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 December 31, 2004 and the interim consolidated statements of earnings, retained earnings and cash flows for the three 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.

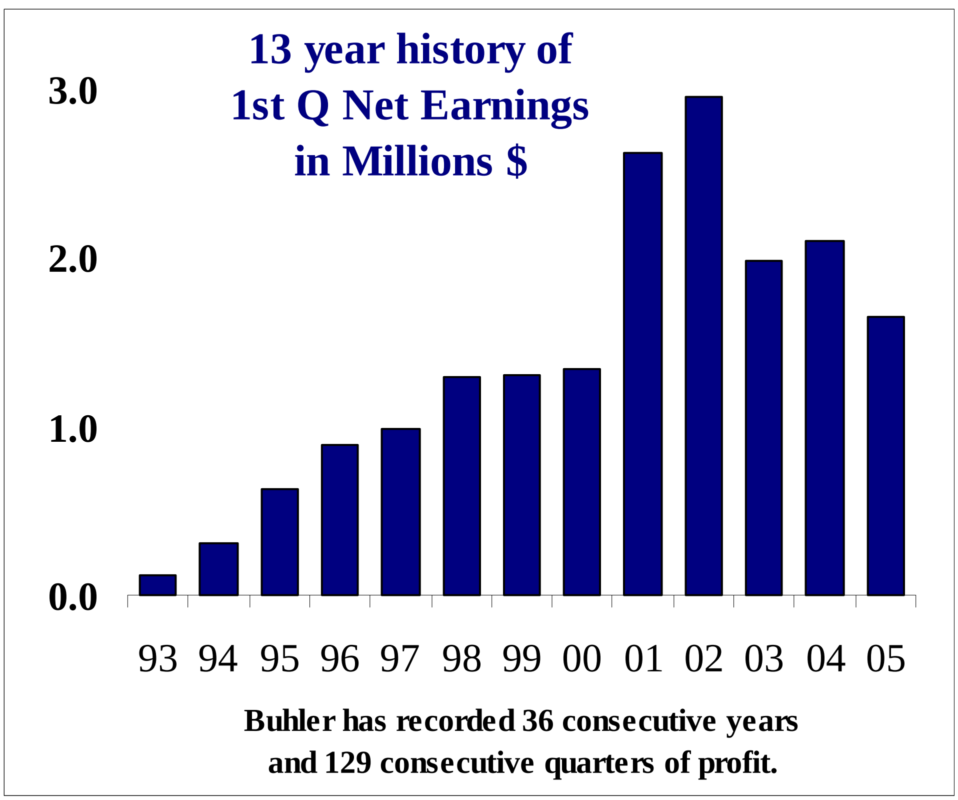
__/d/ J. Buhler ____________________

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

__/d/ Ossama AbouZeid____________________

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

First Quarter report
December 31, 2004



A Leading Manufacturer and Distributor of Farm Equipment

Management Discussion and Financial Analysis

First quarter results for fiscal 2005 were in line with our targets. In general, sales increased noticeably and the gross margin improved over the fourth quarter of 2004, but remained lower than last year's first quarter results. These trends continue to be a direct result of the increased steel prices and the weakened USD.

In anticipation of the lower gross margin, we reduced our selling and administration expenses as a percent of revenue. The Company plans to curtail annual research and development expenses without significantly altering mid or long term plans. We have also continued to hold the company in a strong financial position and therefore enjoy the benefits of interest income.

We first implemented the steel surcharge to our customers in March, 2004 and increased the surcharge in this quarter, in order to offset more of the unprecedented steel price increases. On January 1, 2005 we released new product prices and dropped the steel surcharge. The new prices still do not fully recover the additional steel costs.

Although steel prices are currently lower than the all time high in August 2004, they have remained relatively stable over the past 6 months. We expect marginal reductions in steel prices during the next 12 months, however a return to historic levels is not anticipated.

As a result of all of the above, our gross margin of 16.6% met our gross margin target of 16% to 18%.

Looking Forward

As a result of the implementation of our new prices, we expect the remaining three quarters of 2005 to show slightly improved margins.

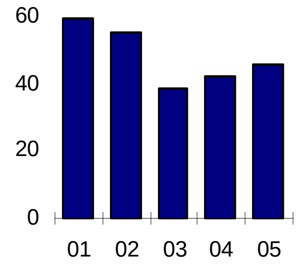
In spite of the strong increase in revenue in this quarter, we are projecting flat to lower revenue for the next three quarters due to the uncertainty of our customers' reaction to the higher prices.

We anticipate year-end gross margins will be lower than last year's, but close to 18%.

