased by 38.8% to \$2.7 million or \$0.11 per share compared with \$4.4 million or \$0.17 per share last year. Net earnings for nine months decreased to \$8.4 million or \$0.34 per share compared with \$10.4 million or \$0.42 per share last year.

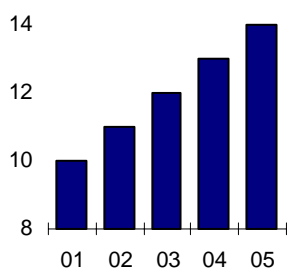
Steel prices have recently come down, but still remain high and will continue to have a negative impact on earnings. We are forecasting flat or lower earnings for the next three quarters or until such time that the BSE crisis is settled and we are able to recoup more of the steel price increases.

Inventory Turns



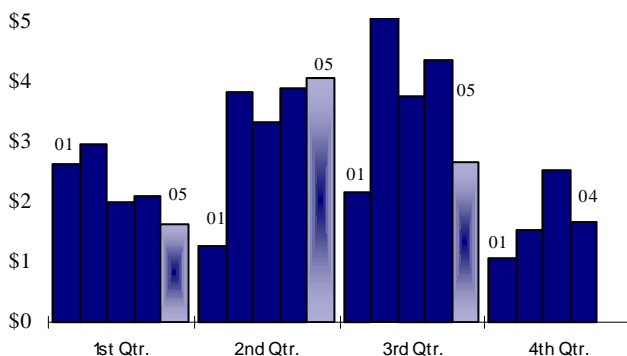
Inventory turns of 2.1 are lower than last year's turns of 2.5 and still far from our goal of 3 turns per year. Inventory control is being implemented at every level, but the practice of buying in bulk and truck load lots will continue in order to reduce cost.

Dividends (cents)



Dividends increased for the 12th consecutive year and the Company expects to continue the practice of increasing dividends by one cent per year. The dividend of \$0.14 per share for fiscal year ending September 30, 2004 was paid on January 14, 2005.

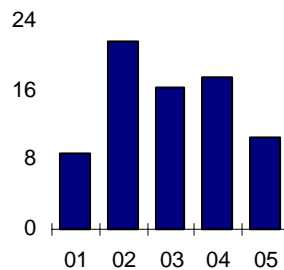
Quarterly Earnings History (million C\$)



Last year's third quarter earnings were higher due to the

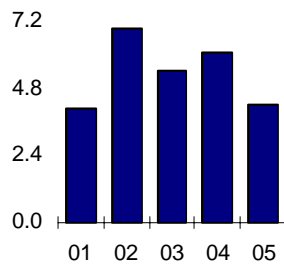
\$1.6 million gain on the sale of capital assets. We expect a slight improvement in Q4 and are forecasting increased net earnings for fiscal 2006.

Earnings per Share (cents)



Earnings per share (EPS) of \$0.11 for the third quarter are lower than our forecast. We are reducing our EPS forecast for fiscal 2005 to between \$0.43 - \$0.44 cents per share. The total number of shares outstanding remain at 25 million.

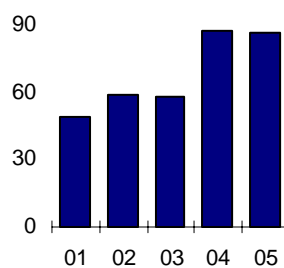
Net Cash Flow (million C\$)



Third quarter cash flow of \$5.2 million is lower than last year's \$6.0 million and lower than our five year average of \$5.3 million. Cash flow is the sum of net after tax earnings plus amortization. The cash flow is sufficient to take advantage of all cash discounts and to create a

reserve that allows the Company to pursue acquisitions.

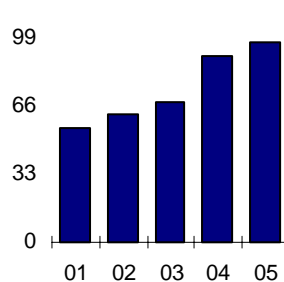
Liquidity, Working Capital (million C\$)



Working capital of \$86.4 million is down slightly compared with last year's \$87.6 million. The Company is always on the lookout for acquisitions that will compliment the existing lines. The healthy working capital combined with the Company's line of credit

provides adequate cash reserves for expansion and future acquisitions.

Equity (million C\$)



Equity has increased for 36 consecutive years as a result of stable earnings. Equity now stands at \$96.9 million or \$3.88 per share compared with \$90.4 million last year or \$3.61 per share. Share capital remains at \$30 million.

