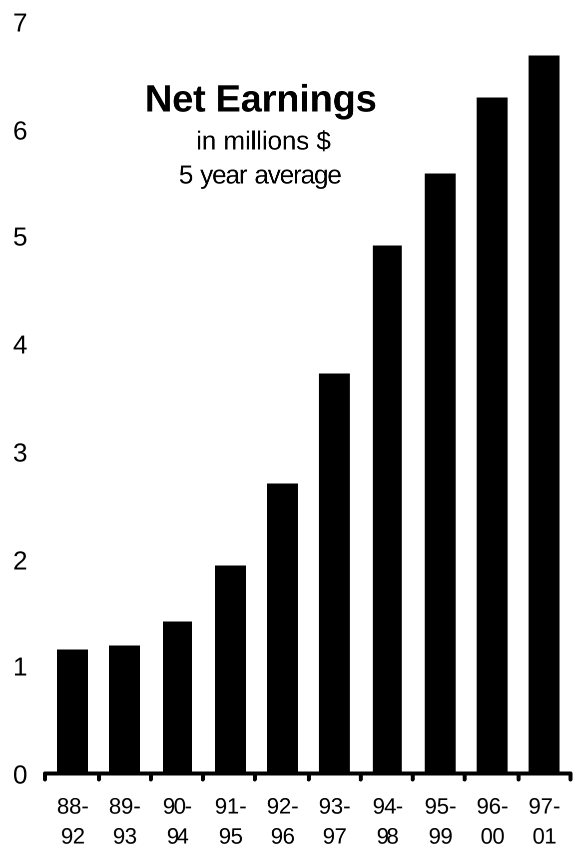
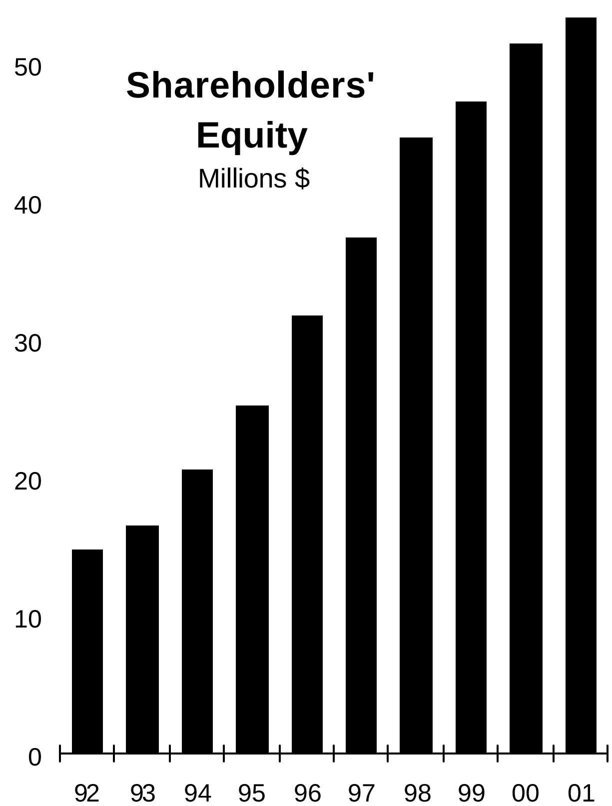
2001 Annual Report

Ten Year Highlights

In thousands of Canadian dollars (except per share amounts)

Year ended Sept. 30	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Revenue	23,827	33,583	48,040	56,575	66,517	85,375	89,194	79,961	116,700	**187,633**
Gross profit	7,327	8,273	13,052	16,522	21,288	27,060	29,243	26,207	30,302	**31,410**
EBITDA	3,166	3,193	5,848	8,593	11,709	15,668	17,595	14,488	15,882	**14,518**
Shareholders equity	14,867	16,647	20,702	25,317	31,811	37,497	44,790	47,327	51,659	**53,442**
Capital expenditures-net	1,952	969	9,369	7,884	9,552	12,253	5,917	5,960	17,278	**3,593**
Number of employees	238	315	400	450	525	600	600	600	1,000	**700**
Earnings per share	0.06	0.06	0.12	0.18	0.22	0.26	0.29	0.24	0.30	**0.30**
Book value per share	0.78	0.88	1.04	1.22	1.38	1.57	1.80	1.93	2.13	**2.27**
Shares issued (millions)	19.0	19.0	20.0	20.8	23.0	23.9	24.9	24.5	24.2	**23.5**
Return on average capital	9%	10%	11%	18%	19%	24%	26%	18%	14%	**8%**
Return on average equity	8%	7%	13%	16%	18%	18%	17%	13%	15%	**13%**





The Company has a record of 33 consecutive years of profits. With the exception of the annual dividends and retirement of shares, all profits are invested in modernization of facilities and equipment. Leaving most of the profits in the Company provides ready cash for acquisition opportunities that usually arise toward the end of a lengthy depressed agricultural economy.

To our Shareholders

In spite of the 9 month strike at the tractor factory we still achieved a 61% increase in revenue. The cost of the settlement with the Canadian Auto Workers Union caused the net earnings to remain flat. During the strike we lost a major contract to build the bi-directional tractor for CNH and this will likely mean that earnings will remain flat for the following year.

In order to keep my life-long dream of building tractors alive, we negotiated a highly publicized $16 million settlement with the Auto Workers on August 24, 2001. In exchange the workforce was terminated and new workers were hired. Presently we are producing 5 to 6 tractors per day and while this is still far from capacity, it is satisfying some of the consumer demand. As a result of the agreement we have put the plans for building a new assembly plant in Fargo, ND on hold.

I would like to acknowledge the efforts of our employees and management team under the leadership of our President and Chief Operating Officer, Craig Engel, P.Eng. Craig and his team have done an excellent job and have produced satisfactory profits in spite of a year of turmoil at the tractor assembly plant and a depressed agricultural economy.

I am particularly proud that over 50% of our employees have chosen to be shareholders and as a result of their hard work and continued commitment, they will share in the success of their Company.

A big "Thank You" to all.

John Buhler,
Chairman & CEO.

Management Discussion & Financial Analysis

During the fiscal year 2001, the Company had an unprecedented level of challenge and publicity. After successfully purchasing the line of New Holland 140+ HP tractors and the production factory at the end of the fiscal year 2000, 2001 began with a feeling of pride and accomplishment. Unexpectedly, 14 weeks later the CAW unionized workforce at the Buhler Versatile Inc. tractor factory began a strike, which ultimately resulted in the termination of their employment. As the strike was progressing, the Company became convinced that the tractor operation could not survive a prolonged interruption of production. Throughout the year, the Company incorporated a provision in the Cost Of Goods Sold (COGS) to account for this risk. Ultimately a $16 million buyout was negotiated to end the strike. This buyout has been included in the COGS.

Consequently, the challenge of entering the tractor market became much greater than planned. I am pleased to report that the tractor factory has rebuilt its plant workforce with new staff and although the plant is not producing at full capacity, it is again producing at the pre-strike rate, less the TV140 product.