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

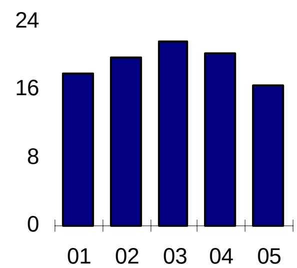
Craig Engel
President
December 31, 2004

Sales and Growth *(millions)*



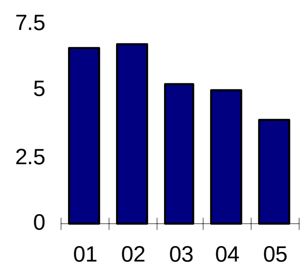
Revenue for the first quarter increased by 8.3% to $45.8 million compared with $42.3 million last year. Tractor sales accounted for most of the increase. Our core products continue to experience sales increases in areas which are not as affected by the BSE (Mad Cow) disease.

Gross Profit *(millions)*



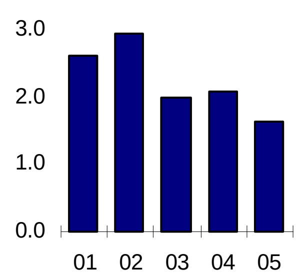
Gross profit for the first quarter was reduced to $7.6 million (16.6% of revenue) compared with $8.6 million (20.3% of revenue) last year. The drop in gross profit is the result of the continuing weak US dollar and the recent, unprecedented increases in the cost of steel. We expect that gross margins will continue to range between 16% - 18% for the next several quarters.

Income from Operations *(millions)*



Income from operations was reduced to $3.9 million compared with $5.0 million last year. This is the 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.

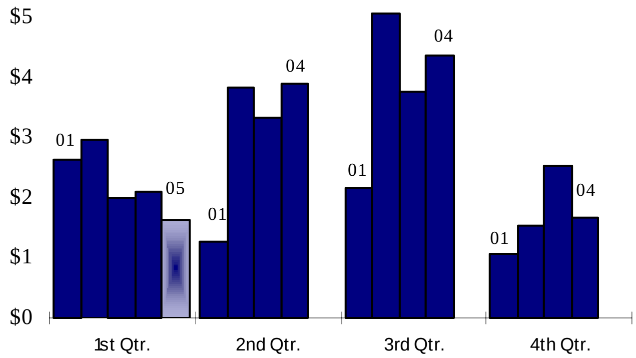
Net Earnings *(millions)*



Net earnings for the first quarter decreased by 21.3% to $1.6 million ($0.07 per share) compared with $2.1 million ($0.09 per share) last year. The recent unprecedented steel price increases (in some cases exceeding 100%) 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.

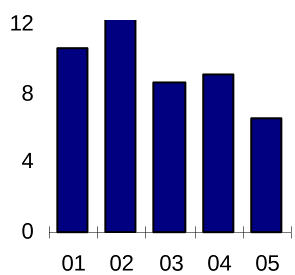
Management Discussion and Financial Analysis

Quarterly Earnings History *(millions)*



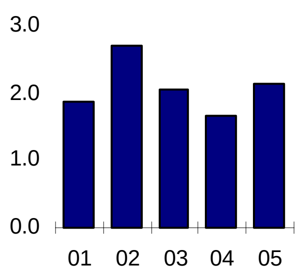
Quarterly earnings are slightly lower than the fourth quarter of last year. Earnings will continue to be slightly lower for the remainder of 2005 with improvements anticipated for 2006.

Earnings per Share *(cents)*



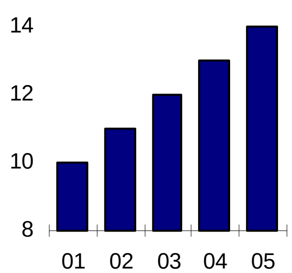
Earnings per share for the first quarter are lower than forecast. The total number of shares outstanding increased from 23 million to 25 million during 2004. This together with reduced earnings contributed to the lower than expected earnings per share. We are forecasting lower earnings per share for 2005.

Inventory Turns



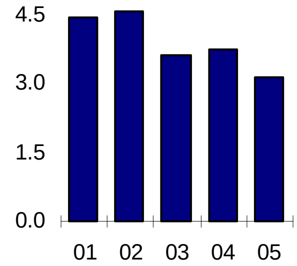
Inventory turns of 2.1 are improving compared with 1.7 last year. Management is working very hard to control inventory, while continuing the policy of not buying "just in time" at increased cost in hopes of achieving the target.

