bühler

2021
ANNUAL REPORT

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Introduction Versatile

Versatile celebrated numerous successes and faced many challenges in 2021. At the beginning of the year, farmers across North America were in a position to buy equipment due to the high commodity prices and increased international trade led by China's demand for corn, soybeans and pork. Even with inconsistent weather patterns and droughts resulting in lower than expected crop yields in Western Canada and the United States, there was strong product demand throughout the year ensuring all available inventory sold to dealers.

Versatile has continued to grow the dealer network and focus on all areas of business that strengthen dealer relationships. Results of the 2021 Equipment Dealers Association's annual satisfaction survey substantiate the success of this approach. The dealer survey ranks manufacturers based on several factors including, parts quality and availability, communication, warranty and marketing. Versatile has improved year-over-year and in 2021 received the highest overall satisfaction rating since first participating in the survey.

The only notable area of decline was in product availability. The manufacturing industry was affected greatly by supply chain issues brought on by the COVID-19 pandemic. Versatile was not exempt from these challenges and maintained regular communication with vendors, suppliers and internal teams to reduce delays and maintain product quality. Despite our best efforts, many suppliers experienced delays and material shortages, creating an inconsistent production schedule based on component availability.

Steps were taken to reinforce product lines and streamline North American operations. The facility in Vegreville, Alberta, previously responsible for tillage production, ceased operation in September 2021. The plant in Winnipeg, Manitoba, will begin manufacturing tillage equipment in 2022. This change will improve logistics and bring the product closer to key markets throughout Canada and the United States. More parts became available through the U.S. distribution centers in Blair, Nebraska; Clarksville, Indiana; and West Memphis, Arkansas. The warehouse in West Memphis became a primary distribution point for Versatile service parts as the central location and proximity to the FedEx World Hub allow this location to efficiently serve most of the United States.

Further investment into product development and marketing continued. Last year saw the release of the 2022 4WD and DeltaTrack models, and the return of trade shows since the COVID-19 pandemic began. The new DeltaTrack was first introduced at the Farm Progress Show in Decatur, Illinois, followed by the Big Iron Farm Show in Fargo, North Dakota and the Agri-Trade Equipment Expo in Red Deer, Alberta. Feedback on the 2022 models was overwhelming positive. The favorable response was cemented as the fall order writing program sold out all available production slots. More than one-third of the tractors on order have been pre-sold to end-users.

Versatile is in a strong position moving forward with our current product lineup, operational improvements and strong dealer support. The supply chain issues will continue to be a challenge but we are optimistic that production and demand will thrive throughout 2022.

Adam Reid

Adam Reid
Vice President of Sales & Marketing, Versatile

Introduction Farm King

Farm King continued to navigate through supply chain, logistical and manpower challenges in 2021 due to COVID-19. Despite those challenges, product lines formerly built in Fargo, North Dakota and Willmar, Minnesota were successfully relocated to the Morden, Manitoba facility and streamlined. Capacity consolidation enabled Farm King to substantially increase manpower in Morden and reinstate a second shift.

Strong commodity prices and some competitors' in season product shortages allowed Farm King to increase market share in select product categories and grow sales by 4%. 25 new dealers were added to Farm King's extensive dealer network in North America. 18 hub locations across Canada and United States continued to provide set up services to Farm King customers.

Farm King pursued capital and critical infrastructure investments in the Morden facility. The conventional auger consolidation project was initiated as a part of product development. The project's aim is, to integrate the best features of current and legacy conventional auger models and to remove product duplication.

Farm King will continue to work towards product quality, service and dealer relationship improvements.

Maxim Loktionov
Vice President, Buhler Industries Inc.

President's Message

First, I would like to express words of support and sympathy to all those people whose relatives or friends passed away because of the COVID-19 pandemic. Our Company has done everything possible to minimize risks and the safety of the Company's employees and visitors remains a priority. I also express my gratitude to all the employees who selflessly continued to do their work at the height of the pandemic.

The agenda of 2021 was mostly dictated by global supply chain disruptions caused by the pandemic. The Company was faced with ongoing delays in new inventory shipments because of significant constrains caused by capacity limitations experienced by some of the key suppliers as well as innumerable delays of the components deliveries. To overcome the effect of these negative impacts the Buhler Industries team is working closely with our supply chain on a daily basis and has kept focus on specific issues to make sure that production lines continue to operate. Looking into 2022, the supply chain issues will remain in place and will continue to impact our operations.

I express my appreciation and gratitude to all Buhler Industries' suppliers for their efforts to support our production schedule and overall business relationships in these tough times.

From sales prospective, 2021 was a very special year. With unprecedented support from Versatile dealers, the entire years volume of production had been fully booked by early March of 2021. This has never been seen in the recent history of Versatile. The total volume of orders in 2021 went up by 441% compared to 2020, which was partly caused by the drastically increased demand in the North American market of ag equipment. This growth was also largely due to the increased support and confidence of our dealers, including multiple organizations which joined our dealer network in 2020-2021. As of February, a large portion of 2022 planned production is also booked and I have strong confidence there will be no impediments to finding homes for every tractor built this year. As one of the consequences of limited and unstable flow of components, the decision was made to postpone our export sales until the end of the third quarter in 2022 and to stay focused on catching up the backlog of North American orders.

I want to thank all our dealers for their cooperation and also for their patience and willingness to support us when we have had trouble getting tractors out on time.

The production of Versatile tillage products as well as sales programs have been put on pause since last September due to moving tillage production capacities from our plant in Vegreville, Alberta to Winnipeg, Manitoba. This transition was made with the goals of improving efficiency and having better control over all business processes in the product life-cycle. The first high-speed compact disc, the Fury, just recently left the quality check area so the Company will be working on a relaunch and acceleration of tillage production over the next few months.

One of the noticeable highlights of the 2021 results is that increased level of Buhler Industries operational profitability and positive net earnings which can be observed in the financial statement. The Company succeeded in absorbing significant losses of previous years, sustaining its capabilities of manufacturing, continuing new product development, and maintaining an appropriate margin. I appreciate efforts and contribution of every Company stakeholder who made this progress possible.

My vision of 2022 prospects is cautiously optimistic since the Company will still be affected by global supply chain challenges as well as by growing prices and lead-time caused by limited manufacturing capacities observed in many businesses across the globe. At the same time the Buhler Industries management team will continue to drive the Company in the direction of growth and efficiency driving our ultimate goal which is making customers happy when owning brand-new equipment. We also understand that with pushing our sales higher we provide more opportunities to all our dealers, suppliers and other partners.

In Q1-Q3 of 2022, our main focus in operations will remain in North America. Our goals are to catchup the production backlog and eventually satisfy both, already existing orders and expected ones. The Company will proceed with new development as scheduled so new generations of our product will come to fruition as we planned.

Yury Ryazanov
Chief Executive Officer and Director

Marat Nogerov
President

Management Discussion & Financial Analysis

Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of Buhler Industries Inc. (the Company). Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent the Company's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, the Company disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

Company Overview

The Company is headquartered in Winnipeg, Manitoba, Canada. Established in 1932 as an agricultural equipment manufacturer, the original company was purchased by John Buhler in 1969. Through expansion, new products and acquisitions, the Company has added many brands: Farm King, Ezee-On, Allied, Inland and Versatile. Today the Company operates several modern manufacturing plants and distribution centers. Factories in Morden and Winnipeg (Manitoba) build tractors, augers, snow blowers, mowers, tillage equipment, compact implements and more. In addition, the Company maintains Versatile and Farm King warehouses in both Canada and the United States.

Versatile has the claim of being the first North American manufacturer to mass-produce and market articulated four-wheel drive tractors. Since Versatile opened more than 50 years ago, the Company has built over 100,000 tractors at its plant in Winnipeg, Manitoba, Canada. Currently, the plant builds fixed-frame front-wheel assist tractors from 175 to 365 horsepower and articulated four-wheel drives and DeltaTrack models from 405 to 620, designed on the cornerstones of reliability, durability, and ease of service and maintenance. Farm King products are manufactured in Morden, Manitoba, Canada. The dealer network of over 1,200 North American locations provides first class service and professional expertise to farmers and customers.

Buhler Industries remains committed to continuous product improvement and incorporating new value-added features. That tradition of excellence will continue well into the future.

Management Discussion & Financial Analysis

TEN YEAR HIGHLIGHTS

In thousands of Canadian dollars (except per share amounts)

PERIOD END	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	**IFRS**
Revenue	357.749	340.349	325.521	245,676	274,067	311,974	287,984	229,119	249,550	**317,178**
Gross profit	54,858	57,318	47,730	22,266	21,226	36,153	3,474	10,343	11,685	**33,079**
GP%	15.3%	16.8%	14.7%	9.1%	7.7%	11.6%	1.2%	4.5%	5.7%	**10.4%**
Income from operations	31,750	34,789	22,491	(4,012)	(4,668)	9,387	(22,505)	(13,631)	(10,444)	**6,305**
As percentage of revenue	9%	10%	7%	(2%)	(2%)	3%	(8%)	(6%)	(4%)	**2%**
Net earnings	16,363	19,891	12,458	(5,316)	(2,677)	520	(49,532)	(29,489)	(25,809)	**8,911**
Earnings per share (EPS)	0.65	0.80	0.50	(0.21)	(0.11)	0.02	(1.98)	(1.18)	(1.03)	**0.36**
EBITDA	27,247	34,927	24,081	(6,489)	561	7,249	(28,792)	2,075	(14,341)	**19,177**
Total assets	250,569	283,403	362,844	339,029	278.415	319,739	290,378	262,604	227,759	**224,949**
Working capital	130,863	141,365	148,223	130,989	122,974	120,987	81,826	77,592	88,072	**84,898**
Shareholders' equity	160,925	180,816	193,274	187,958	185,281	185,801	136,269	106,780	80,971	**89,882**
Book value per share	6.44	7.23	7.73	7.52	7.41	7.43	5.45	4.27	3.24	**3.60**
Return on average capital	10%	11%	6%	(3%)	(1%)	0%	(16%)	(10%)	(27%)	**10%**
Return on average equity	11%	12%	7%	(3%)	(1%)	0%	(31%)	(24%)	(27%)	**10%**

In this table, IFRS refers to the International Financial Reporting Standards. In 2021 the Company changed from it's year end to December 31 that included 15 months. All prior years ended September 30.