Credit must be given to the Versatile management and office staff that shared in our commitment to produce quality tractors and crossed the picket line to not only build, but also train others to build the tractors. Now with new staff, Versatile is producing tractors with higher quality and greater efficiency than ever before. The Versatile brand of 4wd tractors was successfully introduced in October 2001 and the Genesis model was released in December 2001, both with a small backlog of pre-booked orders.

As equally encouraging as the progress at Versatile, has been the progress of the Company's other Divisions. Notably the Morden, Winnipeg, Progressive and Inland Divisions have forged ahead with each of their respective products and achieved record sales and profitability.

Buhler/Allied continued with the introduction of the 2000 Series mid-mount loaders. Three models are in production and the market has recognized the advantages of the new product. Our loader sales reached a record high (in both quantity and dollar) and we are continuing with the research and development of both additional loader models and new attachments.

Buhler/Farm King experienced their largest production volume in history. The compact implements, snow blowers and grain augers continued to gain more market interest. Next year's production is planned to exceed this year's and we look forward to another record year from this Division of our Company.

The Progressive Division has completed a distribution agreement with Truper Tools. Truper manufactures summer hand tools, which compliments our own manufactured line of winter tools. Together, we provide retailers with a complete selection of quality products for all seasons. In addition to the hand and garden tools, Progressive continued to attract more custom manufacturing; taking on smaller production runs of components and lighter gauge subassemblies from other Buhler divisions, as well as outside customers.

The Inland Division introduced its' products under the Buhler/ Inland brand name, adding to their recognition in the marketplace. During the year, Inland introduced a new series of round bale movers and is developing improvements to its square bale moving equipment. Inland's round baler was produced in limited quantities and has proven to be an improved product. Increased production is planned for 2002.

Our wheel loader business received a boost this year with the introduction of the B56. This Buhler designed and manufactured wheel loader features North American improvements previously unavailable in the Buhler/ Weidemann machines. We continue to learn that the North

Management Discussion & Financial Analysis

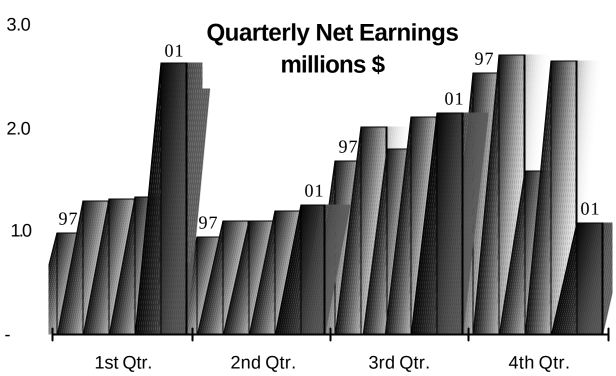
American market is developing slower than expected. We will not attempt to lead the growth of this market category, however, we are confident that we are well positioned to capture market share as the general demand for wheel loaders increases. We are pleased with the news that skid steer manufacturers are also developing wheel loader products. These major manufacturers will increase the public's awareness of the machines and its' advantages, resulting in increased demand and subsequently increased Buhler sales.

As our industry continues to be hindered by low commodity prices, we have continued to find innovative ways of increasing sales. Our marketing team has worked hard to find profitable sales for all our products. Our operations group has been able to reduce costs and increase the value of our product by improving our internal processes and by working with external suppliers. Together, we are proud to report another year of improved short line business. Considering this year's costly events, I am pleased with our results. Next year's results will greatly depend on our ability to introduce the Versatile brand of tractors. Our objective is to establish Versatile as a niche tractor manufacturer and supply the market with a high value product. All shareholders have been rewarded by this approach with our other ag products. We are eager to show profitable results in our tractor business.

Craig Engel, P.Eng.
President & Chief Operating Officer
December 15, 2001

Quarterly Net Earnings Results

000's	**2001**	2000
1st Quarter	**2,625**	1,343
2nd Quarter	**1,258**	1,200
3rd Quarter	**2,150**	2,103
4th Quarter	**1,082**	2,652

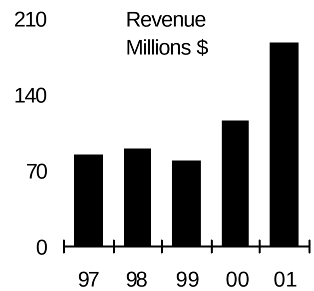


The above chart shows that earnings increased in the first three quarters, however, the 4th quarter bore the bulk of the CAW settlement costs. In spite of record earnings from core products, we reported the lowest 4th quarter earnings in many years.

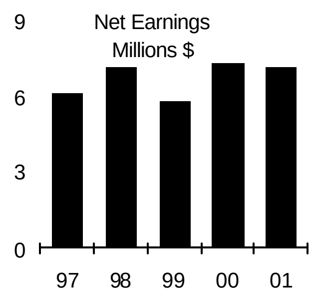
We expect that next year's first quarter earnings will be lower than 2001 and the total annual earnings for fiscal 2002 will remain flat.

Sales and Growth

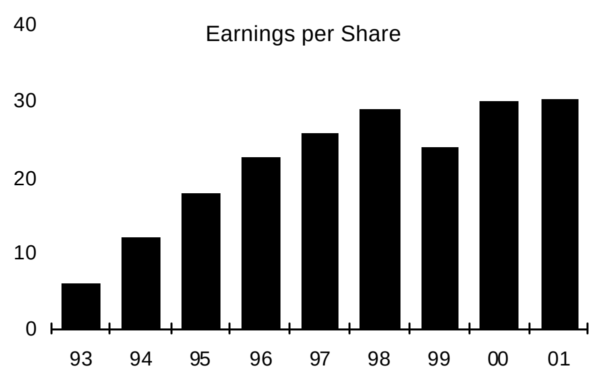
Revenue for fiscal year 2001 increased to $188 million, a 61% increase over last year. The bulk of the increase in revenue was as a result of the tractor sales. New products developed in the past two years also contributed to this growth. We had projected that if the labor dispute was settled we could see revenue double. Considering the Company endured a nine month strike at the tractor factory, we are satisfied with this year's results.



Earnings



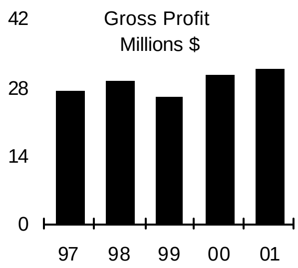
Earnings of $7.1 million are just slightly lower than last year. Increased earnings from our core products helped offset the cost of the strike at the tractor factory.



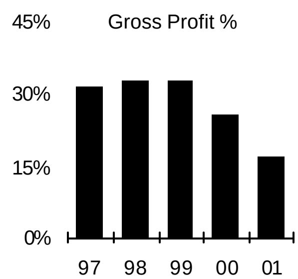
After many years of consistent increases in earnings per share, the Company experienced its first decline in 1999; this decline came as a result of a very depressed farm economy and conditions have not improved much since that time. The costly nine month strike at the tractor factory contributed to the mediocre performance in fiscal 2001. Future earnings are expected to be flat due to the continued uncertainty in the farm economy and the loss of a major contract at Versatile.

