Buhler Industries Inc.

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

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Buhler Industries Inc. and the accompanying interim consolidated balance sheet as at December 31, 2005 and the interim consolidated statements of earnings, retained earnings and cash flows for the three month period then ended are the responsibility of the Company's management. These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Gislason Targownik Peters.

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

__/d/ J. Buhler ____________________

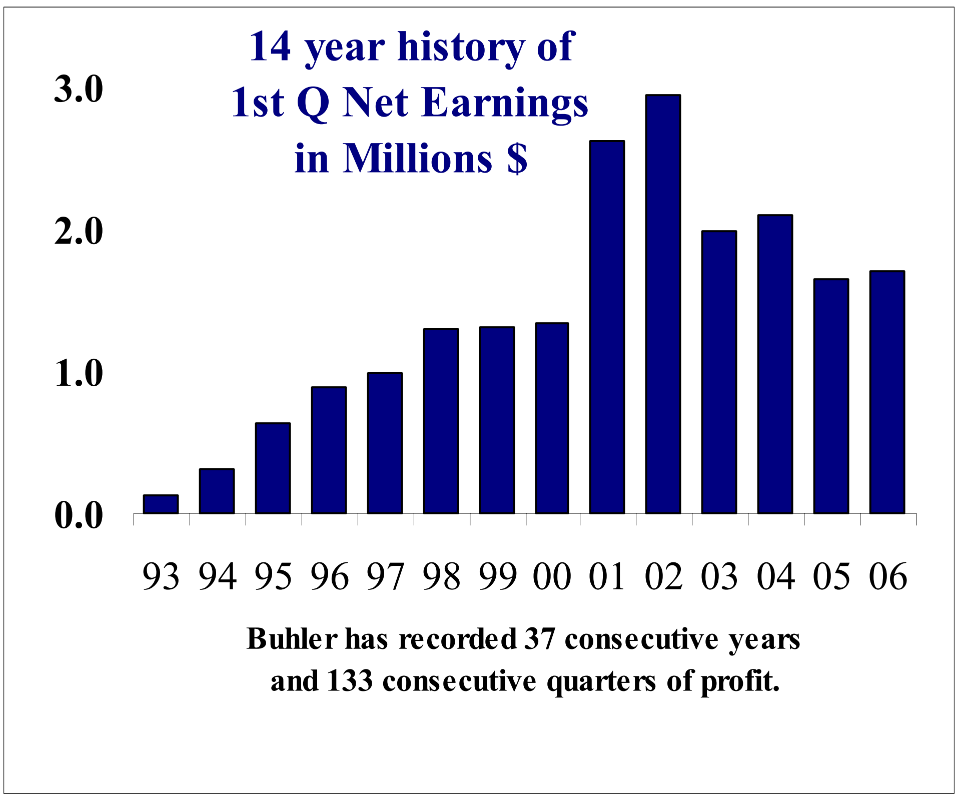
John Buhler
Chief Executive Officer
Winnipeg, Canada
January 23, 2006

__/d/ Ossama AbouZeid____________________

Ossama A. AbouZeid, Ph.D., MBA
Chief Financial Officer
Winnipeg, Canada
January 23, 2006

First Quarter report

December 31, 2005



A Leading Manufacturer and Distributor of Farm Equipment

Management Discussion & Financial Analysis

Production at the tractor factory met our targets for the first quarter of fiscal 2006, however, several of our shortline factories struggled to meet the sales demand on select products. Tractor shipments decreased as various delivery dates were delayed until the second quarter. A further quarter over quarter decline of five cents in the value of the US dollar also contributed to reduced sales. As a result, first quarter revenue is lower than last year, which has resulted in higher inventory and bank debt levels.

Due to late shipping, the Company is realizing a record high order bank for many of its products and next quarter's challenge will be to get the product to the customer on time.

Gross profits during the first quarter increased substantially to 23.9% compared to 16.6% for the same period last year. The increase in consolidated profit is a result of our continued efforts to improve the profitability of our products in the wake of the steel price increases and the ongoing decline in the US dollar. It is also a result of lower than normal tractor sales this quarter. Tractor sales typically yield a lower gross margin in comparison to our shortline products.