General Information

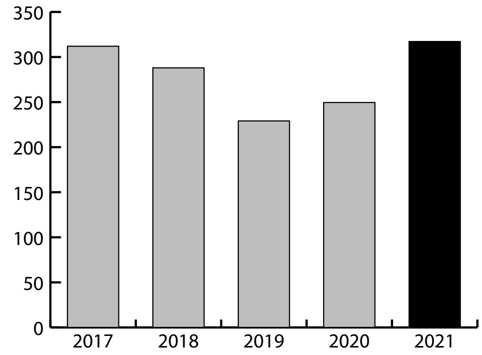
The following discussion and analysis dated March 31, 2022 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The following discussion and analysis is presented in millions of Canadian dollars. The consolidated financial statements include the accounts of all subsidiaries. The Company and all its Canadian subsidiaries operate with the Canadian dollar as the functional currency. During the year the Company changed the year end to December 31 and as a result comparisons will be December 31, 2021 (five quarters) versus September 30, 2020 (four quarters).

Management Discussion & Financial Analysis

Highlights

Revenue

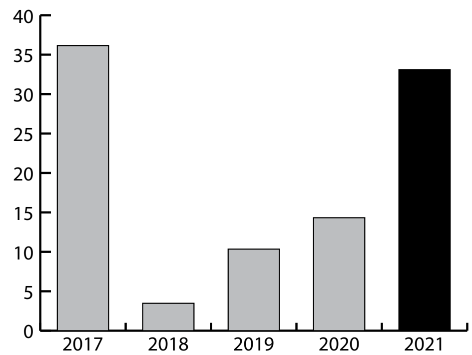
Sales (millions C$)



Revenue for the fifteen month period was $317.2, up $67.6 from sales of $249.6 in 2020. The Company's increased sales growth for the period primarily results from the accounting change to a December year end in 2021. Included in 2021 are fifteen months of sales versus twelve months of sales in 2020.

Gross Profit

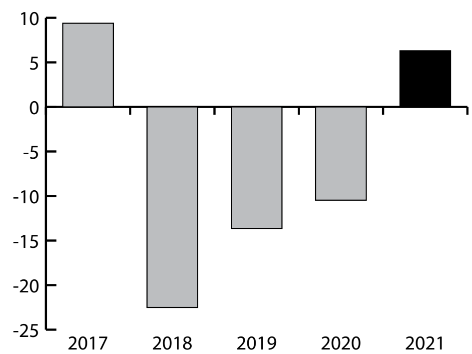
Gross Profit (millions C$)



Gross profit jumped to $33.1, an increase of $21.4 from the prior year's $11.7. As a percentage of sales, gross profits were 10.4%, an increase from the prior year's 4.7%. Strong demand for agricultural equipment coupled with the Company's continued focus on margin improvements including the closure of manufacturing facilities during the period have resulted in significant margin improvements in the fifteen month period.

Income from Operations

Income from Operations (millions C$)



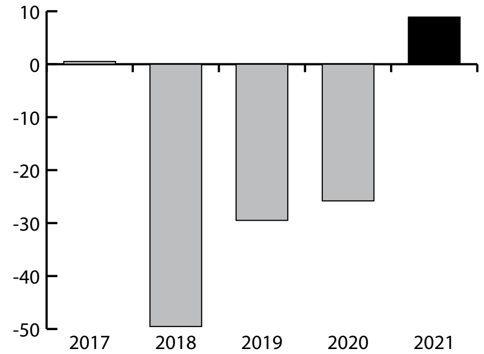
Income from operations came in at $6.3 compared with a loss of $10.5 in 2020. Selling and administration expenses were $26.8, up from the prior year's $22.1 primarily due to the change in accounting year end. As a percentage of sales, selling and administration was 8.4%, down from the prior year percentage of 8.9%.

Management Discussion & Financial Analysis

Income and Comprehensive Income

The net earnings for the fifteen month period was $8.9, an improvement of $34.7 from the loss in the prior year. Increased gross profit of $21.4 drove most of the improvement over the prior year. In addition, the Company recorded a gain on sale of intellectual property of $12.7 and increased asset disposals of $0.8 when compared to the prior year. Exchange rate gains contributed $3.1 compared with the prior year. Finally, a gain on forgiveness of debt of $1.5 and reduced taxes of $1.2 were offset by increased spending on selling and administration costs of $4.6 and R&D of $1.2 due mostly to having five quarters in 2021 instead of four quarters in 2020.

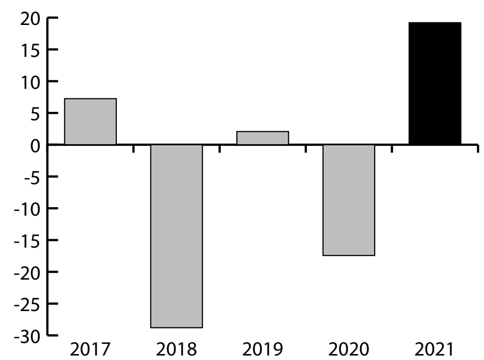
Net Earnings (millions C$)



EBITDA

EBITDA is the earnings before interest, income taxes, depreciation and amortization, and is considered to be a useful measure of the cash flow from operations of the Company. EBITDA for 2021 was $19.2, an increase from the prior year of $33.5. The improvement from the prior year was due primarily to gains on gross margin, gain on sale, exchange rate gains and forgiveness of debt.

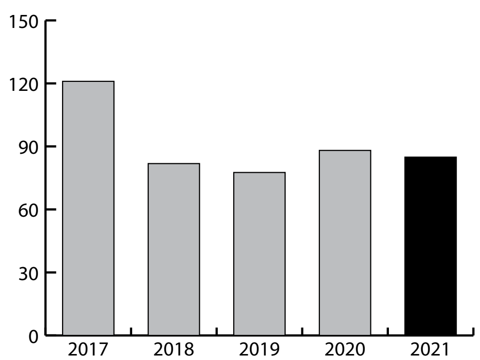
EBITDA (millions C$)



Working Capital

Working capital is a measure of the Company's ability to discharge its current obligations by using its current assets. The Company continues to be in a strong position as the working capital at period end was $84.9, a decrease from the prior year's $88.1. Accounting for much of the change were decreases in accounts receivable of $24.2 and an increase in bank indebtedness of $15.3 and an increase in long-term debt of $12.9 offset by increases in inventories of $19.5 and a reduction in accounts payable of $29.9.

Working Capital (millions C$)



Management Discussion & Financial Analysis

Research and Development

Consistent with the Company's strategy over the past several years, the Company continues to invest in the development of new products for the future so expenditures for research and development continued to be high. The Company increased spending to $8.1, compared to $6.9 in 2020. The change in accounting year end accounts for most of the increase in spending due to reporting five quarters in 2021 versus four quarters in 2020. Management believes this strategy of continued investment in R&D will maintain the Company's competitive position in the marketplace.

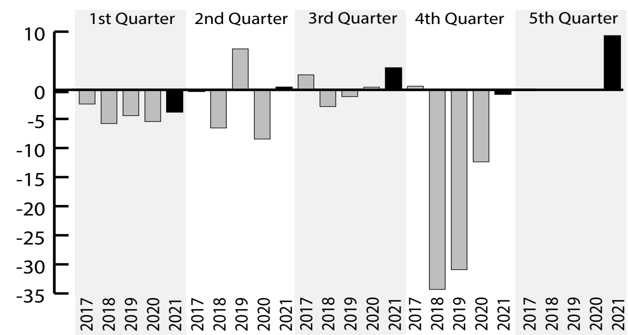
(thousands C$)

QUARTERLY NET EARNINGS RESULTS

	2017	2018	2019	2020	**2021**
1st Quarter	(2,440)	(5,798)	(4,444)	(5,453)	**(3,815)**
2nd Quarter	(251)	(6,554)	7,041	(8,460)	**436**
3rd Quarter	2,581	(2,876)	(1,170)	462	**3,759**
4th Quarter	630	(34,304)	(30,916)	(12,358)	**(743)**
5th Quarter	-	-	-	-	**9,274**
Total	520	(49,532)	(29,489)	(25,809)	**8,911**

(millions C$)

NET QUARTERLY INCOME



Summary of Quarterly Results

The change in accounting for the fiscal period resulted in five quarters during 2021 versus four quarters in 2020 and the resulting quarterly discussion compares the October to December 2021 period versus the October to December 2020 prior period.

Sales for the quarter were $63.8 an increase of 12.5 from the prior period. Company sales has continued to grow, as demand for agricultural equipment remains strong. Net income improved for the quarter to $13.1 an improvement of 13.0 when compared to the prior period. Contributing to the increase in net income was improved margin of $1.8 over the prior period and a gain on sale of intellectual property of $12.1 for Tier III tractors that can no longer be sold in North America due to emissions standards. This was offset by the gain on forgiveness of debt of $1.5 that was recognized in the prior period and not repeated in the current period.

Changes in the balance sheet include, increases in inventory of $12.8 due to increased sales and supply chain challenges and a reduction in accounts receivable of $14.3. Accounts payable dropped by $13.2 to $72.1 in the current period and related party long term debt was reduced by $7.7.

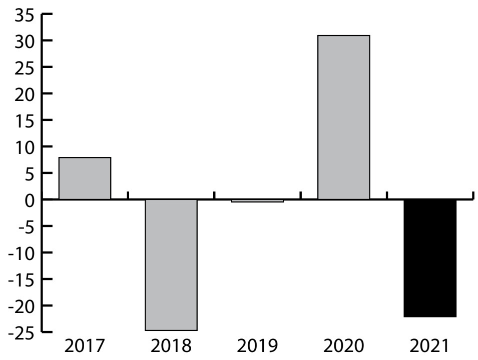
Management Discussion & Financial Analysis

Cash Flow and Capital Resources

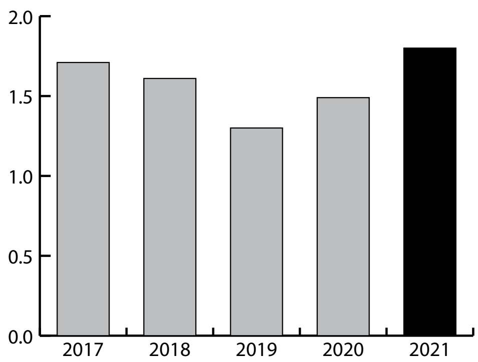
Operating Activities

Cash for the period was down $15.3 from 2020, coming in at an indebtedness of $22.1, compared to the prior year indebtedness of $6.8. Accounting for the increase in cash was net income of $8.9, net proceeds from investing activities of $6.5 and net proceeds from financing activities of $5.0. This was offset by a reduction in non-cash working capital at $20.2 and a reduction in non-cash operating activities of $15.4.