Management Discussion & Financial Analysis

Gross Profit

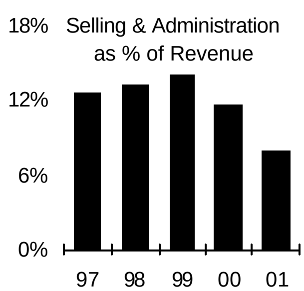


In the past year, gross profit was affected by the Buhler Versatile union settlement. This was partially offset by gains on inventory related to the Buhler Versatile acquisition and by higher than normal margins on contracts that have now expired.



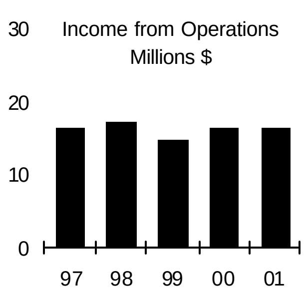
Gross profit has always been very constant with an average gross margin of over 30% over the past 10 years. Margins on tractor sales are much lower, therefore, we expect that margins in the future will be in the range of 19% to 21%.

Selling & Administration Expenses



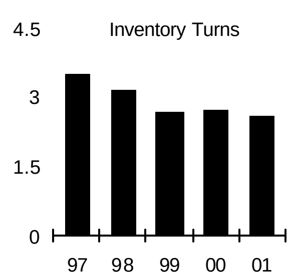
Selling & administration expenses are up slightly from last year, however, as a % of revenue they have dropped from a high of 14% to an all time low of 7.9%. We expect that this ratio will remain between 7% and 8% in the future.

Income from Operations



Income from operations of $16.5 million remains flat. Historically income from operations has averaged 15% of revenue. This percentage will be lower in future as a result of the reduced margins on tractor sales.

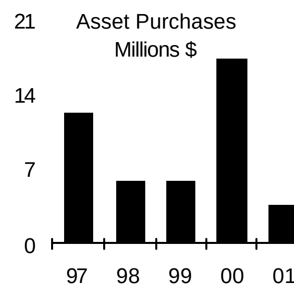
Inventory Turns



Inventory turns of 2.6 are still too low and we expect that as we clean up the tractor inventory, we should see improvement in this area. Turns are calculated by dividing the inventory by the cost of goods sold.

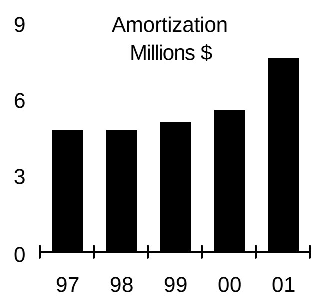
Capital Asset Purchases

Over the past 7 years, the Company has purchased approximately $62 million of capital assets (including the most recent tractor factory).



Future capital asset purchases will likely be reduced to approximately the amount of the annual depreciation. This ensures that the factories are continuously updated with state of the art equipment in order to maximize efficiency.

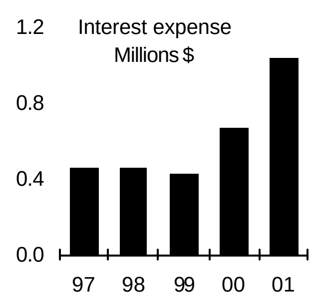
Amortization



Amortization expenses continue to increase as a result of significant capital purchases made in the past two years. This expense will likely remain at the same level for the near future and will only be reduced if expansion and capital purchases are curtailed.

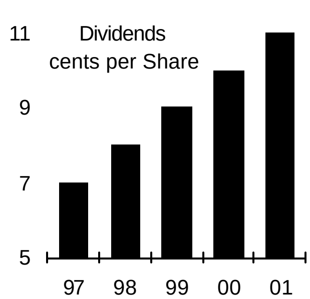
Interest Expense

As forecast, the interest expense increased again, but is still very low considering the amount of money that is needed to be borrowed in order to finance the increased inventory levels. We expect to see a decrease in interest expense for next year as debt levels decrease.



The assumption of the interest free Industry Canada loan from New Holland Canada should keep interest costs lower.

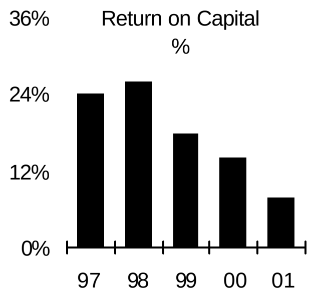
Dividends



The Directors have declared an annual dividend of $0.11 payable on January 28, 2002 to shareholders of record on December 20, 2001. This is the 9th annual increase in dividends and the Company expects that dividend increases will continue.

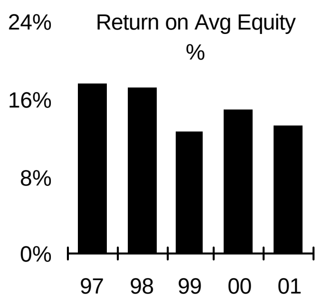
Management Discussion & Financial Analysis

Return on Capital



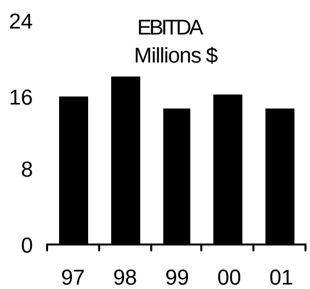
Return on capital of 8% is still much lower than our previous average of 20%. This is due to the large capital purchases in the previous two years and the increase in long-term debt. We expect that as the debt is reduced, we will once more return to a higher ROC.

Return on Equity

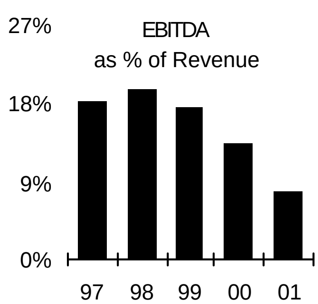


13% return on equity is still below our 5 year average of 15%. Total equity now exceeds $53.4 million and as the equity grows it becomes more difficult to improve on this ratio. Improvements in the marketplace must occur before management can realize it's long term goal of 20% ROE.

EBITDA



Earnings before interest, taxes, depreciation and amortization remains flat at $15 million. We are forecasting slightly higher EBITDA for next year and further increases are predicted when the farm economy improves.



EBITDA as a % of revenue has declined from a high of 20% to the current 8%. This change is primarily due to the influence of the tractor business which attracts lower margins. However, we believe that improvements in this area are likely in the future.

Corporate Governance

The Company is making every effort to comply with the TSE guidelines on Corporate Governance. Complete governance details are described in the Annual Information Form.

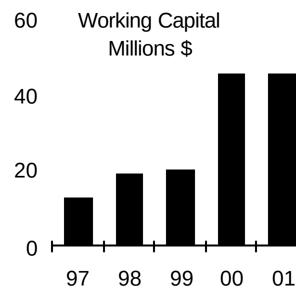
Normal Course Issuers Bid

The Company believes the shares are undervalued, therefore, the Directors announced their intention to purchase up to 1.2 million shares through the Toronto Stock Exchange. 1,075,300 shares were purchased for cancellation during the last fiscal year.