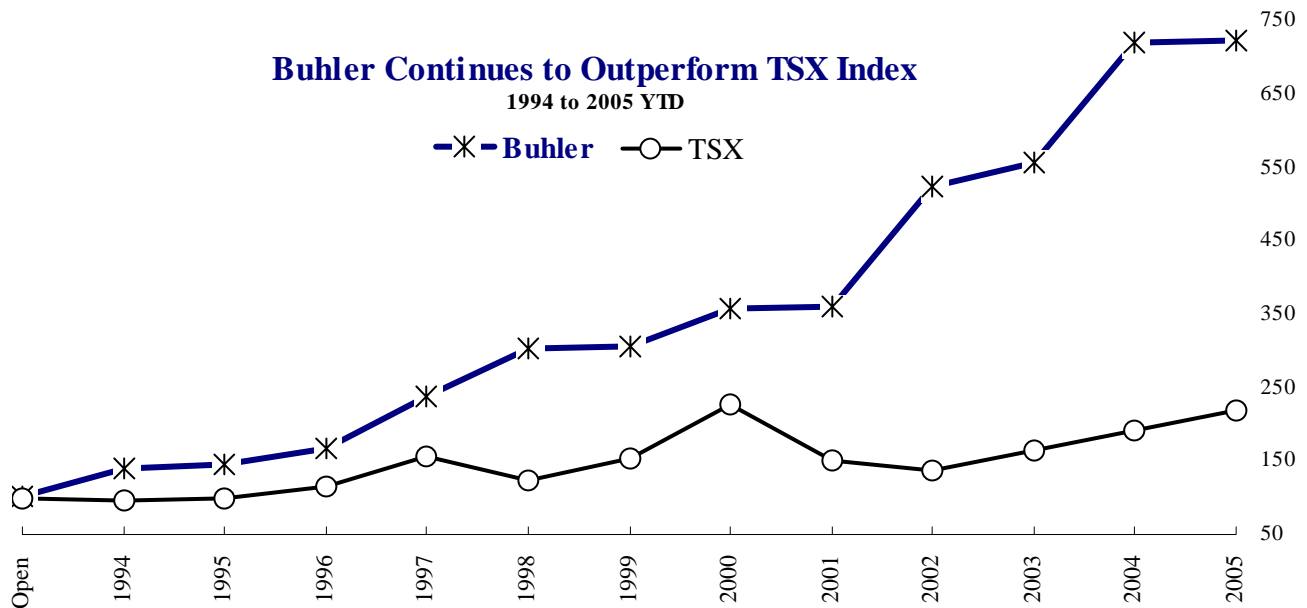
Consolidated Balance Sheet

Buhler Industries Inc. 3rd Quarter 2005

Unaudited (000's C\$)

ASSETS	as at June 30	2005	2004
Current assets			
Cash		-	8,212
Accounts receivable	\$	50,445	\$ 50,772
Inventories (note 2)		89,978	65,755
Prepaid expenses		966	873
Total current assets		141,389	125,612
Property Plant and Equipment (note 3)		36,382	38,015
Related party loan (note 5)		595	-
Future income taxes (note 10)		4,319	3,983
Investments - at cost		192	173
Total assets		\$ 182,877	\$ 167,783
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Bank indebtedness (note 4)	\$	18,870	\$ -
Account payable & accrued liabilities		32,811	34,713
Current portion, long term		3,276	3,280
Total current liabilities		54,957	37,993
Advances from related party (note 5)		-	-
Long term debt (note 7)		23,282	26,652
Total liabilities		78,239	64,645
Non-controlling interest (note 8)		7,696	12,771
SHAREHOLDERS' EQUITY			
Share capital (note 12)		30,000	30,000
Retained earnings		66,942	60,367
Total shareholders equity		96,942	90,367
Total Liabilities and equity		\$ 182,877	\$ 167,783