Dividends *(cents)*



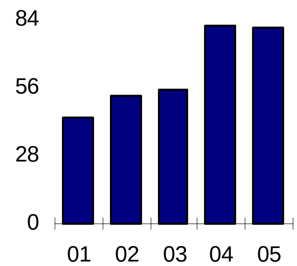
Dividends increased for the 12th consecutive year and the Company expects to continue the practice of increasing dividends. The dividend of $0.14 per share for fiscal year ending September 30, 2004 was paid on January 14, 2005.

Net Cash Flow *(millions)*



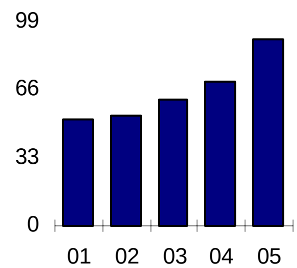
The Company generated $3.2 million cash flow in the first quarter compared with $3.8 last year and this is lower than our 5 year average of $3.9 million. Cash flow is the sum of net after tax earnings plus amortization. The cash flow is sufficient to take advantage of all cash discounts and to create a reserve that will allow the Company to pursue acquisitions.

Liquidity, Working Capital *(millions)*



Working capital of $80.0 million is down slightly compared with last year's $81.2 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 *(millions)*



Equity has increased for 36 consecutive years as a result of stable earnings. Equity now stands at $90.2 million or $3.61 per share compared with $70.0 million last year or $3.04 per share. The increase in share capital from $17.9 million to $30 million contributed to this sizeable increase in equity.

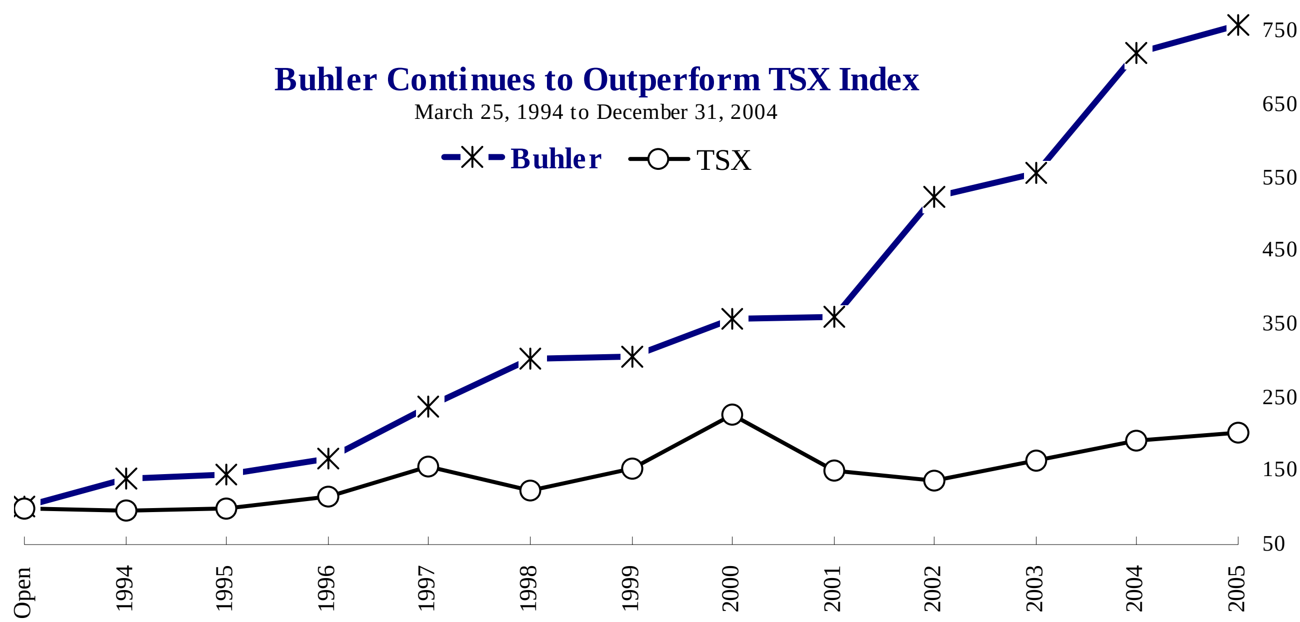
Consolidated Balance Sheet

Buhler Industries Inc. 1st Quarter Fiscal 2005

Unaudited (000's)