Net Cash Flow (millions C$)



Inventory Turns



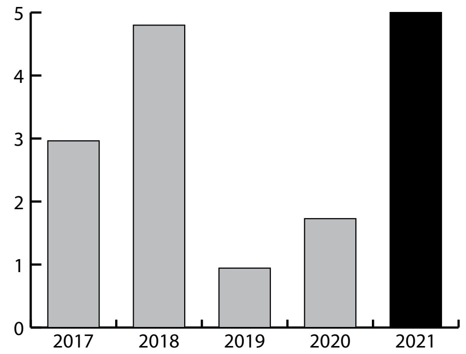
Management has diligently worked to control the investment in inventory in order to keep a strong cash position. The increase in sales has resulted in an increase in the Company's inventory turns, improving to 1.8 in 2021 from 1.5 in 2020.

Management Discussion & Financial Analysis

Investing Activities

Cash received during the period for investing activities was $6.5 compared to cash utilized of $0.3 in 2020. Purchases of property, plant and equipment amounted to $5.0, which were offset by the cash proceeds on the sale of intellectual property of $11.2 and surplus assets of $0.3. In the prior year, purchases of property, plant and equipment was $1.1, offset by proceeds on sale of surplus assets of $0.8.

Asset Purchases (millions C$)



Financing Activities

The Company's financing activities resulted in an inflow of $5.0 for the period, compared to $12.9 in the prior year. The Company received $15.0 from proceeds of long-term debt issuance and this was offset by a repayment of debt of $10.0. In the prior year the Company received tax credits of $0.6 and $12.3 in advances from a related party.

Resources

In order for the Company to operate and grow, continued funding resources are required. The Company has several options for funding available to it such as cash in the bank, cash provided by operations and acquiring new debt. Under the current agreements in place, the Company has access to $72.9 ($60.0 line of credit, $12.9 mortgage facility) in credit facilities.

Risks and Financial Instruments

The Company recognizes that net earnings are exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers. These market conditions are regularly monitored and actions are taken when appropriate. Despite the methods employed to manage these risks, future fluctuations in interest rates, exchange rates, raw material costs and customers condition can be expected to impact net earnings.

The Company may enter into fixed-rate debt to minimize the risk associated with interest rate fluctuations. In addition, the Company may employ hedging programs to minimize foreign exchange risks associated with the changes in the value of the Canadian dollar relative to the U.S. dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from sales in either currency with outflows of costs and expenses denominated in the same currency. A portion of the remaining exposure to fluctuations in exchange rates may be mitigated with forward and option contracts.

The Company currently has a variable interest bank credit facility. Should future cash requirements result in additional debt be taken on, management would evaluate the financing options available at that time and take a course of action that is in the best interests of the Company in the long-term. Currently, all of the financing needs of the Company are being met by the bank credit facility, which carries a low rate of variable interest.

With respect to foreign exchange, the Company manages risk by use of the natural hedge that exists between the U.S. dollar denominated accounts receivables and accounts payable. Where a large difference in this hedge is anticipated, forward foreign exchange contracts may be entered into to mitigate the risk. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved financial institutions. Fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. The Company's financial results over the long-term will be affected by sizeable changes in the value of the Canadian dollar relative to the U.S. dollar.

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The Company assesses the credit quality of customers, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases, insures accounts receivable balances against credit losses. Nonetheless, unexpected deterioration in the financial condition of a customer can have a negative impact on net earnings in the case of default.

Looking Forward

Increased sales are projected for the year. The Company has a large backlog that continues to grow as a result of strong demand for agricultural machinery and equipment. Increased sales will require additional inventories and receivables to support the sales growth. The Company continues to experience supply chain challenges faced by the agricultural manufacturers as it works to improve shipments. The Company expects to see margin improvement stemming from increased customer demand and the reduction in manufacturing costs that were implemented in the prior year.

Critical Accounting Estimates

The Company believes the following accounting estimates are critical to determining and understanding the operating results and the financial position of the Company.

Expected Credit Losses

The Company recognizes expected credit losses on financial assets and changes in such losses, at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. For accounts receivable, the Company applied the simplified approach permitted by IFRS 9, under which the lifetime expected credit losses must be recognized upon initial recognition. For loans classified under receivables, the Company measures credit risk based on the 12-month expected credit risk if there has not been a significant increase in credit risk since initial recognition.

Allowance for Inventory Obsolescence and Net Realizable Value

The Company estimates allowances for potential losses resulting from inventory becoming obsolete or net realizable value declining below the carrying values. Additional allowances may be required if the physical condition of inventory deteriorates or customer requirements change.

Management Discussion & Financial Analysis

Impairment of Property, Plant and Equipment

An integral component of impairment testing is determining the asset's recoverable amount. The determination of the recoverable amount involves significant management judgment, including projections of future cash flows and the appropriate discount rates. The cash flows are derived from financial forecasts and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates could result in a material change in the recoverable amount.

Contingencies and litigation

Should a lawsuit or claim be brought against the Company, management assesses the potential financial exposure of the Company. In assessing any probable losses, the amount of possible insurance recoveries will be projected. The Company accrues such liabilities when a loss becomes probable and the net amount of the loss can reasonably be estimated. Due to the inherent uncertainties relating to the eventual outcome of litigation and potential insurance recovery, certain matters could ultimately be resolved for amounts materially different to provisions or disclosures previously made by the Company.

Warranty obligation

The Company offers warranties for its sale of equipment. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labor costs.

Economic Conditions

In the context of the COVID-19 pandemic and the related climate of uncertainty, the Company revised some of its most complex estimated and assumptions, including significant judgement areas, used in preparing the consolidated financial statements for the period ended December 31, 2021. The main estimates revised to reflect the impact of COVID-19 pandemic on financial reporting were the determination of whether there was an indication that assets, CGU's or groups of CGU's may be impaired, the assumption used in the establishment of their recoverable amount when an impairment test was deemed necessary, and the assessment of the credit risk on receivables. Additional revisions might be required in the future depending on the development of the pandemic and its impact on the final measurement of the carrying amount of the Company's assets. In general the Company has not seen significant impacts from COVID-19 to date other than the supply chain challenges.

Management Discussion & Financial Analysis

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

The Company makes claims for Scientific Research and Experimental Development (SRED) expenditures which are included in deferred taxes. The amounts recorded are based on the Company's interpretation of the Income Tax Act of Canada provisions which govern the eligibility of SRED costs. The claims may be subject to review by the Canada Revenue Agency (CRA) before refunds are received. Actual collection may be materially different than what is recorded in the financial statements. The Company is currently challenging CRA in court in regards to certain of its SRED credits and believes that it will be successful in defending its SRED claim. The Company's SRED credits are recorded on the balance sheet after review of the relevant accounting pronouncements and collectability or recovery is reasonably assured.

The Company is subject to taxation in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using management's best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at each consolidated balance sheet date. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The operations and organizational structure of the Company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question that result in uncertain tax positions. The Company approaches uncertain tax positions from a liability or exposure perspective. The Company provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

Management Discussion & Financial Analysis

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 31, 2021 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of December 31, 2021 to provide reasonable assurance that the financial information being reported is materially accurate. During the period ended December 31, 2021, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee. The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by BDO LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Yury Ryazanov

Chief Executive Officer
March 31, 2021

Willy Janzen, CPA, CGA, B.Comm.

Chief Financial Officer
March 31, 2021

Independent Auditor's Report

To the Shareholders of Buhler Industries Inc.:

Opinion

We have audited the consolidated financial statements of Buhler Industries Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated statements of income (loss) and comprehensive income (loss) and cash flows for the fifteen month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 24 to the consolidated financial statements, which explains that certain comparative information presented for the year September 30, 2020 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the years ended September 3, 2020 and 2019 (not presented herein but from which the comparative information as at October 1, 2019 has been derived) excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on December 24, 2020.

As part of our audit of the consolidated financial statements for the year ended December 31, 2021, we also audited the adjustments that were applied to restate certain comparative information for the year ended September 30, 2020.

In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended September 30, 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Inventory

Description of the key audit matter

The provision for obsolescence of inventory requires the application of significant judgment by the Company, particularly in the identification of slow moving and obsolete inventory and the quantification of the provision to apply to the inventory identified. The discussion on the assessment of the estimate and the underlying assumptions is included in Note 4c of the consolidated financial statements.

How the key audit matter was addressed in the audit
We assessed the key assumptions applied by the Company to calculate the provision. We tested the calculation of the provision and we compared the results of the analysis to comparable entities.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report, and
- The information included in the Management Discussion & Financial Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report and the Management Discussion & Financial Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise

Independent Auditor's Report

professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Justin Friesen.

BDO Canada LLP

Winnipeg, Manitoba
March 31, 2022

Chartered Professional Accountants

Consolidated Balance Sheet

(000's C$)

		As at December 31,		As at September 30,
		2021		2020 Restated - Note 24
Assets				
Current Assets				
Accounts receivable, net (note 9 and 22)	$	**22,366**	$	46,607
Income taxes receivable		**493**		242
Inventories, net (note 7)		**166,404**		146,931
Prepaid expenses		**5,801**		6,446
Total Current Assets		**195,064**		200,226
Property, plant and equipment (note 8)		**14,735**		15,770
Assets held for sale (note 8)		**2,932**		-
Deferred income tax assets (note 10)		**5,624**		5,624
Interests in joint ventures and other entities (note 11)		**6,594**		6,139
Total Assets	**$**	**224,949**	$	227,759
Liabilities and Shareholders' Equity				
Current Liabilities				
Bank indebtedness (note 6)	$	**22,074**	$	6,807
Accounts payable and accrued liabilities (note 12)		**75,057**		104,933
Income taxes payable		**178**		414
Current portion of long-term debt (note 13)		**12,857**		
Total Current Liabilities		**110,166**		112,154
Deferred income tax liabilities (note 10)		**39**		48
Long term debt (note 13)		**393**		414
Advance from related party (notes 9 and 24)		**24,469**		34,172
Total Liabilities		**135,067**		146,788
Shareholders' Equity				
Share capital (note 14)		**30,000**		30,000
Retained earnings		**59,882**		50,971
Total Shareholders' Equity		**89,882**		80,971
Total Liabilities and Equity	**$**	**224,949**	$	227,759

Subsequent events (note 23)

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the board:

Yury Ryazanov
Chief Executive Officer
March 31, 2022

Grant Adolph P. Mgr.
Chairman of the Board
March 31, 2022

Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

For the fifteen month period ended December 31, 2021 and the year ended September 30, 2020 (000's C$ except per share amounts)