On a product by product basis, we expect our gross margin to continue to improve slowly throughout fiscal 2006. We expect to end the year with a consolidated gross margin approaching 20% .

Selling and administration as a percentage of sales increased substantially over last year. Two factors contributed to this higher percentage. Firstly, the number is divided by a lower top line and secondly, bonuses that are usually paid in the second quarter were paid out in December.

Income from operations increased by 27% and gives us the confidence that our slow and steady strategy of improving the profitability and manufacturing health of the Company is working.

Interest expense was greater than planned. The higher than expected inventory levels resulted in greater bank debt, and therefore, greater interest expense. The Company is focused on reducing its inventory levels and some of this will be achieved during the second quarter as tractor shipments accelerate. Further inventory reductions are planned for the balance of the year.

Earnings per share for the first quarter increased by 3% in spite of the decreased revenue.

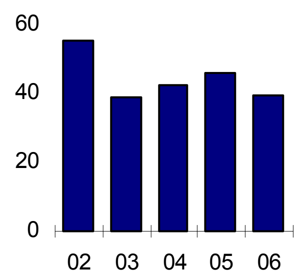
Looking Forward

Due to the carryover of orders from the first quarter, we expect second quarter revenue to exceed last years. During the third and forth quarters, we expect sales to be slightly below the previous year's level. We continue to forecast slow and steady gross margin improvements for most of our products. Consolidated margins in the 20% range are anticipated by the end of fiscal 2006. We will continue to monitor selling and administration expense. We consider research and development as an investment for the future even though it is fully expensed as incurred. Research and development is required in order to sustain our long term competitiveness in this very demanding market.

Craig Engel,

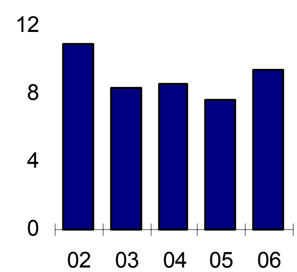
President,
January 23, 2006

Sales and Growth *(millions C$)*



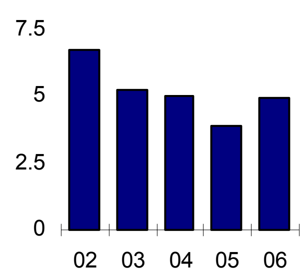
Revenue for the first quarter decreased by 14% to \$39.4 million compared with \$45.8 million last year. Orders scheduled for delivery in the first quarter were delayed to the second quarter. The weakening US dollar also had a negative impact on revenue.

Gross Profit *(millions C$)*



Gross profit for the first quarter was increased to \$9.4 million (23.9% of revenue) compared with last year's \$7.6 million (16.6% of revenue). Last year, we had forecast that margins for this year would range between 16% - 18%. We now believe that gross margins could reach 20% for fiscal 2006.

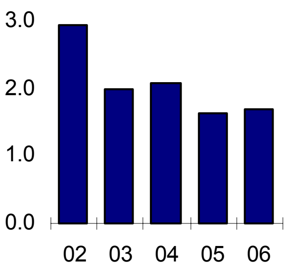
Income from Operations *(millions C$)*



Income from operations also showed signs of improvement increasing to \$4.9 million or 12.5% of revenue compared with \$3.9 million or 8.5% of revenue last year. We expect that income from operations will remain at 10% to 12% for the remainder of fiscal 2006.

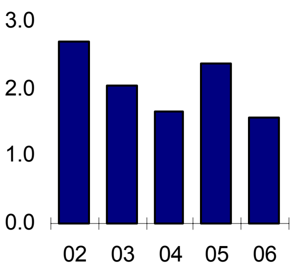
Management Discussion & Financial Analysis

Net Earnings *(millions C$)*



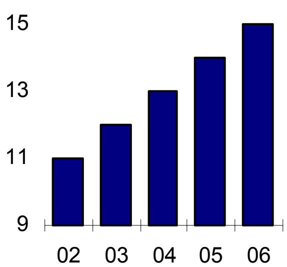
Net earnings for the first quarter improved slightly by 3.5% to $1.7 million ($0.07 per share) compared with $1.6 million ($0.07 per share) last year. Steel price increases and the US dollar exchange are still having a negative effect on net earnings, but it is lessening.