ASSETS	As at December 31	**2004**	2003
Current assets			
Accounts receivable		**$ 44,643**	$ 48,295
Inventories (note 2)		**80,499**	86,436
Prepaid expenses		**142**	392
Total current assets		**125,284**	135,123
Property Plant and Equipment (note 3)		**37,867**	42,240
Related party loan (note 5)		**2,973**	-
Future income taxes (note 10)		**3,552**	2,380
Investments - at cost		**182**	175
Total assets		**$ 169,858**	$ 179,918
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Bank indebtedness (note 4)		**$ 7,770**	$ 26,284
Account payable & accrued liabilities		**33,914**	24,336
Current portion, long term		**3,274**	3,269
Total current liabilities		**44,958**	53,889
Advances from related party (note 5)		**-**	12,000
Long term debt (note 7)		**24,902**	28,530
Total liabilities		**69,860**	94,419
Non-controlling interest (note 8)		**9,804**	15,528
SHAREHOLDERS' EQUITY			
Share capital (note 12)		**30,000**	17,880
Retained earnings		**60,194**	52,091
Total shareholders equity		**90,194**	69,971
Total Liabilities and equity		**$ 169,858**	$ 179,918

Stock Data



Consolidated Statements of Earnings and Retained Earnings

Buhler Industries Inc. 1st Quarter Fiscal 2005

Unaudited (000's except per share amounts)

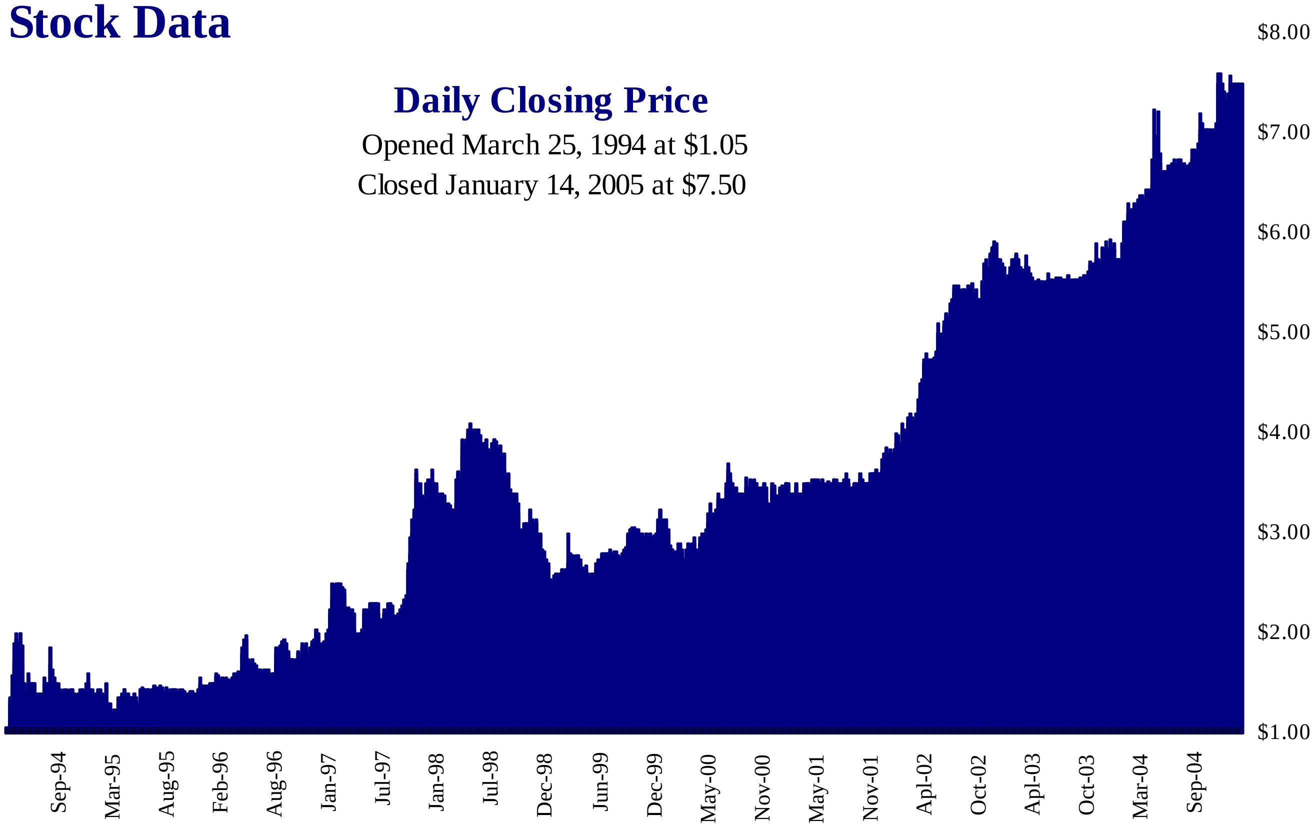
	Three Months Ended December 31			
	2004		2003	
Revenue	**$ 45,811**		$ 42,303	
Cost of Goods Sold	**38,218**		33,712	
Gross Profit	**7,593**	16.6%	8,591	20.3%
Selling & administration expenses	**3,721**	8.1%	3,598	8.5%
Income From Operations	**3,872**	8.5%	4,993	11.8%
Loss (gain) sale capital assets	**(16)**		(64)	
Interest expense (income)	**(234)**		146	
Amortization	**1,506**		1,669	
Research & Development	**703**		514	
Non-controlling interest	**62**		94	
Earnings Before Taxes	**1,851**	4.0%	2,634	6.2%
Provision for income taxes	**204**		541	
NET EARNINGS	**$ 1,647**	3.6%	$ 2,093	4.9%
Retained Earnings, begin period	**62,047**		52,988	
Dividends	**(3,500)**		(2,990)	
Retained Earnings, End of Period	**$ 60,194**		$ 52,091	
Earnings per share *(fully diluted)*	**$ 0.07**		$ 0.09	