		2021			2020	
Revenue net (note 9)	**$**	**317,178**		$	249,550	
Cost of goods sold (note 9)		**284,099**			237,865	
Gross Profit		**33,079**	**10.4%**		11,685	4.7%
Selling & administration expenses		**26,774**	**8.4%**		22,129	8.9%
Income/(Loss) from Operations		**6,305**	**2.0%**		(10,466)	(4.2%)
Gain on disposal of assets (notes 8 and 9)		**(14,068)**			(526)	
Gain on forgiveness of debt (note 6)		**(1,525)**			-	
Interest income		**(20)**			(309)	
Interest expense (notes 15)		**7,429**			7,074	
(Gain)/Loss on foreign exchange		**(2,097)**			1,022	
Share of income from interests in joint ventures and other entities (note 11)		**(508)**			(94)	
Research and development costs		**8,106**			6,909	
Net Income/(Loss) Before Taxes		**8,988**	**2.8%**		(24,542)	(9.8%)
Current income taxes (note 10)		**77**			1,384	
Deferred income taxes (note 10)		**-**			(117)	
Total income taxes		**77**			1,267	
Net Income/(Loss) and Comprehensive Income/(Loss)	**$**	**8,911**	**2.8%**	$	(25,809)	(10.3%)

Consolidated Statement of Change in Shareholders' Equity

For the fifteen month period ended December 31, 2021 and the year ended September 30, 2020 (000's C$ except per share amounts)

		2021		2020
Capital Stock, beginning and end of period	**$**	**30,000**	$	30,000
Retained Earnings, beginning of period		**50,971**		76,780
Net income/(loss) and comprehensive income/(loss) for the period		**8,911**		(25,809)
Retained Earnings, end of period		**59,882**		50,971
Shareholders' Equity, end of period	**$**	**80,882**	$	80,971
Loss per share				
Basic and fully diluted	**$**	**0.36**	$	(1.03)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the fifteen month period ended December 31, 2021 and the year ended September 30, 2020 (000's C$)

		2021		2020
Cash provided by (used in) operating activities				
Net income/(loss) and comprehensive income/(loss)	$	**8,911**	$	(25,809)
Add (deduct) non-cash items				
Depreciation of property, plant and equipment		**2,760**		3,127
Gain on disposal of assets		**(14,068)**		(526)
Gain on forgiveness of debt		**(1,525)**		-
(Gain)/Loss on foreign exchange		**(2,097)**		1,011
Deferred income taxes		**-**		(117)
Share of income from interests in joint ventures and other entities		**(508)**		(94)
		(6,527)		(22,408)
Net change in non-cash working capital balances (note 18)		**(20,242)**		41,475
		(26,769)		19,067
Investing activities				
Purchase of property, plant and equipment		**(4,961)**		(1,096)
Proceeds on sale of assets		**252**		765
Proceeds on sale of property		**11,184**		-
		6,475		(331)
Financing activities (note 19)				
Recovery of tax credits		**-**		566
Repayment of long-term debt		**(2,143)**		-
Proceeds on long-term debt issuance		**15,000**		-
Advances/(repayment) from related party		**(7,833)**		12,314
		5,024		12,880
Foreign exchange (loss) gain on bank indebtedness		**3**		(701)
Net cash in the period		**(15,267)**		30,915
Bank indebtedness, beginning of period		**(6,807)**		(37,722)
Bank indebtedness, end of period	**$**	**(22,074)**	$	(6,807)

Notes to Consolidated Financial Statements

1. Basis of Operations

Buhler Industries Inc. (the Company) was incorporated under the laws of Canada on February 1, 1994. On March 24, 1994 the Company was listed and posted for trading on the TSX under the stock exchange symbol "BUI". The address of the registered office is 1260 Clarence Avenue, Winnipeg, Manitoba. The majority shareholder is Combine Factory Rostselmash Ltd. and as of December 31, 2021 owns 96.7% of all outstanding shares of the Company.

The Company, through its subsidiaries and a joint venture, has manufacturing and warehousing facilities in Canada and the United States of America (U.S.). The Company produces farm equipment for sale in Canada, U.S. and overseas.

The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The situation continues to evolve as military activity proceeds and additional sanctions are imposed. The war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

The Company's majority owner is Combine Factory Rostselmash Ltd. ("Rostselmash"), a privately held Russian-based manufacturer of agricultural equipment. No sanctions have been imposed on the Company's majority shareholder, the owners of the majority shareholder or any officers or directors of the Company. The Company has not paid dividends to the majority owner since it was purchased by Rostselmash. The Company has had limited sales and purchases in the region and is not materially impacted by the conflict. In addition, the Company does not store inventories or other assets in the region and as a result the Company has no exposure to its assets.

Political events and sanctions are continually changing and differ across the globe. As a result, volatility in commodity prices and currencies may impact the supply chain, demand for equipment and profit margins. The Company continues to monitor the situation.

2. Basis of Presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The Company's functional currency is the Canadian dollar. The Canadian dollar is the reporting currency as much of the Company's business, as well as the majority of the Company's financing, is conducted in Canadian dollars.

On March 25, 2021, the Company voted on changing its financial year end to December 31 from its previous year end of September 30. As a result, the Company has prepared consolidated financial statements as at December 31, 2021 incorporating financial results for the fifteen-month transition period from October 1, 2020 to December 31, 2021 (with a comparative of the year ended September 30, 2020). As a result, the amounts presented in these consolidated financial statements are not entirely comparable. The Company will revert to a customary reporting calendar on a December 31 year end, with fiscal quarters ending on the last day of March, June, September and December each year.

The consolidated financial statements have been prepared under the historical-cost convention, except that certain financial instruments are stated at their fair value.

The consolidated financial statements were approved by the Board of Directors on March 31, 2022.

3. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its active wholly-owned subsidiaries, Buhler Versatile Inc., Buhler Trading Inc., B.I.I. Fargo, Inc., Buhler Versatile USA Inc., Implement Sales Co. Inc., Haskett Properties Inc., ISCO Inc., Progressive Manufacturing Ltd., John Buhler Inc., and Amarillo Service and Supply Inc. Control exists when the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Company holds 100% of the voting rights of the subsidiaries, and therefore controls these entities. The financial statements of all subsidiaries are prepared as of the same reporting date using consistent accounting policies. All inter-company balances and transactions, including any unrealized profits arising from inter-company transactions have been eliminated.

(b) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs incurred are expensed and included in general and administrative expenses. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in the statement of income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

(c) Foreign currency translation

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. For all subsidiaries the functional currency has been determined to be the Canadian dollar. Transactions in foreign currencies are translated to the respective functional currencies of each entity within the consolidated group using the exchange rates in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates prevailing at the end of the reporting period. Non-monetary items measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate prevalent at the date of acquisition. Non-monetary items denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate prevalent at the date that the fair value was determined. Foreign currency differences arising from translation are recognized in net income, except for exchange differences arising on the translation of financial instruments qualifying as a cash flow hedge, which are recognized directly in other comprehensive income ("OCI").

(d) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of variable and fixed overheads based on normal operating capacity. Any excess, unallocated, fixed overhead costs are expensed as incurred. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value if net realizable value declines below carrying amount. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed.

(e) Revenue recognition

Revenue is recognized when control of the equipment or parts has been transferred and the Company's performance obligations to the customers have been satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods.

The timing of when the Company transfers the goods to the customer may differ from the timing of the customer's payment.

Revenues are stated net of discounts, allowances, settlement discounts and rebates, as well as costs for sales incentive programs, which are determined on the basis of historical costs and charged against profit for the period in which the corresponding sales are recognized.

The Company has determined that the customers from the sale of equipment and parts are generally dealers. Transfer of control, and thus related revenue recognition, generally corresponds to when the equipment and parts are made available to the customer, based on the shipping terms negotiated with customers. Most product is sold FOB Origin, while sales to related parties are shipped FOB Destination. Therefore, the Company recognizes revenue at a point in time, when control is transferred to the customer at a sale price that the Company expects to receive.

For all sales, no significant uncertainty exists surrounding the purchaser's obligation to pay for equipment and parts. The Company records appropriate allowance for credit losses.

The cost of incentives, if any, are estimated at the inception of a contract at the amount that is expected to be paid and is recognized as a reduction to revenue at the time of the sale. If the estimate of the incentive changes following the sale to the customer, the change in estimate is recognized as an adjustment to revenue in the period of the change. The Company grants certain sales incentives to support sales of its products to retail customers. At the later of the time of sale or the time an incentive is announced to dealers, the Company records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. Subsequent adjustments to sales incentive programs related to products previously sold are recognized as an adjustment to revenues in the period the adjustment is determinable. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

(f) Sales allowances

The Company grants certain sales incentives to support sales of its

Notes to Consolidated Financial Statements

products to retail customers. At the later of the time of sale or the time an incentive is announced to dealers, the Company records the estimated impact of sales allowances in the form of dealer and customer incentives as a reduction of revenue. The expense for new programs is accrued at the inception of the program. The amounts of incentives to be paid are estimated. The determination of sales allowances requires management to make estimates based upon historical data, estimated future market demand for products, field inventory levels, announced incentive programs, competitive pricing and interest rates, among other things.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes any directly attributable costs, borrowing costs on qualifying construction projects, and the costs of dismantling and removing the items and restoring the site on which they are located. When major components of an item of property and equipment have different useful lives, they are accounted for as separate items. Depreciation is calculated using the following methods to allocate the cost of assets less their residual values over their estimated useful lives as follows:

Buildings	4 - 5%	Straight line
Equipment	20 - 100%	Declining balance
Computer equipment	30 - 100%	Declining balance

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Assets under construction and land are not depreciated.

Leases of property, plant and equipment on terms that provide a contractual right of use are measured at cost, comprised of the initial measurement of the corresponding finance lease payable, lease payments made at or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses. At period end, the Company had no right of use assets.

(h) Research and development expenses

The Company expenses all research and development costs as they are incurred unless they meet the criteria for deferral in accordance with IAS 38 Intangible Assets. No such development costs have been deferred to date.

(i) Interest in joint ventures and other entities

The Company accounts for its interest in joint ventures using the equity method. Interests in other entities where there is no significant influence are recorded at fair value.

(j) Cash/bank indebtedness

Cash/bank indebtedness includes cash on hand, bank overdrafts and bankers acceptances. Bank overdrafts are repayable on demand. Bank overdrafts and bankers acceptances form an integral part of the Company's cash management and are included as a component of cash/bank indebtedness for the purpose of the statement of cash flows.

(k) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recorded directly to equity, in which case it is recognized directly in equity.

Current income tax expense is the expected income tax payable on the taxable income for the period, using income tax rates enacted or substantively enacted in the jurisdictions the Company is required to pay income tax at the reporting date, and any income adjustments to income taxes payable in respect of previous periods. Current income tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and by the availability of unused income tax losses.

Deferred tax expense is recognized using the balance sheet method in which temporary differences are calculated based on the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities for income taxation purposes. Deferred tax is not recognized for the following temporary timing differences: the initial recognition for both goodwill and assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the income tax rates that are expected to be applied when the temporary difference reverses, that is, when the asset is realized or the liability is settled, based on the income tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Current tax assets and liabilities are offset when the Company and its subsidiaries have a legally enforceable right to offset the amounts and intend to either settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to the same income tax authority.