Inventory Turns



Inventory turns of 1.6 are at a record low and can only improve. We are striving for turns of three times, however, the last time we had turns of over three was in 1998, prior to the purchase of the tractor factory. Going forward, we do expect significant improvement in this ratio.

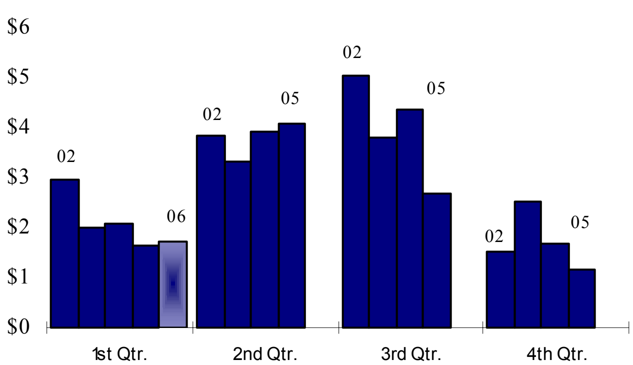
Dividends *(cents C$)*



The Directors declared the 13th consecutive increase in dividends to 15 cents per share payable on January 13, 2006 to shareholders of record on December 2, 2005.

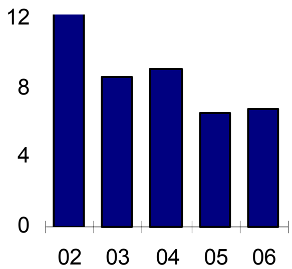
Quarterly Net Earnings Results *(000's millions C$)*

	2002	2003	2004	2005	2006
1st Q	$ 2,950	$ 1,985	$ 2,093	**$ 1,647**	**$ 1,707**
2nd Q	3,831	3,336	3,915	**4,078**	
3rd Q	5,059	3,782	4,361	**2,670**	
4th Q	1,520	2,527	1,680	**1,171**	
Total	**$13,360**	**$11,630**	**$12,049**	**$9,566**	



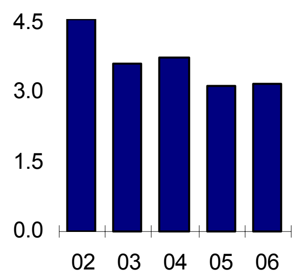
While earnings for the first quarter remained relatively flat, we are forecasting modest improvements in each of the next three quarters. The agricultural sector carries many risks such as poor weather, high input costs and low grain prices, therefore, we remain cautious in forecasting significant improvements.

Net Earnings *(cents per share C$)*



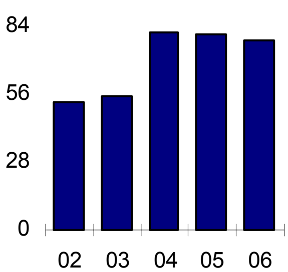
Earnings per share remained flat at 7 cents per share. We are expecting to see slight improvement over the next three quarters. There are no options issued or outstanding and the number of shares outstanding remains at 25 million.

Net Cash Flow *(millions C$)*



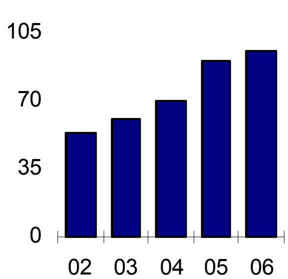
The Company generated a $3.2 million cash flow in the first quarter, same as last year's. This is lower than our 5 year average of $3.7 million. Cash flow is the sum of net after tax earnings plus amortization.

Liquidity, Working Capital *(millions C$)*



Working capital of $78.6 million is down slightly compared with last year's $80.3 million. The Company is always on the lookout for acquisitions that will compliment the existing lines. The healthy working capital combined with the Company's line of credit provides adequate cash reserves for expansion and future acquisitions.