Stock Data



Consolidated Statements of Earnings and Retained Earnings

Buhler Industries Inc. 3rd Quarter 2005

Unaudited (000's C\$) except per share amounts

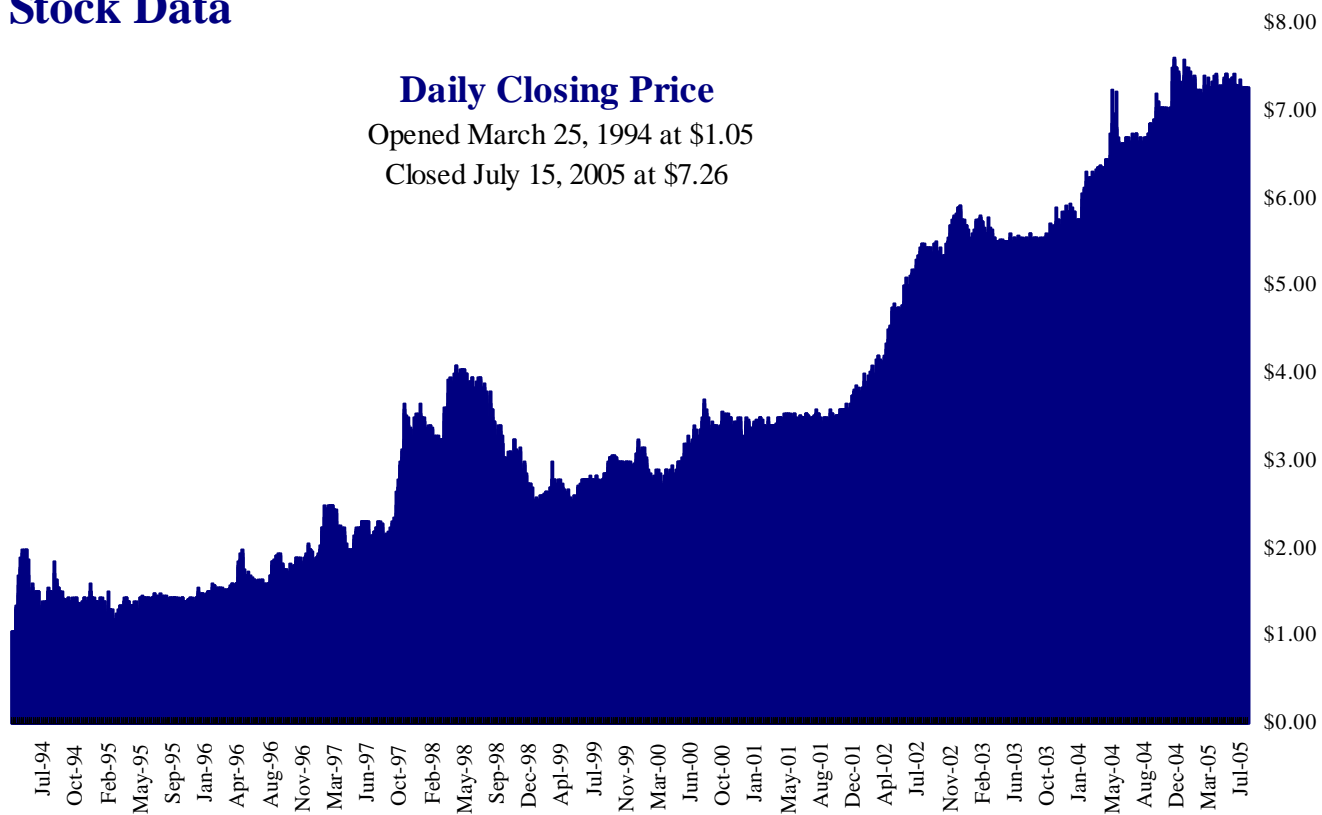
	Three Months Ended June 30		Nine Months Ended June 30	
	2005	2004	2005	2004
Revenue	\$ 58,268	\$ 57,742	\$ 168,068	\$ 162,679
Cost of Goods Sold	<u>47,375</u>	<u>46,922</u>	<u>138,013</u>	<u>131,267</u>
Gross Profit	10,893 18.7%	10,820 18.7%	30,055 17.9%	31,412 19.3%
Selling & administration expenses	<u>4,318</u> 7.4%	<u>4,552</u> 7.9%	<u>12,354</u> 7.4%	<u>12,844</u> 7.9%
Income From Operations	6,575 11.3%	6,268 10.9%	17,701 10.5%	18,568 11.4%
Loss (gain) sale capital assets	(39)	(1,650)	(91)	(1,953)
Interest expense (income)	248	(128)	(143)	11
Amortization	1,557	1,675	4,627	5,013
Research & Development	1,035	968	2,716	2,506
Non-controlling interest	<u>66</u>	<u>82</u>	<u>189</u>	<u>261</u>
Earnings Before Taxes	3,708 6.4%	5,321 9.2%	10,403 6.2%	12,730 7.8%
Provision for income taxes	<u>1,038</u>	<u>960</u>	<u>2,008</u>	<u>2,361</u>
NET EARNINGS	\$ 2,670 4.6%	\$ 4,361 7.6%	\$ 8,395 5.0%	\$ 10,369 6.4%
Retained Earnings, begin period	64,272	56,006	62,047	52,988
Dividends	-	-	(3,500)	(2,990)
Retained Earnings, End of Period	\$ 66,942	\$ 60,367	\$ 66,942	\$ 60,367
Earnings per share (fully diluted)	\$ 0.11	\$ 0.17	\$ 0.34	\$ 0.42