(l) Financial instruments

In accordance with IFRS 9 - Financial Instruments, financial assets are classified as measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model for managing such financial assets and the asset's contractual cash flow characteristics. Financial liabilities are classified as measured at amortized cost using the effective interest method.

The Company's financial instruments are classified as follows: a) cash and cash equivalents (bank indebtedness) - fair value through profit and loss, b) accounts receivable - amortized cost, c) advances to related parties - amortized cost, d) accounts payable and accrued liabilities - amortized cost, d) interests in other entities - fair value through profit and loss, e) advances from related parties - amortized cost and f) long-term debt - amortized cost. All financial instruments are included in the consolidated balance sheet and are measured at fair value except loans and receivables and other financial liabilities, which are measured at amortized cost.

All changes in fair value are recorded to the statement of comprehensive income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Company may utilize derivative instruments in the management of its foreign currency and interest rate exposures.

FVTPL financial instruments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

(m) Derivative financial instruments

The Company operates principally in Canada and the United States, which gives rise to risks that its income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. The Company may enter into foreign currency forward contracts to manage foreign exchange exposures on accounts receivable expected to be recovered in U.S. dollars.

The fair value of each contract is included on the consolidated balance sheet within derivative financial instrument assets or liabilities, depending on whether the fair value was in an asset or liability position. Changes in fair value are recognized in the consolidated statement of comprehensive income through gains/losses on foreign exchange.

(n) Comprehensive income

Comprehensive income includes all changes in equity of the Company, except those resulting from investments by shareholders and dividends paid. Comprehensive income is the total of net income and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that require recognition, but are excluded from net income. The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

(o) Product warranties

The Company makes provisions for estimated expenses related to product warranties at the time products are sold. Management establishes these estimates based on historical information on the nature, frequency and average cost of warranty claims. The Company seeks to improve product quality and minimize warranty expenses arising from claims. Warranty costs may differ from those estimated if actual claim rates are higher or lower than historical rates.

(p) Impairment

Impairment of non-financial assets

Tangible assets and definite life intangible assets are reviewed at each balance sheet date to determine whether events or conditions indicate that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at their original effective interest rate. All impairment losses are recognized in the consolidated statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, not equal the actual results. The estimates and assumptions that are critical to the determination of carrying value of assets and liabilities are addressed below.

(a) Sales incentives

The Company provides certain sales incentives on some sales that may be settled after period end. An estimate of these amounts that may be payable is accrued, but may vary based on the programs in place at the time of settlement. These have been accrued for in accounts payable and accrued liabilities.

(b) Allowance for inventory obsolescence and net realizable value

The Company estimates allowances for potential losses resulting from inventory becoming obsolete and that cannot be processed and/or sold to customers. Additional allowances may be required if the physical condition of inventory deteriorates or customer requirements change and cost exceeds net realizable value. The Company has high estimation uncertainty regarding its inventory provision. The Company provision ranges from 20% to 30% on selected items. If this assumption changed by 10% the provision would increase or decrease by $4.5 million.

(c) Provision for warranty costs

The Company offers warranties for its sale of equipment. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labor costs.

(d) Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. Management plans to take all necessary steps to utilize deferred tax attributes before they expire and believe they have a plan that ensures they will ultimately fully utilize these attributes. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

The Company makes claims for Scientific Research and Experimental Development (SRED) expenditures which are included in deferred taxes. The amounts recorded are based on the Company's interpretation of the Income Tax Act of Canada provisions which govern the eligibility of SRED costs. The claims may be subject to review by the Canada Revenue Agency (CRA) before refunds are received. Actual collection may be materially different than what is recorded in the financial statements. The Company is currently challenging CRA in court in regards to certain of its SRED credits and believes that it will be successful in defending its SRED claim. The Company's SRED credits are recorded on the balance sheet after review of the relevant accounting pronouncements (note 10).

The Company is subject to taxation in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using management's best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at each consolidated balance sheet date. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The operations and organizational structure of the Company are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question that result in uncertain tax positions. The Company approaches uncertain tax positions from a liability or exposure perspective. The Company provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

Notes to Consolidated Financial Statements

(e) Economic conditions

In the context of the Covid-19 pandemic and the related climate of uncertainty, the Company revised some of its most complex estimated and assumptions , including significant judgement areas, used in preparing the consolidated financial statements for the period ended December 31, 2021. The main estimates revised to reflect the impact of Covid-19 pandemic on financial reporting were the determination of whether there was an indication that assets, CGU's or groups of CGU's may be impaired, the assumption used in the establishment of their recoverable amount when an impairment test was deemed necessary, and the assessment of the credit risk on receivables. Additional revisions might be required in the future depending on the development of the pandemic and its impact on the final measurement of the carrying amount of the Company's assets.

The Covid-19 pandemic continues to disrupt supply chains and the Companies ability to produce all parts on a timely basis.

(f) Government grants

Government assistance that requires payment and that is non-interest bearing is accounted for at its fair value, based on management's best estimates. The difference between the assistance amount and its fair value is accounted for as a government grant and recognized in income over the period in which the related cost they are intended to compensate for are recognized.

5. Accounting Standards Implemented in 2021

No new accounting standards came into effect in 2021 fiscal year.

6. Credit Facilities (000's C$)

The Company has available a financing facility in the amount of $60,000 (2020 - $60,000). This facility is an asset-based credit agreement with the Canadian Imperial Bank of Commerce (CIBC). The credit facility is secured by a general security agreement and assignment of specific receivables and inventory in Canada and the U.S. In addition, certain Canadian properties are also secured by CIBC. The Company convenants that the value of its accounts receivable and inventories are less than or equal to 85% of it's calculated borrowing base or it is subjected to a Fixed Charge Coverage Ratio of not less than 1.05:1.00. The financing facility is at Bankers Acceptance and/or LIBOR rates plus stamping fees. At December 31, 2021, the amount drawn on this facility is $27,299 (2020 - $6,673). Cash balances of $5,224 (2020 - $1,400) have been netted with the above facilities.

The financing agreement incorporates an Anti-Corruption Laws and Sanctions covenants requiring the Company and its officers, directors, employees and agents to not be a sanctioned person. The agreement also contains and a Material Adverse Effect covenant. Due to its Russian ownership (Note 1), management is monitoring ongoing compliance.

In the prior period, the Company also accessed loans in the amount of $1,534 ($1,146 USD) with Alerus Financial. These loans bore interest at 1% per annum. These loans were scheduled to have repayments commence on December 15, 2020, however prior to scheduled repayments commencing, but subsequent to period end, the loans were repaid in full through receipt of government grants from the United States Small Business Administration's Paycheck Protection Program.

7. Inventories (000's C$)

	December 31, 2021	September 30, 2020
Raw materials	**$ 83,048**	$ 50,786
Work in process	**4,284**	5,896
Finished goods	**79,072**	90,249
	$ 166,404	$ 146,931

During the period, inventories in the amount of $206,678 (2020 - $170,674) were expensed to cost of goods sold, which included net inventory reversals of write-downs of $4,212 (2020 - recoveries $1,556).

The carrying value of inventories is pledged as security against the Company's credit facilities.

Included in inventories are units sold on consignment being held at dealers locations in the amount of $782 (2020 - $3,861).

Notes to Consolidated Financial Statements

8. Property, Plant and Equipment (000's C$

	Land	Buildings	Equipment	Computer Equipment	Total
Sept. 30, 2019 net book value	**3,557**	**9,096**	**4,645**	**742**	**18,040**
Additions	-	-	1,064	32	1,096
Disposals	-	(110)	(127)	(2)	(239)
Depreciation	-	(908)	(1,988)	(231)	(3,127)
Sept. 30, 2020 net book value	**3,557**	**8,078**	**3,594**	**541**	**15,770**
Additions	-	1,708	2,772	481	4,961
Disposals	-	-	(274)	(30)	(304)
Transfer to held for sale	(1,275)	(1,657)	-	-	(2,932)
Depreciation	-	(1,054)	(1,509)	(197)	(2,760)
Dec. 31, 2021 net book value	**$2,282**	**$7,075**	**$4,583**	**$795**	**$14,735**

	Land	Buildings	Equipment	Computer Equipment	Total
Cost	$3,557	$28,361	$58,412	$6,847	$97,177
Accumulated depreciation	-	(20,283)	(54,818)	(6,306)	(81,407)
2020 net book value	**$3,557**	**$8,078**	**$3,594**	**$541**	**$15,770**
Cost	$ 3,557	$30,015	$54,278	$5,026	$90,705
Transfer to held for sale	(1,275)	(1,657)	-	-	(2,932)
Accumulated depreciation	-	(21,283)	(49,695)	(4,231)	(75,970)
2021 net book value	**$2,282**	**$7,075**	**$4,583**	**$795**	**$14,735**

The Company reviewed its property, plant and equipment for indicators of impairment. No assets were identified as impaired.

Included in property, plant and equipment is $709 of equipment not being depreciated as the assets are not yet in use (2020 - $19).

During the previous year, and into the current period the Company transitioned operations from its Fargo, ND and Willmar, MN to it's Morden, MB facility. As a result the facilities and related land in these two locations is now considered redundant to the needs of the Company and are actively listed for sale. It is anticipated both facilities will be sold in the coming year.

9. Related Party Transactions (000's C$)

	2021	2020
Accounts receivable from controlling shareholder	**$4,229**	$3,076
Accounts payable to controlling shareholder	**83**	2,086
Advances from controlling shareholder	**24,469**	34,172
Net sales to controlling shareholder including intellectual property sales recorded as gains on disposal of assets	**$19,572**	$6,052
Net purchases from controlling shareholder	**143**	378

All transactions with related parties are recorded at fair value agreed to by the related parties. In the current period, the Company sold certain intellectual properties to the controlling shareholder. These relate to Tier III tractor models that no longer have a market in North America for $14,400. There was no cost basis for these intellectual properties, which resulted in a gain on sale of $14,400. The amounts agreed upon are based on external valuations.