Equity *(millions C$)*



Equity has increased for 37 consecutive years as a result of stable earnings. Equity now stands at $96.1 million or $3.84 per share compared with $90.2 million last year or $3.61 per share. Virtually all of the growth in equity comes from earnings except for the $12.1 million contributed in 2005 by the issuance of 2 million shares.

Consolidated Balance Sheets

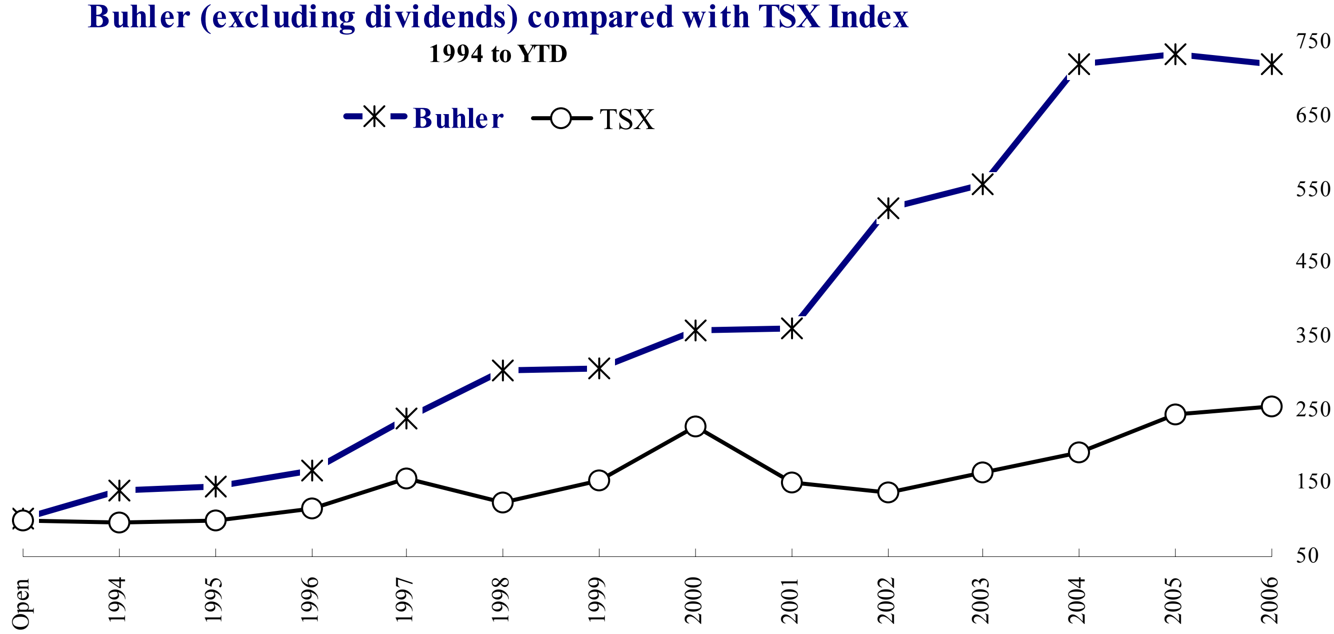
Buhler Industries Inc. 1st Quarter Fiscal 2006

Unaudited (000's C$)

ASSETS	As at December 31	2005	2004
Current assets			
Accounts receivable		$ 47,796	$ 44,643
Inventories (note 2)		119,570	80,499
Prepaid expenses		223	142
Total current assets		167,589	125,284
Property Plant and Equipment (note 3)		37,882	37,867
Related party loan (note 5)		2,261	2,973
Future income taxes (note 10)		3,048	3,552
Investments - at cost		187	182
Total assets		$ 210,967	$ 169,858
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Bank indebtedness (note 4)		$ 54,465	$ 7,770
Account payable & accrued liabilities		31,253	33,914
Current portion, long term		3,276	3,274
Total current liabilities		88,994	44,958
Advances from related party (note 5)		-	-
Long term debt (note 7)		21,591	24,902
Total liabilities		110,585	69,860
Non-controlling interest (note 8)		4,312	9,804
SHAREHOLDERS' EQUITY			
Share capital (note 12)		30,000	30,000
Retained earnings		66,070	60,194
Total shareholders equity		96,070	90,194
Total Liabilities and equity		$ 210,967	$ 169,858