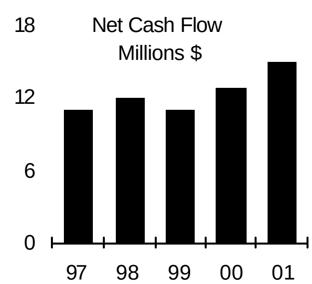
Risks

Management considers fluctuations in commodity prices and fluctuations in the Canadian dollar to be a normal part of conducting business in this industry. The Company considers the degree of risk to be minimal.

Liquidity

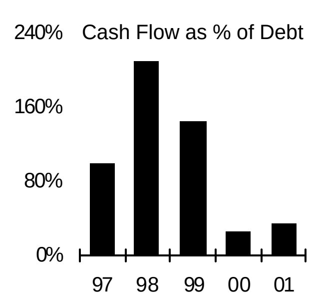


Working capital remains at $45 million. The long-term interest free Industry Canada debt contributes to this very satisfactory number. The healthy working capital position ensures that the Company will be able to pay bills promptly and take advantage of all cash discounts offered by suppliers.



In spite of the depressed farm economy, the Company produced a record cash flow of $14.8 million, an increase of 15% over last year.

Cash flow is the sum of net after tax earnings plus amortization.



For many years, we have been proud of the fact that one year's cash flow was sufficient to pay off the short and long term debt. Now as a result of the purchase of the tractor factory, we have a 34% ratio which means that it will require 3 years of cash flow to pay off all debt.

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 30, 2001

Larry Schroeder
Vice President

Auditor's Report

To The Shareholders of Buhler Industries Inc.

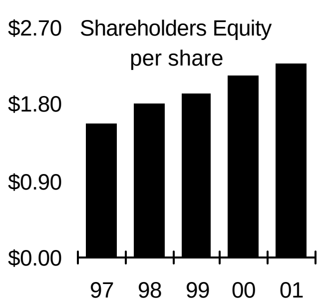
We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 2001 and 2000 and the consolidated statement of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

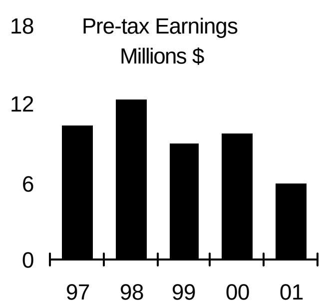
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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.

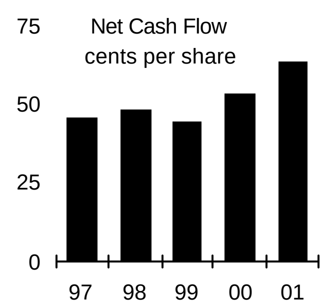
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
November 30, 2001

Certified General Accountants







Consolidated Statements of Earnings

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

	2001		2000	
Revenue	**$ 187,633**		$ 116,700	
Cost of goods sold (note 16)	**156,223**		86,398	
Gross Profit	**31,410**	16.7%	30,302	26.0%
Selling & administration expenses	**14,883**	7.9%	13,513	11.6%
Income from Operations	**16,527**	8.8%	16,789	14.4%
Gain on disposal of assets	**(733)**		(1,039)	
Interest expense (note 9)	**1,032**		671	
Amortization	**7,684**		5,520	
Research and development costs	**1,895**		1,043	
Non-controlling interest	**847**		903	
Net earnings before Taxes	**5,802**	3.1%	9,691	8.3%
Income Taxes (note 11)	**(1,313)**		2,393	
NET EARNINGS	**$ 7,115**	3.8%	$ 7,298	6.3%

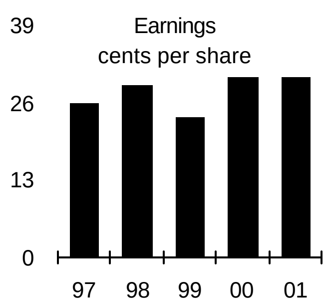
Consolidated Statements of Retained Earnings

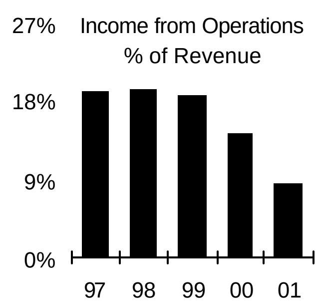
For the years ended September 30 ($000's) except per share amounts

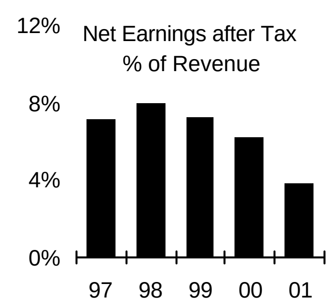
Retained Earnings beginning of year	**$ 33,339**	$ 28,957
Net earnings for the year	**7,115**	7,298
Dividends	**(2,435)**	(2,209)
Retirement of shares (note 10)	**(2,807)**	(707)
Retained Earnings end of year	**$ 35,212**	$ 33,339

Earnings per share (note 13)

Basic	**$ 0.30**	$ 0.30
Fully diluted	**$ 0.30**	$ 0.30







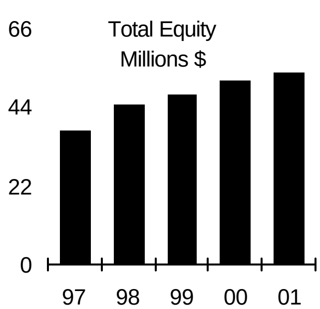
Consolidated Balance Sheets

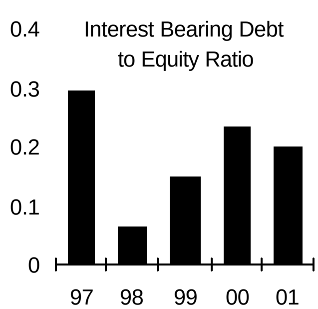
For the years ended September 30 ($000's)

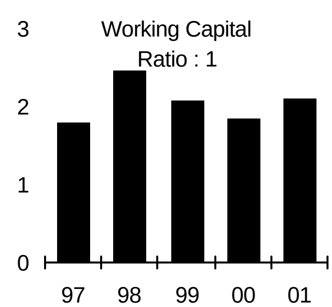
	2001	2000
ASSETS		
Current Assets		
Accounts receivable	**$ 26,746**	$ 46,242
Inventories (note 2)	**60,179**	52,846
Prepaid expenses	**531**	547
Total Current Assets	**87,456**	99,635
Loan receivable (note 8)	**-**	7,331
Capital assets (note 3)	**37,372**	42,065
Future income taxes (note 11)	**2,661**	-
Investments - at cost	**42**	42
Total Assets	**$ 127,531**	$ 149,073
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	**$ 9,939**	$ 12,040
Account payable and accrued liabilities	**31,844**	41,998
Advances from related party (note 5)	**456**	-
Total Current Liabilities	**42,239**	54,038
Advances from related party (note 5)	**-**	3,350
Long term debt (note 7)	**31,850**	31,850
Future income taxes (note 11)	**-**	845
Total Liabilities	**74,089**	90,083
Non-controlling interest (note 8)	**-**	7,331
SHAREHOLDERS' EQUITY		
Share capital (note 12)	**18,230**	18,320
Retained earnings	**35,212**	33,339
Total Shareholders' Equity	**53,442**	51,659
Total Liabilities and Equity	**$ 127,531**	$ 149,073