The advances from the controlling shareholder of $19,300 USD (2020 - $25,618 USD) bears interest at 5.0%. Amounts are repayable in USD as follows:

Due Date	**2021**	2020
		Restated (note 24)
November 2023	**$8,000**	$8,000
January 2024	**3,020**	9,020
January 2024	**8,280**	8,280
Accrued interest	**-**	318
Total	**$19,300**	$25,618

Compensation of Key Management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Executive Committee are key management personnel. The following table details the compensation paid to these key management personnel (note - no amounts were paid for post-retirement benefits nor were there any share based payments):

	2021	2020
Salaries, fees and short term employee benefits	**$2,781**	$2,460

Notes to Consolidated Financial Statements

10. Income Taxes (000's C$)

	2021	2020
Current period	**$107**	$602
Adjustment for prior years	**(30)**	782
Current income tax expense (recovery)	**$77**	$1,384
Origination and reversal of timing differences	**-**	$(117)
Derecognition of tax credits	**-**	-
SR&ED credits earned	**-**	-
Deferred taxes (recovery) expense	**-**	$(117)

Combined Canadian federal and provincial income tax rate	**27.0%**	27.0%
Foreign tax rate differences applied to profits (losses)	**-**	-
Derecognition of tax credits	**(4.6%)**	(27.2%)
Losses carried back at a higher tax rate	**-**	-
Adjustments for prior years	**3.6%**	(3.2%)
SR&ED credits earned	**(4.0%)**	-
Non-taxable portion of capital gains	**(24.4%)**	-
Permanent differences and other	**3.3%**	(1.8%)
Effective income tax rate	**0.9%**	(5.2%)

Income taxes paid during the period were $468 (2020 - $317).

Deferred income taxes are recorded to reflect the timing differences arising from deduction of warranty costs for income tax purposes, the amounts of depreciation and amortization provided in the period compared to the allowances deducted for income tax purposes, taxable losses carried forward to future periods, expected Scientific Research and Experimental Development (SRED) tax credit claims and other temporary timing differences.

The following are the components of the deferred tax assets and liabilities recognized by the Company:

Deferred income tax assets	2021	2020
Property, plant and equipment	**$931**	$931
SRED credits	**4,693**	4,693
Total	**$5,624**	$5,624

Deferred income tax liabilities	2021	2020
Property, plant and equipment	**$39**	$48

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

The Company has a deferred tax asset of $35,308 in Canada (2020 - $34,058). In the current period, only $5,624 (2020 - $5,624) has been recorded. The remaining $29,684 will be recognized in future periods when profitability returns in Canada. These losses begin to expire in 2037.

Deferred tax assets of $18,211 in the U.S. (2020 - $19,296) in excess of the deferred tax losses are available to be carried forward to future periods. Management believes that these assets will be realized in future periods. As a result of losses over the past few years, management has decided to not recognize these assets as at December 31, 2021. These assets will be recognized in future periods when profitability returns in the U.S.. These losses begin to expire in 2034.

The current value of all SRED claims net of estimated taxes and allowances is $4,693 (September 30, 2020 - $4,693). The Company's claims for SRED credits for the tax years 2005 - 2011 ($5,506) are currently being challenged by Canada Revenue Agency (CRA). The claim for 2005 will be reviewed by tax court, while claims for 2006 and 2007 are being held in abeyance by CRA pending the outcome of the 2005 claim. Tax years 2008 through to 2011 have received refunds in the amount of $813 during the prior year and the assessments for these years will

be appealed. Final settlement for these claims may take several years to resolve.

The 2012, 2013 and 2014 claims ($2,206) have been approved and were paid out by CRA in prior years. The 2015, 2016 and 2017 claims have been approved and partially paid out by CRA ($1,633), with the remaining payment expected in a future period when there is taxable income. The 2018 claim for $482 is currently under review. The 2020 and 2021 SRED claims will be filed with CRA prior to any filing deadlines.

Notes to Consolidated Financial Statements

11. Interests in Joint Ventures and Other Entities (000's C$)

The Company has a joint venture operating as Bradley Steel Processors Inc. and minority interests in other various entities.

The summarized financial information of the Company's share of the investments in joint ventures and other entities is as follows:

Balance sheet information	2021	2020
Assets		
Current	**$6,942**	$6,123
Non-current	**174**	249
Total Assets	**$7,116**	$6,372
Liabilities		
Current	**$520**	$231
Non-current	**2**	2
Total Liabilities	**522**	233
Equity	**6,594**	6,139
Total Liabilities and Equity	**$7,116**	$6,372
Income statement information		
Revenues	**$7,239**	$4,140
Profit from continuing operations	**$697**	$131
Net income and comprehensive income	**$508**	$94
Other information		
Dividends received from joint ventures and other entities	**$10**	$26
Depreciation	**$38**	$18
Income tax expense	**$189**	$36

12. Warranty Provision (000'S C$)

The Company generally provides its customers with a warranty on the goods sold. The movement in the provision for warrant costs during the period is as follows:

	2021	2020
Opening balance	**$9,315**	$5,810
Warranty accrual (recovery) (net)	**2,045**	3,490
Effect of exchange rate	**(48)**	15
Closing balance	**$11,312**	$9,315

The Company's warranty costs for the period, net of recoveries from suppliers, was $15,179 (2020 - $11,671).

13. Short and Long-Term Debt (000'S C$)

The Company's long-term debt consists of a $15,000 facility with Canadian Imperial Bank of Commerce, secured by a mortgage on the Company's Winnipeg properties and a guarantee from Export Development Canada. The loan matures on October 8, 2022 and is amortized over 84 months with principal repayments commencing February 2021 in the amount of $179 per month. It is anticipated that this will be renewed in October 2022.

The long-term debt facility incorporates the same Anti-Corruption Laws and Sanctions and Material Adverse Effect covenants as the credit facility discussed in Note 6.

The Company has long-term debt of $393, 2020 - $414 ($310 USD, 2020 - $310 USD) due to The City of Willmar. This amount bears interest at the annual rate of the implicit price deflator for Minnesota and is due June 2025.

14. Capital Stock and Options (000's C$)

Authorized, an unlimited number of Class A & B common shares.

	2021		2020	
	Shares		Shares	
Issued Class A common	**25,000**	**$30,000**	25,000	$30,000

There are no options outstanding as of December 31, 2021 nor September 30, 2020.

15. Interest Paid (000's C$)

	2021	2020
Bank indebtedness	**$691**	$1,602
Wholesale financing	**4,161**	4,117
Long-term debt	**2,577**	1,355
	$7,429	$7,074

Interest expense includes interest on long-term, bank indebtedness and wholesale financing. Through an agreement with DLL, the initial wholesale financing interest expense for the dealer is paid by Buhler Industries Inc. to DLL to support a segment of Buhler's North American dealer network. Under the agreement, dealers have dedicated credit lines with DLL, customized service, and competitive terms that allow them to manage and grow their businesses effectively. The floorplan financing terms and interest costs are variable and may change from time to time. As part of the agreement with DLL, the Company guarantees the repurchase of equipment in certain instances such as dealer bankruptcy.

Notes to Consolidated Financial Statements

16. Expenses by Nature (000's C$)

	2021	2020
Raw materials and consumables used	**$240,921**	$197,952
Depreciation and amortization	**2,760**	1,937
Personnel expenses	**64,095**	61,918
Freight	**8,443**	5,118
	$316,219	$266,925

17. Segmented Information (000's C$)

2021

	Canada	U.S.	CIS	Other
Revenue	**$122,170**	**$154,847**	**$7,381**	**$32,780**
Property, plant, and equipment	**10,460**	**5,143**	**167**	**-**

2020

	Canada	U.S.	CIS	Other
Revenue	$102,192	$120,840	$8,887	$28,850
Property, plant, and equipment	10,460	5,143	167	-

CIS is the Commonwealth of Independent States, including Russia, Kazakhstan and Ukraine.

18. Changes in non-cash working capital (000's C$)

Details of changes in financing activities for the period ended December 31, 2021 and September 30, 2020 are as follows:

	2021	2020
Accounts receivable	**$24,240**	$12,766
Inventories	**(19,473)**	18,700
Prepaid expenses	**644**	(2,902)
Accounts payable and accrued liabilities	**(29,875)**	9,511
Income taxes receivable/ payable	**(487)**	4,218
Foreign exchange loss on the above items	**4,709**	(815)
	$(20,242)	$41,478

19. Cash Flow Changes from Financing Activities (000's C$)

Details of changes in financing activities for the period ended December 31, 2021 and September 30, 2020 are as follows:

	Short-term debt	Long-term debt	Advances from related party	Total
Sept 30, 2019	**-**	**$(411)**	**$(21,858)**	**$(22,269)**
Cash flows	-	-	(12,314)	(12,314)
Foreign exchange	-	(3)	-	(3)
Sept 30, 2020	**-**	**(411)**	**(34,172)**	**(34,586)**
Cash flows	-	-	7,833	7,833
Foreign exchange	12,857	21	1,870	1,891
Dec 31, 2021	**$12,857**	**$ (393)**	**$(24,469)**	**$(24,862)**

20. Capital Management

The Company's fundamental objectives in managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, ensure adequate liquidity and financial flexibility at all times, and deploy capital to provide an appropriate investment return to its shareholders while maintaining prudent levels of financial risk. The Company believes that the aforementioned objectives are appropriate in the context of the Company's business.

The Company defines its capital as cash, bank indebtedness, shareholders' equity, long-term debt, advances from related party, net of any cash and cash equivalents. The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments), enter into hedging arrangements and refinance existing debt with different characteristics, amongst others.

The Company constantly monitors and assesses its financial performance and economic conditions in order to ensure that its net debt levels are prudent.

The Company's financial objectives and strategy are reviewed on an annual basis. The Company believes that its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

There are no externally imposed capital restrictions on the Company.

There were no changes in the Company's approach to capital management during the period.

Notes to Consolidated Financial Statements

21. Financial Instruments (000's C$)

The following presents the carrying value and fair value of the Company's financial instruments:

2021			
Financial Asset/ Liability	**Classification**	**Carried at cost/ Amortized cost**	**Fair value**
Bank indebtedness	Amortized cost	**$(22,074)**	
Accounts receivable	Amortized cost	**19,197**	
Interest in other entities	FVTPL		**103**
Accounts payable and accured liabilities	Amortized cost	**(71,888)**	
Current portion of long-term debt	Amortized cost	**(12,875)**	
Long term debt	Amortized cost	**(393)**	
Advances from related parties	Amortized cost	**(24,469)**	

2020			
Financial asset/ Liability	Classification	Carried at cost/ Amortized cost	Fair value
Bank indebtedness	Amortized cost	$(6,807)	
Accounts receivable	Amortized cost	46,607	
Interest in other entities	FVTPL		157
Accounts payable and accrued liabilities	Amortized cost	(104,933)	
Current portion of long-term debt	Amortized cost	-	
Long term debt	Amortized cost	(414)	
Advances from related parties	Amortized cost	(34,172)	

Financial instruments includes bank indebtedness, accounts receivable, advances to related parties, financial instruments, long-term receivables, interests in other entities not subject to significant influence, accounts payable and accrued liabilities, advances from related parties and long-term debt. Except for the long-term receivables, interests in other entities and long-term debt, the carrying values of these financial instruments approximate fair value due to the short term nature of the financial instruments or they are carried at fair value.