Stock Data

Daily Closing Price

Opened March 25, 1994 at $1.05

Closed January 14, 2005 at $7.50



Consolidated Statement of Cash Flow

For 3 months ended December 31 (000's)	**2004**	2003
Cash provided by (used in) operating activities		
Net earnings	**$ 1,647**	2,093
Add (deduct) non-cash items		
Amortization	**1,506**	1,669
Gain on disposal of assets	**(16)**	(64)
Gain on foreign exchange	**522**	397
	3,659	4,095
Net change in non-cash working capital balances*	**(16,039)**	(8,425)
	(12,380)	(4,330)
Investing activities		
Purchase of capital assets, net of investment tax credits	**(1,050)**	(708)
Proceeds on sale of capital assets	**28**	317
Investments	**(9)**	-
	(1,031)	(391)
Financing activities		
Repayment of long term debt	**(871)**	(871)
Increase in non-controlling interest	**(1,030)**	(1,566)
Advances (repayment) from related party	**(3,796)**	821
Dividends paid	**(3,500)**	(2,990)
	(9,197)	(4,606)
Foreign exchange gain on cash held in foreign currency	**(522)**	(397)
Net cash provided (used) in the period	**(23,130)**	(9,724)
Bank balance (debt), beginning of period	**15,360**	(16,560)
Bank balance (debt), end of period	**$ (7,770)**	$ (26,284)
***Net change in non-cash working capital balances is comprised of:**		
Accounts receivable	**$ (9,552)**	(7,601)
Inventories	**(6,737)**	4,059
Prepaid expenses	**629**	691
Accounts payable, accrued liabilities and taxes payable	**(379)**	(5,574)
Net cash provided (used)	**$ (16,039)**	$ (8,425)

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)*

	2005 Q1	2004 Y/E
Land for development	**$ 2,511**	$ 2,482
Finished goods	**38,235**	36,126
Work in process	**5,065**	4,797
Raw materials	**34,688**	30,357
	$ 80,499	$ 73,762

3. CAPITAL ASSETS *(000's)*

	Cost	Accum. Amort.	2005 Q1 Net Book Value	2004 Y/E Net Book Value
Land	$ 4,272	$ 0	**$ 4,272**	$ 4,255
Buildings	28,977	10,395	**18,582**	18,313
Equipment	47,707	34,249	**13,458**	14,122
Computers	4,342	2,887	**1,455**	1,555
Software & tools	3,075	2,975	**100**	90
	$ 88,373	$ 50,506	**$ 37,867**	$ 38,335

4. BANK INDEBTEDNESS

The Company has available a financing facility with the Bank of Montreal in the amount of $34,600,000. 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)*

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)*

	2005 Q1	2004 y/e
Long term debt	**$ 28,176**	$ 29,047
Current portion	**3,274**	3,277
Long term portion	**$ 24,902**	$ 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. $3,277 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)*

	2005 Q1	2004 y/e
Operating loan	**$ 65**	$ 411
Long term debt	**0**	0
	$ 65	$ 411

10. FUTURE INCOME TAXES

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.

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 Q1 No. of Shares	2005 Q1 $	2004 y/e No. of Shares	2004 y/e $
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 December 31st, 2004.

Ten Year Summary

In thousands of Canadian dollars (except per share amounts)

Year Ended September 30,	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
SUMMARY OF OPERATIONS										
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%**