Approved on behalf of the Board:

Director: ***Director:***







Consolidated Statement of Cash Flows

For the years ended September 30 (000's)

		2001		2000
Cash provided by (used in) operating activities				
Net earnings	**$**	**7,115**	$	7,298
Add (deduct) non-cash items				
Amortization		**7,684**		5,520
Gain on disposal of assets		**(733)**		(1,039)
Gain on foreign exchange		**(132)**		(140)
Future income taxes		**(3,506)**		358
		10,428		11,997
Net change in non-cash working capital balances*		**2,025**		(31,546)
		12,453		(19,549)
Investing activities				
Purchase of capital assets, net of investment tax credits		**(3,593)**		(18,360)
Proceeds on sale of capital assets		**1,335**		1,089
Investments		**-**		(7)
		(2,258)		(17,278)
Financing activities				
Issuance of share capital		**742**		190
Retirement of shares		**(3,639)**		(947)
Increase in long term debt		**-**		31,850
Repayment of long term debt		**-**		(3,040)
Advances (repayment) from related party		**(2,894)**		2,846
Dividends paid		**(2,435)**		(2,209)
		(8,226)		28,690
Foreign exchange gain on cash held in foreign currency		**132**		140
Net cash provided (used) in the year		**2,101**		(7,997)
Bank indebtedness, beginning of year		**(12,040)**		(4,043)
Bank indebtedness, end of year	**$**	**(9,939)**	$	(12,040)
***Net change in non-cash working capital balances is comprised of:**				
Accounts receivable	**$**	**19,496**		(32,595)
Inventories		**(7,333)**		(32,236)
Prepaid expenses		**16**		(401)
Accounts payable and accrued liabilities		**(10,154)**		33,686
Net cash provided (used)	**$**	**2,025**	$	(31,546)

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
Goodwill	5%	Straight line

(d) Foreign currency translation

The accounts of the United States subsidiary, which is considered an integrated foreign operation, 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 the 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.

Credit risk

The Company is exposed to credit risk on its accounts receivable.

Fair value

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

2. INVENTORIES *(000's)*

	2001	2000
Land for development	**$ 1,325**	$ 1,600
Finished goods	**20,380**	26,975
Work in process	**10,083**	10,373
Raw materials	**28,391**	13,898
	$ 60,179	$ 52,846

3. CAPITAL ASSETS *(000's)*

			2001	2000
	Cost	Accum. Amort.	**Net Book Value**	Net Book Value
Land	$ 4,090	0	**$ 4,090**	$ 4,032
Buildings	25,232	7,908	**17,324**	17,412
Equipment	35,267	22,166	**13,101**	18,099
Goodwill	392	392	**0**	354
Computers	3,326	1,366	**1,960**	2,167
Software & tools	2,297	1,400	**897**	1
	70,604	33,232	**$37,372**	$42,065

4. BANK INDEBTEDNESS

The Company has available a financing facility with the Bank of Montreal of $37 million. The credit facility is secured by a mortgage, debenture, a general security agreement and assignment of receivables and inventory. All interest rates are prime or less.

5. ADVANCES FROM RELATED PARTY

The advance from related party is from the majority shareholder, holding 66% of the shares of the Company. The advance is non-interest bearing with no specific terms of repayment. The advance 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. The Company has provided a $5 million guarantee to the Bank of Montreal to secure a loan to the majority shareholder.

The Company has provided a guarantee to the majority shareholder on a $2.2 million promissory note due from the Company's Deferred Profit Sharing Plan, (see note 14) and a letter of credit for $665k (2000-nil) to the Bank of Montreal to secure a line of credit for a commonly controlled entity.

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are the following related party transactions; accounts receivable $58k (2000-7.6 million), and revenue of $555k (2000-Nil) from a Company controlled by an immediate family member of management, $1,413k (2000-$1,016k) paid to a common controlled enterprise for repairs and maintenance and $515k (2000-$164k) to the controlling shareholder for management services.

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

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

	2001	2000
Industry Canada	**$ 31,850**	$ 31,850

The Industry Canada interest free loan is repayable in 120 equal monthly installments of $265,000 commencing on July 31, 2003. In the event of default of any payment, 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. Current portion is nil.

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.

9. INTEREST PAID *(000's)*

	2001	2000
Operating loan	**$ 1,032**	$ 535
Long term debt	**0**	136
	$ 1,032	$ 671

Notes to Consolidated Financial Statements

10. RETIREMENT OF SHARES

The total cost of share retirement for 2001 was $3,639,000. Share capital was reduced by $832,000 to reflect the original cost of the shares and retained earnings was reduced by $2,807,000 to reflect the additional cost of retirement. A total of 1,075,300 shares were purchased through the Normal Course Issuers Bid.

11. INCOME TAXES *(000's)*

	2001	2000
At Canadian statutory rate	**$ 2,785**	$ 2,839
Losses utilized during the year	**(613)**	(21)
Manufacturing tax credit	**(212)**	(416)
Future taxes		
Loss carry forward	**(1,450)**	(199)
Timing differences	**(2,056)**	557
Total future taxes	**(3,506)**	358
Other	**233**	(367)
Income tax provision	**$ (1,313)**	$ 2,393

The above timing differences arise due to warranty provision and temporary differences between CCA and amortization.

Loss carried forward

The Company has operating loss carry forwards of $3.4 million that are available to be applied against certain taxable income in future years. The potential tax benefits that will result from claiming these has been recognized. The Company also has $524k of unused tax losses that expire in 2003 and have not been recognized.

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

Authorized, an unlimited number of common shares.

	2001		2000	
	No. of Shares	**$**	No. of Shares	**$**
Issued as at Sept. 30	**23,483**	**$18,230**	24,225	$18,320
Options exercised & shares cancelled (net)	**(742)**	**$ (90)**	(235)	$ (50)

Options Outstanding	**Exercise Price**	**Expiry Date**
6	$2.80	Jan 29, 2002
30	$3.35	Jan 29, 2005

13. EARNINGS PER SHARE

Earnings per share is calculated using a weighted average number of shares outstanding during the year. Fully diluted earnings per share is calculated reflecting the dilutive effect of the options outstanding at September 30, 2001.