The Company has classified its interest in other entities as FVTPL. These shares are not actively traded in a quoted market and accordingly fair value has been estimated to be cost.

The Company categorizes its fair value measurements of financial instruments according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data. The fair values of interest in other entities are disclosed at fair value based on a level 2 classification.

Level 3 – fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk. The Company does not have any financial instruments measured at fair values based on level 3 inputs.

22. Financial Risk Management (000's C$)

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

Interest Rate Risk

The Company's interest rate risk arises from its variable rate bank indebtedness, wholesale financing and long-term debt. The long-term debt at a very low rate, and therefore carries minimal interest rate risk. As the bank indebtedness is all variable rate, the Company is exposed to a certain level of interest rate risk. Management feels that these risks are manageable as the interest rate on this debt is less than prime and therefore has not entered into any instruments to mitigate this risk. Based on the level of bank indebtedness outstanding at December 31, 2021, a 1% increase/decrease in the rate being charged to the Company would result in a $273 (2020 - $67) decrease/increase in net earnings.

As the mortgage financing is all variable rate, the Company is exposed to certain level of interest rate risk. Based on the level of mortgage financing at December 31, 2021, a 1% increase/decrease to the Company would result in a $129 (2020 - $nil) decrease/increase in net earnings.

As the wholesale financing is all variable rate, the Company is exposed to certain level of interest rate risk. Based on the level of mortgage financing at December 31, 2021, a 1% increase/decrease to the Company would result in a $555 (2020 - $1,139) decrease/increase in net earnings.

Commodity Price Risk

The Company's manufacturing costs are affected by the price of raw materials, namely steel. In order to manage its risk, the Company applies a steel surcharge to its product when the cost of steel increases significantly. The Company's preferred practice is to match raw materials cost changes with selling price adjustments, although there is a time lag. This matching is not always possible, as customers react to selling price pressures related to raw material price fluctuations according to conditions pertaining to their markets.

Foreign Exchange Risk

The Canadian dollar is the Company's functional currency. The Company operates primarily in Canada and the United States. The reporting currency of the Company is Canadian dollars, whereas the functional currency for operations in the United States and sales to the CIS region are the U.S. dollar. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar will affect the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differs over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars. This is largely dependent on the Company's revenue mix by currency as operating costs denominated in Canadian dollars have been relatively stable.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in revenues. As a result of the Company's U.S. dollar net monetary position within the Canadian dollar reporting currency operations through to December 31, 2021 a one-cent strengthening/weakening in the period-end foreign exchange rate from Canadian dollars to U.S. dollars would have decreased/increased net earnings by $90 (2020 - $81).

22. Financial Risk Management (000's C$) - continued

The Company's exposure to foreign currency risk reported in U.S. dollars was as follows:

	2021	2020
Accounts receivable	**$5,949**	$18,849
Accounts payable and other accrued liabilities	**(4,821)**	(11,157)
Advances from related party	**(19,300)**	(25,618)
Long term debt	**(310)**	(310)
	$(18,482)	$(18,236)

The Company is partially insulated from large foreign exchange gains and losses by virtue of its mix of cash inflows and outflows in U.S. dollars. Gains and losses generated by fluctuations in the exchange rates used to translate U.S. dollar assets are offset by similar gains and losses on U.S. dollar liabilities. The Company also uses forward contracts to further mitigate these fluctuations when the natural hedges are forecasted to be insufficient.

As at December 31, 2021 the Company had US to CAD foreign currency contracts with a notional value of $nil in place (2020 - $2,500) Fair value adjustments are recognized with (gain) loss on foreign exchange in the consolidated statement of comprehensive income. A one-cent strengthening/weakening in the period end foreign exchange rate from CAD to USD would have increased/decreased the value of these contracts by $nil (2020 - $25) before taxes.

Liquidity Risk

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Company including cash on hand, cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. The Company has current credit facilities of $60,000 in place. Actual bank funding may differ as the result of margin availability subject to meeting certain accounts receivable and inventory covenants. As at December 31, 2021 the Company had access to $42,970 (2020 - $38,700), subject to compliance to covenants in the credit facility (Note 6). The Company

Notes to Consolidated Financial Statements

manages its liquidity risk by forecasting cash flows and determining if the credit facilities in place are adequate or if additional financing would be required.

The 2021 requirements for capital expenditures, working capital and debt repayments can be financed from cash resources, cash flow provided by operating activities and unused credit facilities. The following table outlines the maturity analysis of the Company's financial liabilities:

2021	2022	2023	2024	2025	Post 2026	Total
Bank indebtedness						
$22,074	$ -	$ -	$ -	$ -	$ -	$22,074
Accounts payable and accrued liabilities						
71,888	-	-	-	-	-	71,888
Due to related party						
-	-	10,143	14,326	-	-	24,469
Short-term debt						
2,143	2,143	2,143	2,143	2,143	2,143	12,858
Long-term debt						
-	-	-	-	393	-	393
Total						
$ 96,105	$ 2,143	$12,286	$16,469	$2,536	$2,143	$131,682

Credit Risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of accounts receivable. Management has assessed that the credit risk associated with accounts receivable is mitigated by the credit agreements the Company has in place including personal guarantees from the counterparties.

The maximum exposure to the risk of credit for accounts receivable corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the security agreements in place that allow the Company to recovery goods from dealers that has not been paid for as well as personal guarantees. During 2021, the Company recorded a bad debt expense of $617 (2020 - $161).

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of net loss and loss within selling and administration expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling and administration expenses.

The following table sets out the aging details of the Company's accounts receivable balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

	2021	2020
Current - neither impaired nor past due	**$17,007**	$34,234
Not impaired but past the due date; Within 30 days	**623**	1,657
31-60 days	**47**	828
Over 60 days	**2,455**	11,028
	20,132	47,747
Less: Allowance for doubtful accounts	**(935)**	(1,140)
Total receivables, net	**$19,197**	$46,607

The following table details the continuity of the allowance for doubtful accounts:

	2021	2020
Balance, beginning of period	**$(1,140)**	$(1,271)
Provisions for the period, net of recoveries	**(617)**	(161)
Uncollectible amounts written off	**763**	289
Foreign exchange impact	**59**	3
Balance, end of period	**$(935)**	$(1,140)

23. Subsequent Events

During the year the Company announced the closure of the Vegreville, Alberta facility. At year end the Company was in the process of transferring production lines and inventory out of the facility. The production line at Vegreville is expected to be transferred to Winnipeg, MB following the 2021 fiscal year.

24. Comparative Period Balances

Certain prior period amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

In the prior period, advance from related party was shown as short-term debt and has been re-classed to long-term debt based on the contractual terms to properly reflect the agreed upon terms of repayment of the obligation.

Company Information

Audit Committee
Ossama AbouZeid - Audit Chairman
Allan L.V. Stewart
Oleg Gorbunov

Legal Counsel
Thompson Dorfman Sweatman LLP
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
Canadian Imperial Bank of Commerce
Winnipeg, Manitoba

Cusip Number
119 918 100

Transfer Agent
Computershare Trust Company of Canada
Calgary, Alberta

Corporate Office
1260 Clarence Avenue
Winnipeg, Manitoba, R3T 1T2
Ph: (204) 661-8711
Fax: (204) 654-2503
Web site: www.buhlerindustries.com

Auditors
BDO LLP
Winnipeg, Manitoba

Annual Meeting
The annual meeting of shareholders will be held on June 22, 2022, 11:00 AM at
1260 Clarence Avenue, Winnipeg, Manitoba

Directors

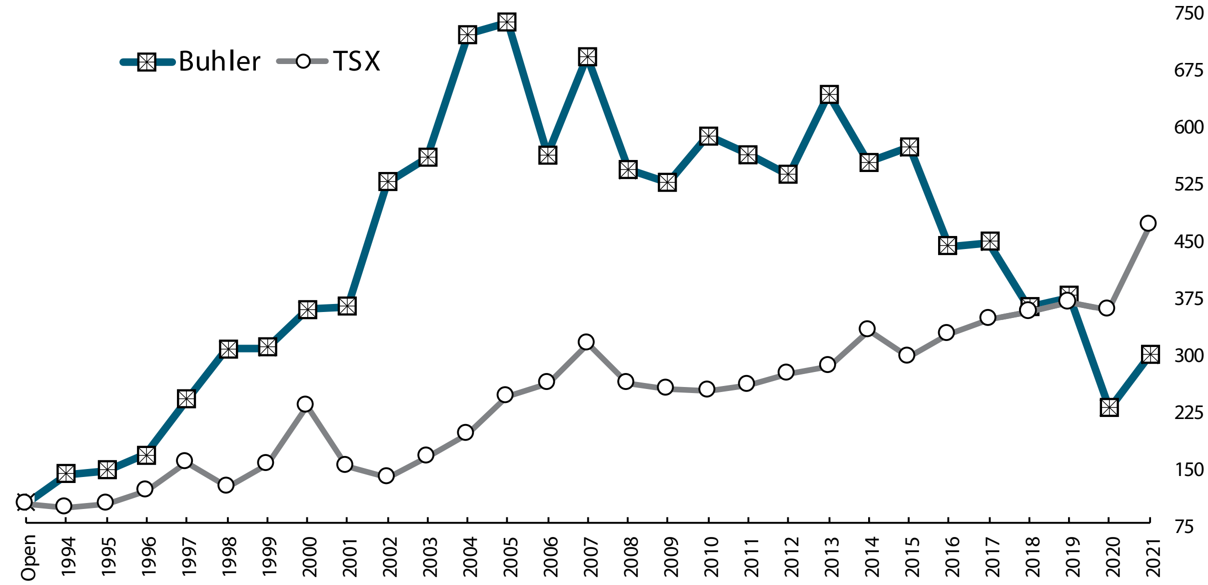
NAME	OFFICE	PRINCIPAL OCCUPATION
Grant Adolph P.Mgr	Director/Chairman	Chief Operating Officer, Buhler Industries Inc.
Yury Ryazanov	Director/CEO	Vice President and Co-owner of Novoe Sodrugestvo Ltd.
Ossama AbouZeid PhD, MBA	Director/Audit Chairman	Partner/Consultant of NXT partners
Adam Reid	Director	Vice President of Sales & Marketing, Versatile
Allan Stewart B.A., LL.B.	Director	Lawyer, Thompson Dorfman Sweatman LLP
Dmitry Udras	Director	Member and Co-owner of Novoe Sodrugestvo Ltd.
Oleg Gorbunov	Director	Adviser to the CEO of Novoe Sodrugestvo Ltd.