Stock Data

Daily Closing Price

Opened March 25, 1994 at \$1.05

Closed July 15, 2005 at \$7.26



Consolidated Statement of Cash Flow

For 9 months ended June 30 (000's C\$) 2005 2004

Cash provided by (used in) operating activities

Net earnings	\$ 8,395	10,369
Add (deduct) non-cash items		
Amortization	4,627	5,013
Gain on disposal of assets	(91)	(1,953)
Gain on foreign exchange	1,000	404
Future income taxes	(767)	(1,603)
	<u>13,164</u>	<u>12,230</u>
Net change in non-cash working capital balances*	<u>(33,247)</u>	<u>19,675</u>
	<u>(20,083)</u>	<u>31,905</u>

Investing activities

Purchase of capital assets, net of investment tax credits	(2,884)	(2,041)
Proceeds on sale of capital assets	301	4,420
Investments	(20)	2
	<u>(2,603)</u>	<u>2,381</u>

Financing activities

Issuance of share capital	-	12,120
Repayment of long term debt	(2,488)	(2,738)
Increase in non-controlling interest	(3,138)	(4,323)
Advances (repayment) from related party	(1,418)	(11,179)
Dividends paid	(3,500)	(2,990)
	<u>(10,544)</u>	<u>(9,110)</u>

Foreign exchange gain on cash held in foreign currencies	<u>(1,000)</u>	<u>(404)</u>
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Net cash provided (used) in the period	<u>(34,230)</u>	24,772
Bank balance (debt), beginning of period	<u>15,360</u>	(16,560)
Bank balance (debt), end of period	<u>\$ (18,870)</u>	<u>\$ 8,212</u>

*Net change in non-cash working capital balances is comprised of:

Accounts receivable	\$ (15,354)	(10,078)
Inventories	(16,216)	24,740
Prepaid expenses	(195)	210
Accounts payable, accrued liabilities and taxes payable	(1,482)	4,803
Net cash provided (used)	<u>\$ (33,247)</u>	<u>\$ 19,675</u>

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 quarter-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 period.

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 C\$)	2005 Q3	2004 Y/E
Land for development	\$ 2,508	\$ 2,482
Finished goods	41,685	36,126
Work in process	5,374	4,797
Raw materials	40,411	30,357
	\$ 89,978	\$ 73,762

3. CAPITAL ASSETS (000's)	2005 Q3	2004 Y/E		
Cost	Accum. Amort.	Net Book Value	Net Book Value	
Land	\$ 4,272	\$ 0	\$ 4,272	\$ 4,255
Buildings	29,132	10,966	18,166	18,313
Equipment	48,575	36,042	12,533	14,122
Computers	4,513	3,179	1,334	1,555
Software & tools	3,080	3,003	77	90
	\$ 89,572	\$ 53,190	\$ 36,382	\$ 38,335

4. BANK INDEBTEDNESS

The Company has available a financing facility with the Bank of Montreal in the amount of 35,360,000. 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 TO/FROM RELATED PARTY (000's C\$)

Throughout the year, the majority shareholder advances or borrows funds from the Company. Interest is calculated at bank prime. The Company has provided a letter of credit for \$665 (2004 - \$665) to secure a line of credit for an entity in which the majority shareholder has a significant influence.

6. RELATED PARTY TRANSACTIONS

Related party transactions are detailed in the annual report.

7. LONG TERM DEBT (000's C\$)	2005 Q3	2004 y/e
Long term debt	\$ 23,282	\$ 29,047
Current portion	3,276	3,277
Long term portion	\$ 20,006	\$ 25,770

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. \$3,274 is repayable annually over the next 5 years.

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.

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 C\$)	2005 Q3	2004 y/e
Operating loan	\$ 300	\$ 411
Long term debt	0	0
	\$ 300	\$ 411

10. FUTURE INCOME TAXES

Future income taxes are recorded to reflect the timing differences arising from expensing of warranty costs for tax purposes and from the amounts of amortization provided in the year compared to the amounts deducted for income tax purposes.

11. 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.

12. CAPITAL STOCK AND OPTIONS (000's)

Authorized, an unlimited number of common shares.

	2005 Q3		2004 y/e	
	No. of Shares	\$	No. of Shares	\$
Issued as at Dec.31	25,000	30,000	25,000	30,000
Options exercised	0	0	2,000	12,120

There are no options outstanding as of June 30th, 2005.

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%