14. DPSP & PENSION 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 2001, the Company contributed $200,000 to the plan (2000-$125,000). The plan trust owns approximately 1.3 million shares. Buhler Versatile Inc., a subsidiary of the Company, has a defined benefit pension plan covering certain former hourly paid employees and includes the following amounts:

	Assets	Obligation
October 1st. 2000	28.968.000	28.900.000
Contrib. by employees & Company	0	
Benefits paid	(1.564.353)	(1.564.353)
Current service cost		225.860
Amortization of past service costs		1.598.140
Actuarial gains		1.840.353
Return on plan assets	2.105.143	.
Sept 30th, 2001	29,508,790	31,000,000

The assets of the plan consist of cash, equity instruments and bonds. The pension plan obligations are estimated by management to be $31,000,000 and the resulting $1,491,210 deficiency is recorded as a liability and a current expense in these financial statements. As a result of the union settlement, the assets and obligations of the plan will ultimately be transferred to a third party. Since the plan is being terminated, all past service costs have been recorded in the current year. The discount rate and the expected long term rate of return is 6.2%.

15. 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.

		2001		2000
	Canada	**US**	Canada	US
Revenue	**$ 185.600**	**$ 2.000**	$ 107.700	$ 9.000
Earnings	**6.800**	**300**	7.000	300
Capital Assets	**35.800**	**1.500**	40.500	1.600
	Ag	**Non-Ag**	Ag	Non-Ag
Revenue	**$181.600**	**$ 6.000**	$ 94.700	$ 22.000
Interest revenue	**750**	**50**	250	0
Interest expense	**1,050**	**0**	650	0
Earnings	**6.400**	**700**	6.200	1.100
Assets	**121.500**	**6.000**	147.000	2.000

Included in Canadian revenue are export sales, primarily to the United States, of $51 million (2000 - $40 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 $83 million and $21 million, both in the agricultural segments.

16. UNION SETTLEMENT

During the year, the Buhler Versatile Inc. settled an ongoing labor dispute with one of its' unions. The settlement amount of $17.5 million included an estimated $1.5 million pension deficiency and a $16 million payment to the former employees and their union. $6.5 million had been paid by year-end and the remaining $11 million has been accrued in the financial statements. These amounts are included in the cost of goods sold.

Ten Year Summary

Year Ended September 30,	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
						In thousands of Canadian dollars (except per share amounts)				
SUMMARY OF OPERATIONS										
Revenue	23,827	33,583	48,040	56,575	66,517	85,375	89,194	79,961	116,700	**187,633**
Cost of goods sold	16,500	25,310	34,988	40,053	45,229	58,315	59,951	53,754	86,398	**156,223**
Gross profit	7,327	8,273	13,052	16,522	21,288	27,060	29,243	26,207	30,302	**31,410**
Selling & admin. expense	3,941	4,775	6,478	7,459	9,081	10,747	11,823	11,264	13,513	**14,883**
Income from operations	3,386	3,498	6,574	9,063	12,207	16,313	17,420	14,943	16,789	**16,527**
Gain on sale of capital assets	-	-	-	-	-	-	(727)	(346)	(1,039)	**(733)**
Interest expense	778	518	518	1,063	679	457	458	434	671	**1,032**
Amortization	1,119	940	2,416	2,727	3,685	4,809	4,808	5,126	5,520	**7,684**
Research & development exp.	220	305	726	470	498	645	552	577	1,043	**1,895**
Non-controlling interest	-	-	-	-	-	-	-	224	903	**847**
Net Earnings before taxes	1,269	1,735	2,914	4,803	7,345	10,402	12,329	8,928	9,691	**5,802**
Income taxes	91	593	493	1,100	2,212	4,271	5,216	3,131	2,393	**(1,313)**
NET EARNINGS	**1,178**	**1,142**	**2,421**	**3,703**	**5,133**	**6,131**	**7,113**	**5,797**	**7,298**	**7,115**
CASH FLOW SUMMARY										
Capital asset purchases	1,952	969	9,369	7,884	9,552	12,253	5,917	5,960	17,278	**3,593**
Long-term debt incurred	-	-	-	2,587	-	1,201	-	2,417	31,656	**-**
Reduction of long-term debt	1,205	1,085	40	-	1,689	-	7,696	-	-	**2,894**
Dividends	176	10	623	832	1,097	1,432	1,703	1,992	2,209	**2,435**
Net cash flow	2,388	2,675	5,150	6,430	8,573	10,940	11,921	10,923	12,818	**14,799**
Bank cash (indebtedness)	(3,774)	(1,646)	(3,713)	365	(1,576)	(2,724)	(2,348)	(4,043)	(12,040)	**9,939**
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	5,187	5,768	7,912	8,616	13,386	12,352	12,996	13,793	46,789	**27,277**
Inventory	11,250	10,383	10,418	12,792	13,188	16,586	19,014	20,610	52,846	**60,179**
Total current assets	16,437	16,151	18,330	21,408	26,574	28,938	32,010	34,403	99,635	**87,456**
Total assets	28,275	27,683	36,622	44,180	54,341	60,716	61,139	74,843	149,073	**127,531**
Total current liabilities	6,354	4,484	9,588	9,731	16,108	16,131	13,004	14,195	54,038	**42,239**
Total short and long term debt	10,644	7,431	9,459	10,409	10,034	11,246	5,741	7,587	47,240	**42,245**
Total liabilities	13,408	11,036	15,920	18,863	22,530	23,219	16,349	27,516	97,414	**74,089**
Total shareholders equity	14,867	16,647	20,702	25,317	31,811	37,497	44,790	47,327	51,659	**53,442**
Shares o/s (avg. in millions)	19.0	19.0	20.0	20.8	23.0	23.9	24.9	24.5	24.2	**23.5**
Working capital	10,083	11,667	8,742	11,677	10,466	12,807	19,006	20,208	45,597	**45,217**
DATA PER COMMON SHARE										
Revenue	$ 1.25	$ 1.77	$ 2.40	$ 2.72	$ 2.89	$ 3.57	$ 3.57	$ 3.27	$ 4.82	**$ 7.98**
EBITDA	0.17	0.17	0.29	0.41	0.51	0.66	0.71	0.59	0.66	**0.62**
EBIT	0.11	0.12	0.17	0.28	0.35	0.45	0.51	0.38	0.43	**0.29**
Net earnings	0.06	0.06	0.12	0.18	0.22	0.26	0.29	0.24	0.30	**0.30**
Cash flow	0.13	0.14	0.26	0.31	0.37	0.46	0.48	0.45	0.53	**0.63**
Dividends for year	-	0.03	0.04	0.05	0.06	0.07	0.08	0.09	0.10	**0.11**
Closing share price	n/a	1.00	1.40	1.45	1.66	2.39	3.05	3.06	3.57	**3.60**
Shareholders' equity	0.78	0.88	1.04	1.22	1.38	1.57	1.80	1.93	2.13	**2.27**
STATISTICAL DATA										
Current ratio	2.6	3.6	1.9	2.2	1.6	1.8	2.5	2.4	1.8	**2.1**
Int. bearing debt to equity ratio	0.7	0.4	0.5	0.3	0.3	0.3	0.1	0.1	0.2	**0.2**
Number of shareholders	200	250	650	1,000	1,350	1,600	1,700	1,700	1,600	**1,600**
Inventory turnover	1.5	2.4	3.4	3.1	3.4	3.5	3.2	2.7	2.8	**2.6**
Gross margin (% of revenue)	31%	25%	27%	29%	32%	32%	33%	33%	26%	**17%**
SG&A (% of revenue)	17%	14%	13%	13%	14%	13%	13%	14%	12%	**8%**
EBITDA (% of revenue)	13%	10%	12%	15%	18%	18%	20%	18%	14%	**8%**
Net earnings (% of revenue)	5%	3%	5%	7%	8%	7%	8%	7%	6%	**4%**
Return on average capital	8%	9%	13%	18%	21%	24%	26%	18%	14%	**8%**
Return on average equity	8%	7%	13%	16%	18%	18%	17%	13%	15%	**13%**

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.