Buhler (excluding dividends) compared with TSX Index

1994 to YTD

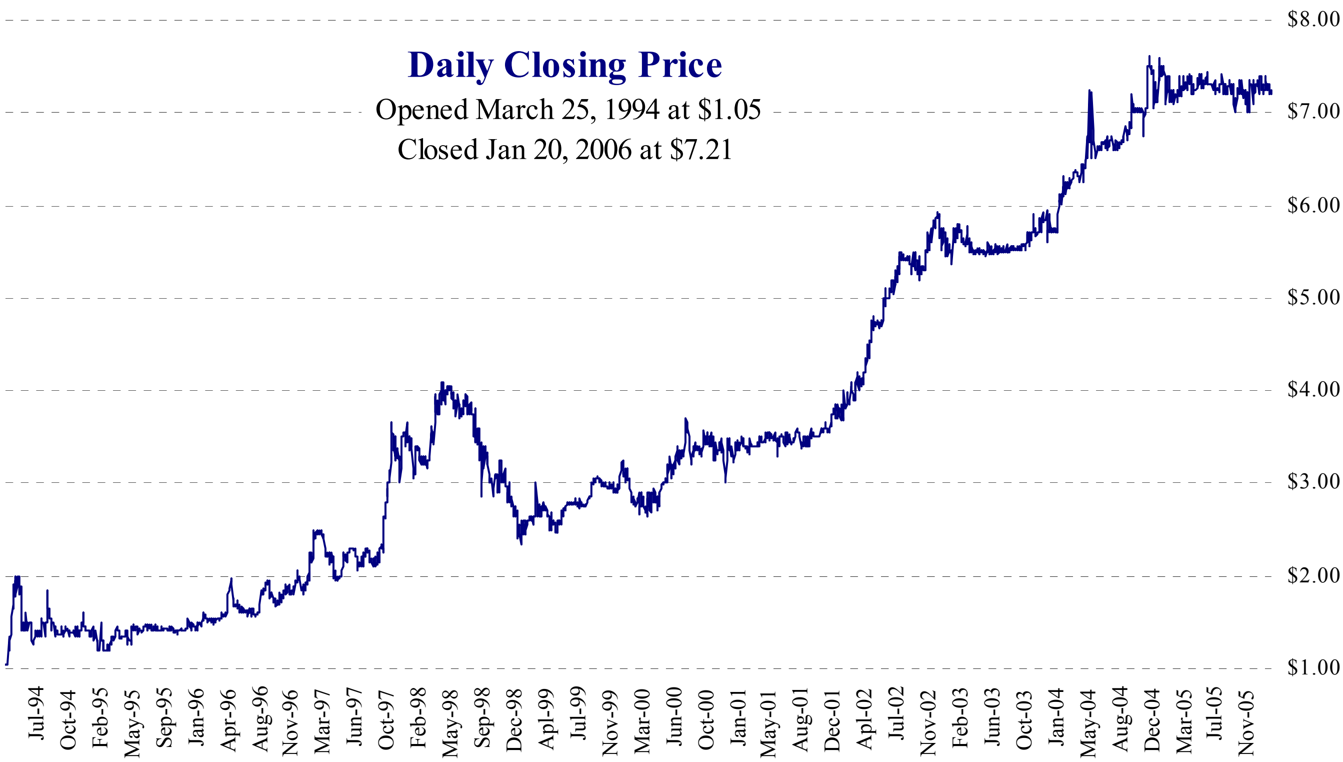


Consolidated Statements of Earnings

Buhler Industries Inc. 1st Quarter Fiscal 2006

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

	Three Months Ended December 31			
	2005		2004	
Revenue	**$ 39,389**		$ 45,811	
Cost of Goods Sold	**29,980**		38,218	
Gross Profit	**9,409**	23.9%	7,593	16.6%
Selling & administration expenses	**4,484**	11.4%	3,721	8.1%
Income From Operations	**4,925**	12.5%	3,872	8.5%
Loss (gain) sale capital assets	**(8)**		(16)	
Interest expense (income)	**421**		(234)	
Amortization	**1,501**		1,506	
Research & Development	**943**		703	
Non-controlling interest	**61**		62	
Earnings Before Taxes	**2,007**	5.1%	1,851	4.0%
Provision for income taxes	**300**		204	
NET EARNINGS	**$ 1,707**	4.3%	$ 1,647	3.6%
Retained Earnings, begin period	**68,113**		62,047	
Dividends	**(3,750)**		(3,500)	
Retained Earnings, End of Period	**$ 66,070**		$ 60,194	
Earnings per share *(fully diluted)*	**$ 0.07**		$ 0.07	



Consolidated Statement of Cash Flows

For 3 months ended December 31 (000's)	**2005**	2004
Cash provided by (used in) operating activities		
Net earnings	**$ 1,707**	1,647
Add (deduct) non-cash items		
Amortization	**1,501**	1,506
Gain on disposal of assets	**(8)**	(16)
Gain on foreign exchange	**(511)**	522
	2,689	3,659
Net change in non-cash working capital balances*	**(29,902)**	(16,039)
	(27,213)	(12,380)
Investing activities		
Purchase of capital assets, net of investment tax credits	**(353)**	(1,050)
Proceeds on sale of capital assets	**134**	28
Investments	**5**	(9)
	(214)	(1,031)
Financing activities		
Repayment of long term debt	**(819)**	(871)
Decrease in non-controlling interest	**(1,007)**	(1,030)
Advances (repayment) from related party	**(4,844)**	(3,796)
Dividends paid	**(3,750)**	(3,500)
	(10,420)	(9,197)
Foreign exchange gain on cash held in foreign curren	**511**	(522)
Net cash provided (used) in the period	**(37,336)**	(23,130)
Bank balance (debt), beginning of period	**(17,129)**	15,360
Bank balance (debt), end of period	**$ (54,465)**	$ (7,770)