Officers and Senior Management

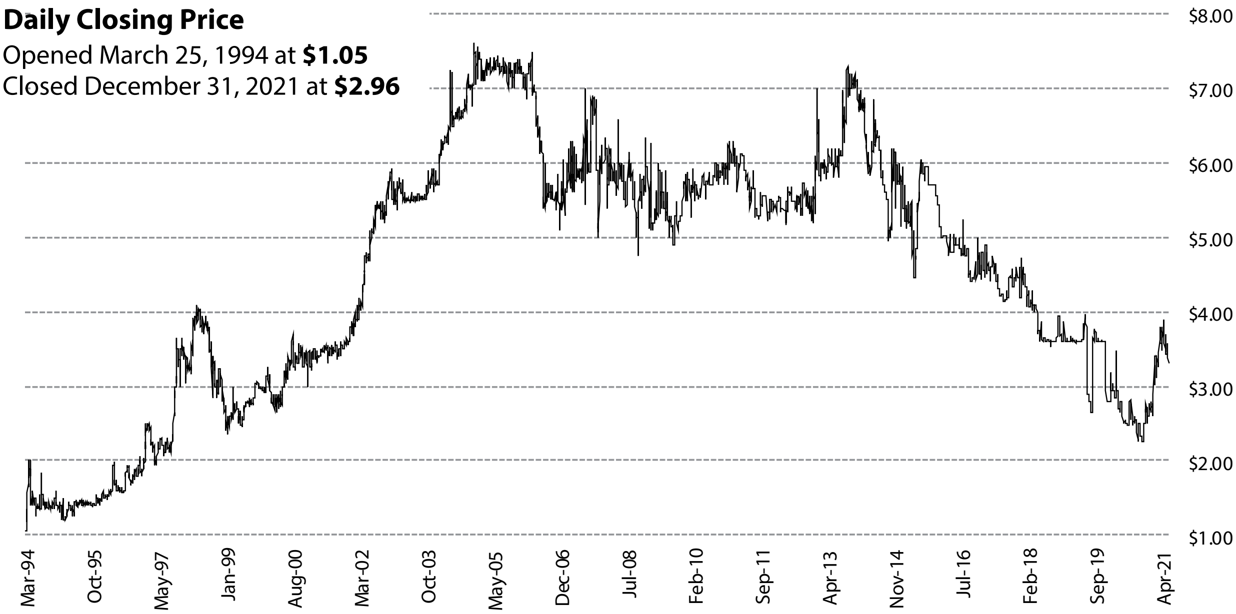
Marat Nogerov	Officer	President, Buhler Industries Inc.
Maxim Loktionov	Officer	Vice President, Buhler Industries Inc.
Grant Adolph P.Mgr	Officer	Chief Operating Officer, Buhler Industries Inc.
Willy Janzen CPA, CGA., B.Comm.	Officer	Chief Financial Officer, Buhler Industries Inc.
Adam Reid	Management	Vice President of Sales & Marketing, Versatile
Todd Trueman C.1.M., P.Mgr., C.Mgr.	Management	Director of Human Resources, Buhler Industries Inc.
Neil Frechette	Management	Director of Information Technology, Buhler Industries Inc.
Louis Lepine	Management	Director of Corporate Quality, Buhler Industries Inc.
Doug White	Management	Operations Manager, Versatile
Olga Shopp	Management	Director of Engineering, Versatile
Natalia Nikushkina	Management	Director of Purchasing, Versatile

Stock Data

Buhler (excl. dividends) compared with TSX Index
1994 to December 31, 2021



Daily Closing Price
Opened March 25, 1994 at **$1.05**
Closed December 31, 2021 at **$2.96**



Year End	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74	3.75	5.50	5.92	7.30	7.63	7.60	7.25	6.90	6.34	6.00	6.50	5.69	7.25	7.30	6.50	6.00	5.00	4.89	3.98	3.89	3.89
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70	3.00	3.48	5.20	5.48	7.00	4.35	5.30	5.00	4.75	5.15	5.20	5.04	5.20	5.51	4.40	4.40	4.14	3.53	2.6	2.25	2.25
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60	6.90	5.40	5.25	5.81	5.60	5.35	6.40	5.51	5.70	4.40	4.45	3.60	3.73	2.50	2.96
Trading Vol. (000's)	1,311	867	1,927	3,015	4,134	2,274	1,092	2,800	1,836	1,321	5,024	1,703	3,010	5,637	2,138	745	1,996	684	1,245	897	1,037	603	344	116	123	141	115	199

10 Year Summary

SUMMARY OF OPERATIONS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Reported standards utilized	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
In thousands of Canadian dollars (except per share amounts)										
Revenue	361,234	340,349	325,501	245,676	274,067	311,974	287,984	229,119	249,550	317,178
Cost of goods sold	305,480	283,031	277,791	223,410	252,841	275,821	254,510	218,776	237,865	284,099
Gross profit	55,754	57,318	47,730	22,266	21,226	36,153	3,474	10,343	11,685	33,079
Selling & admin. expense	23,292	22,529	25,239	26,278	25,894	26,766	25,979	23,974	22,129	26,774
(Loss) Income from operations	32,462	34,789	22,491	(4,012)	(4,668)	9,387	(22,505)	(13,631)	(10,466)	6,305
Gain on sale of capital assets	(1,213)	(74)	(401)	(114)	(8,160)	(4,066)	(2,381)	(19,437)	(526)	(15,593)
Interest income	(553)	(300)	(314)	(376)	(332)	(332)	(511)	(568)	(309)	(20)
Interest expense	3,507	4,459	3,741	3,345	4,315	5,926	7,894	9,050	7,074	7,429
Foreign exchange (gain) loss	2,705	(3,586)	(3,497)	(200)	(789)	1,152	622	494	1,022	(2,097)
Share of income of joint venture	-	(605)	(628)	(473)	(780)	(521)	(481)	(540)	(94)	(508)
Research & development exp.	8,375	8,533	8,663	8,323	8,739	9,604	12,345	7,802	6,909	8,106
Net earnings before taxes	19,641	26,362	14,927	(14,517)	(7,661)	(2,376)	(39,993)	(10,432)	(24,505)	8,988
Income tax expense (recovery)	(3,278)	(6,471)	(2,469)	(9,201)	(4,984)	(2,896)	9,539	19,057	1,267	77
Net earnings	16,363	19,891	12,458	(5,316)	(2,677)	520	(49,532)	(29,489)	(25,809)	8,911
CASH FLOW SUMMARY										
Capital asset purchases	2,444	5,857	4,639	3,216	2,785	2,963	4,799	943	1,096	(4,961)
Long term debt incurred	-	-	-	-	-	-	385	-	-	15,000
Reduction of long-term debt	5,949	2,139	3,191	4,968	2,642	-	-	-	-	(2,143)
Dividends paid	-	-	-	-	-	-	-	-	-	-
Net cash flow	21,203	24,336	17,871	(633)	1,230	4,219	(46,225)	(468)	(22,682)	(11,671)
Net cash (bank indebtedness)	19,293	24,160	(51,715)	(52,830)	(20,452)	(12,553)	(37,254)	(37,722)	(6,807)	(22,074)
BALANCE SHEET SUMMARY										
Cash, receivables and prepaid expenses	79,849	85,491	102,473	80,555	73,680	73,983	63,884	67,331	53,295	28,661
Inventory	131,703	153,325	213,089	201,463	142,372	180,911	171,612	165,631	146,931	166,404
Total current assets	211,552	238,816	315,562	282,018	216,052	254,894	235,496	232,962	200,226	195,064
Total assets	250,755	283,403	362,844	339,029	278,415	319,739	290,378	262,604	227,759	224,949
Total current liabilities	78,624	97,451	167,339	151,029	93,078	133,907	153,670	155,370	146,326	110,166
Total short and long-term debt	11,746	9,607	6,857	2,669	-	-	401	411	414	13,250
Total liabilities	89,830	102,587	169,570	151,071	93,134	133,938	154,109	155,824	146,788	135,067
Total shareholders equity	160,925	180,816	193,274	187,958	185,281	185,801	136,269	106,780	80,971	89,882
Shares o/s (avg. in millions)	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Working capital	132,928	141,365	148,223	130,989	122,974	120,987	81,826	77,592	88,072	84,898
DATA PER COMMON SHARE										
Revenue	14.45	13.61	13.02	9.83	10.96	12.48	11.52	9.16	9.98	12.69
EBITDA	1.10	1.41	0.96	(0.26)	0.02	0.27	(1.15)	0.08	(0.57)	0.77
Price to EBITDA	4.9	4.5	5.7	(22.0)	196.1	16.6	(3.1)	44.9	(4.4)	3.9
EBIT	0.90	1.23	0.73	(0.46)	(0.15)	0.13	(1.30)	(0.08)	(0.69)	0.66
Net earnings	0.65	0.80	0.50	(0.21)	(0.11)	0.02	(1.98)	(1.18)	(1.03)	0.36
Price to earnings	8.17	8.04	11.06	(24.81)	(41.09)	213.94	(1.82)	(3.16)	(2.42)	8.30
Cash flow	0.85	0.97	0.71	(0.03)	0.05	0.17	(1.85)	(1.04)	1.23	0.47
Dividends paid	-	-	-	-	-	-	-	-	-	-
Closing share price	5.35	6.40	5.51	5.70	4.40	4.45	3.60	3.73	2.51	2.96
Shareholders' equity	6.44	7.23	7.73	7.52	7.41	7.43	5.45	4.27	3.24	3.60
STATISTICAL DATA										
Current ratio	2.7	2.5	1.9	1.9	2.3	1.9	1.5	1.5	1.8	1.8
Interest bearing debt/ equity ratio	0.1	0.1	0.3	0.3	0.1	0.1	0.3	0.4	0.4	0.4
Inventory turnover	2.4	2.0	1.5	1.1	1.5	1.7	1.6	1.3	1.5	1.8
Gross margin (% of revenue)	15.4%	16.9%	14.7%	9.1%	7.7%	11.6%	1.2%	4.5%	4.7%	10.4%
Selling & Admin. (% of revenue)	6%	7%	8%	11%	9%	9%	9%	10%	9%	8%
EBITDA (% of revenue)	8%	10%	7%	(3%)	0%	2%	(10.0%)	1%	(6)%	6%
Net earnings (% of revenue)	5%	6%	4%	(2%)	(1%)	0%	(17%)	(13%)	(10%)	3%
Return on average capital	10%	11%	6%	(3%)	(1%)	0%	(16%)	(10%)	(27%)	10%
Return on average equity	11%	12%	13%	(3%)	(1%)	0%	(31%)	(24%)	(27%)	10%

Notes

Notes

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