Today the Company operates 5 modern manufacturing operations and 6 distribution centers totaling over 1 million square feet of facilities and has over 700 employees.

Since the inception, the Company has remained focused on its core business of designing, manufacturing and distributing agricultural equipment. The Company has grown through various corporate acquisitions, as well as through strategic internal growth. All products are marketed under the Buhler® brand name, including the Farm King®, Allied®, Inland® and Versatile® product lines.

The Company has grown to become a significant player in the North American agricultural equipment industry with its full selection of powered and non-powered equipment and attachments suiting farms of all sizes and sophistication.

Directory

Audit Committee
Edward Kennedy, Chairman
Philipp R. Ens
Allan L.V. Stewart

Legal Counsel
Perlov Stewart Lincoln
One Lombard Place
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.
Winnipeg, Manitoba

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

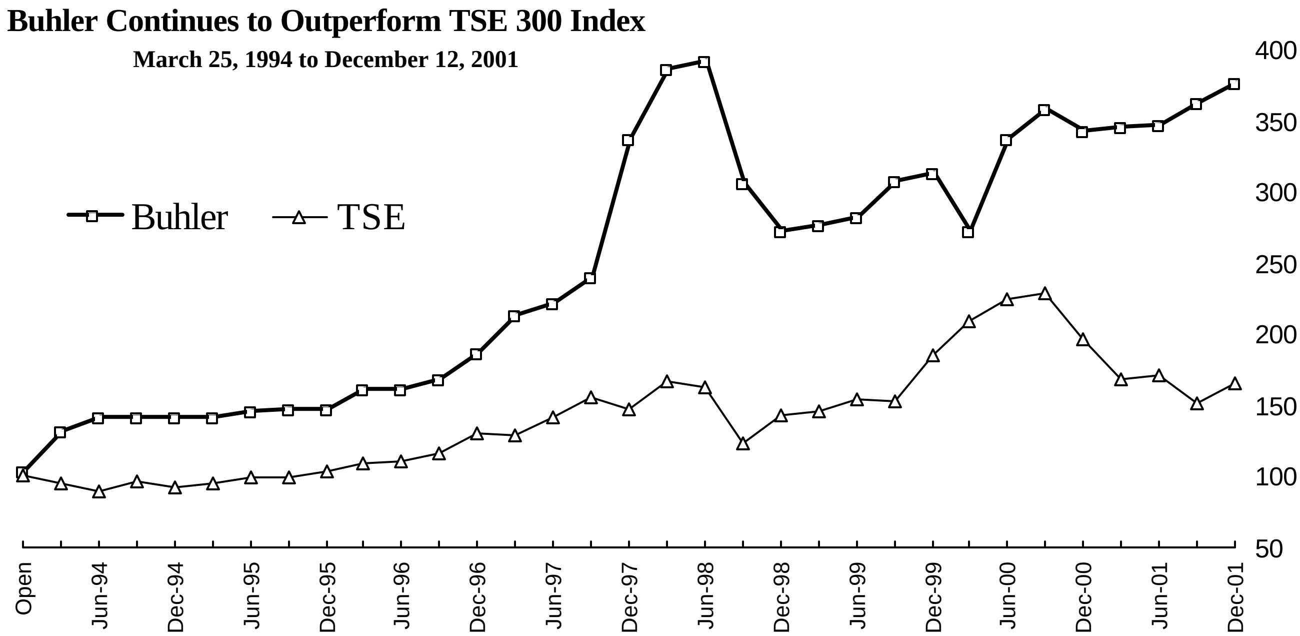
Auditors
Gislason Targownik Peters
Winnipeg, Manitoba

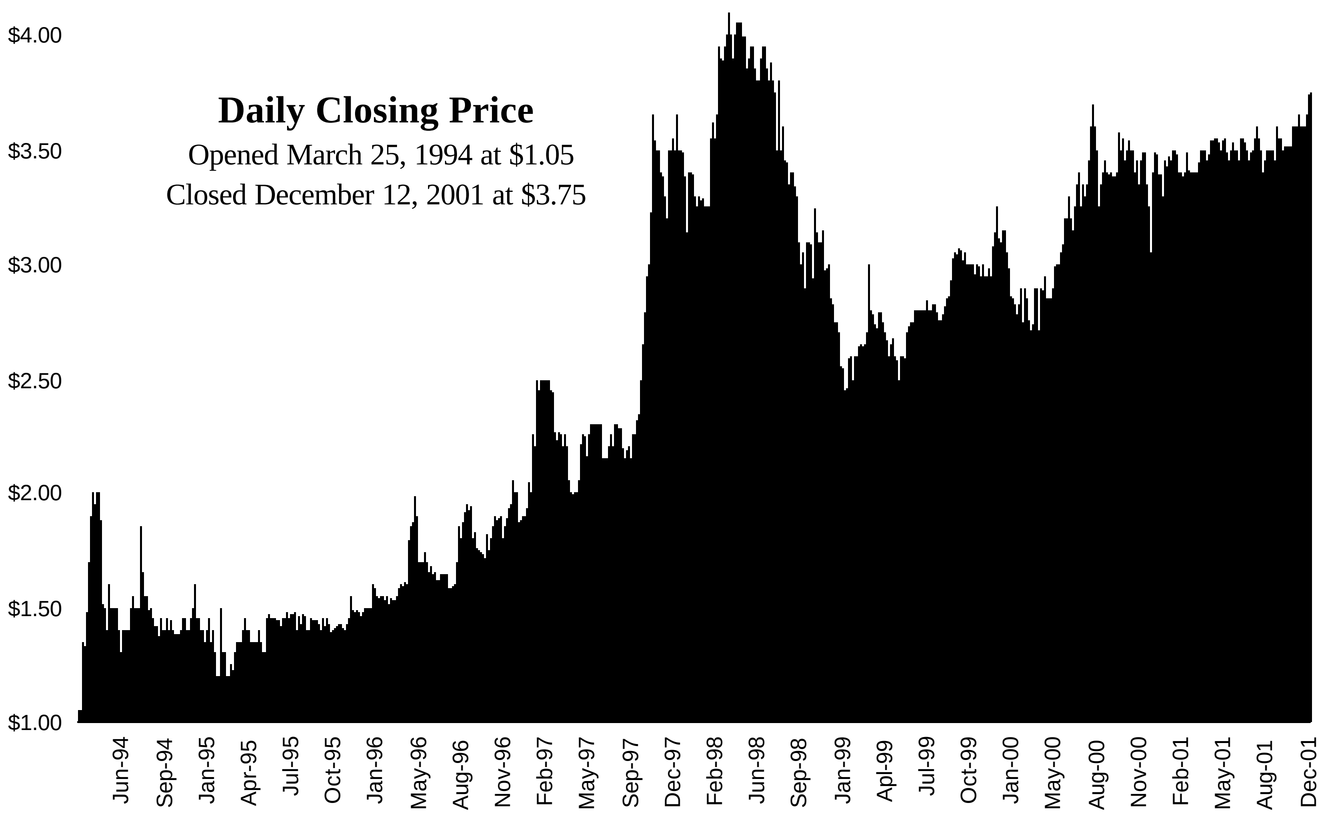
Annual Meeting
The annual meeting of shareholders will be held on Saturday, Feb. 2nd, 2002, 11:00 am, at The Fairmont Hotel, Portage & Main, Winnipeg, Manitoba.

Directors, Officers and Management Team

Name	Office	Principal Occupation
Buhler, John	Chairman	CEO, Buhler Industries Inc.
Buhler, Bonita Lesley	Director	Secretary, Highland Park Financial Inc.
Ens, Philipp R.	Director	Chairman, Triple E Canada Inc.
Kennedy, Edward	Director	President and CEO, The North West Company Inc.
Stewart, Allan, L. V.	Director	Lawyer, Perlov Stewart Lincoln
Engel, Craig, P. Eng.	Officer	President and Chief Operating Officer, Buhler Industries Inc.
Friesen, James H., C.M.A.	Officer	Secretary and CFO, Buhler Industries Inc.
Fillion, Jean-Guy, C.G.A.	Officer	Vice President, Buhler Industries Inc.
Schroeder, Larry David	Officer	Vice President Marketing, Buhler Industries Inc.
Adolph, Grant, P. Mgr.	Management	Operations Manager, Buhler Versatile Inc.
Allison, Eric	Management	Manager, OEM Division
Bergen, Helen, C.H.R.P.	Management	Manager, Human Resources, Buhler Industries Inc.
Fraser, Scott, C.G.A.	Management	Corporate Controller, Buhler Industries Inc.
Gornik, Andrey, P. Eng.	Management	Operations Manager, Inland Division
Kneeshaw, Richard, C.I.M.	Management	Operations Manager, Morden Division
Lee, Min, I.S.M.	Management	CIO, Buhler Industries Inc.
Rossong, Gil, C.I.M.	Management	Operations Manager, Winnipeg Division

Stock Data



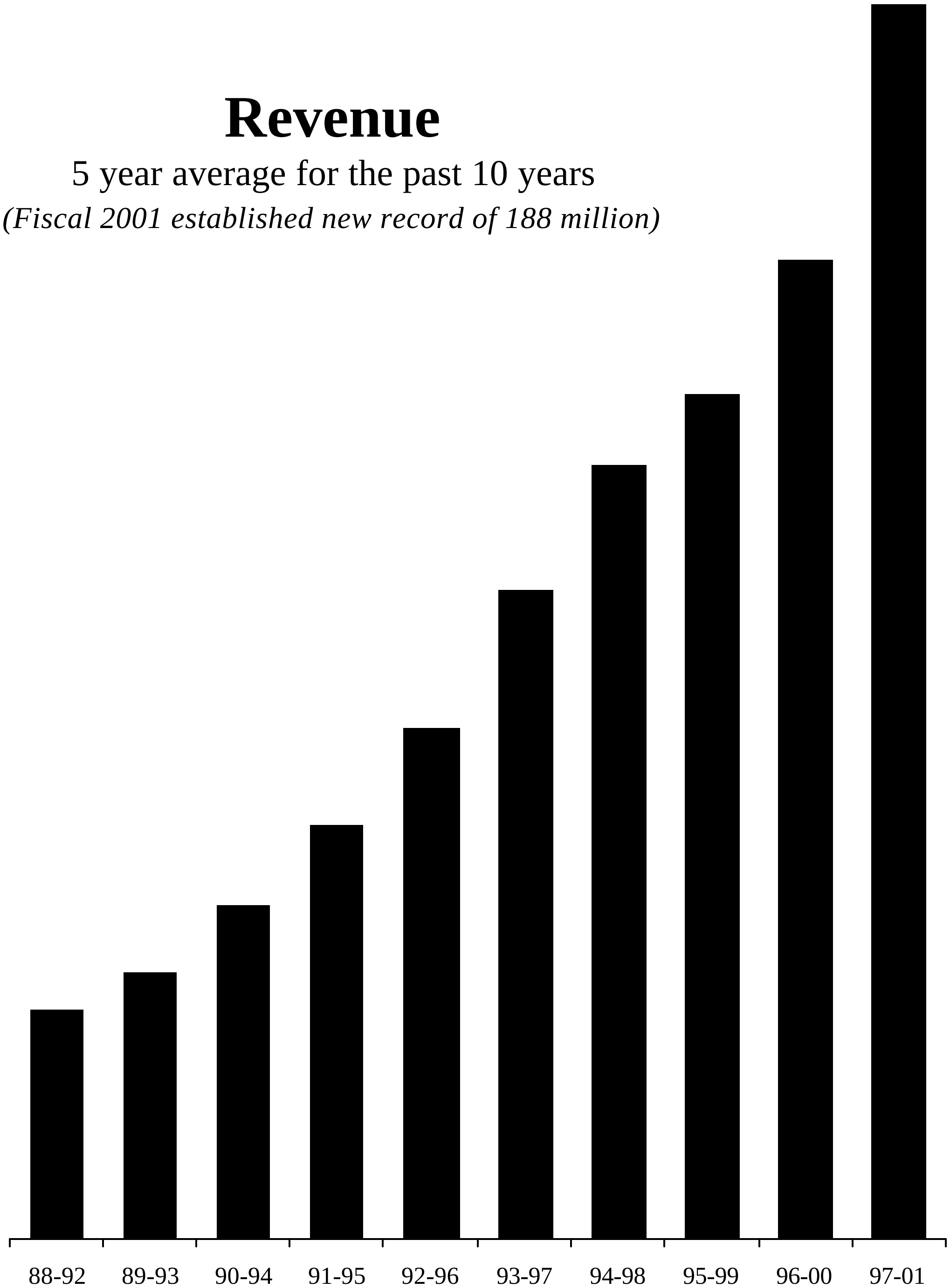


Year end Sept. 30	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74	**3.75**
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70	**3.00**
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57	**3.60**
Trading Volume *(000's)*	1,311	867	1,927	3,015	4,134	2,274	1,092	**2,800**

Revenue

5 year average for the past 10 years

(Fiscal 2001 established new record of 188 million)



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