***Net change in non-cash working capital balances is comprised of:**		
Accounts receivable	**$ (10,400)**	(9,552)
Inventories	**(13,591)**	(6,737)
Prepaid expenses	**518**	629
Accounts payable, accrued liabilities and taxes payable	**(6,429)**	(379)
Net cash provided (used)	**$ (29,902)**	$ (16,039)

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

(b) Inventories

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

(c) Capital assets and amortization

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

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

(d) Foreign currency translation

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

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

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

(e) Financial instruments

Foreign exchange and interest rate risk

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

Other risks

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

Fair value

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

2. INVENTORIES *(000's C$)*

	2006 Q1	2005 Y/E
Land for development	**$ 2,431**	$ 2,451
Finished goods	**65,583**	51,748
Work in process	**4,233**	5,374
Raw materials	**47,323**	46,406
	$ 119,570	$ 105,979

3. CAPITAL ASSETS *(000's C$)*

			2006 Q1	2005 Y/E
	Cost	Accum. Amort.	**Net Book Value**	Net Book Value
Land	$ 4,569	$ 0	**$ 4,569**	$ 4,569
Buildings	30,635	11,589	**19,046**	19,337
Equipment	51,068	38,025	**13,043**	13,998
Computers	4,676	3,509	**1,167**	1,191
Software & tools	3,084	3,028	**56**	61
	$ 94,032	$ 54,151	**$ 37,881**	$ 39,156

4. BANK INDEBTEDNESS

The Company has available a financing facility with the Bank of Montreal in the amount of $60,000,000. The credit facility is secured by a mortgage, debenture, general security agreement and assignment of receivables and inventory. All interest rates are at prime or less.

5. ADVANCES FROM RELATED PARTY *(C$)*

Throughout the year, the majority shareholder advances or borrows funds from the Company. Interest calculated at bank prime. The Company has provided a letter of credit for $665,000 (2005 - $665,000) to secure a line of credit for an entity in which the majority shareholder has a significant influence.

6. RELATED PARTY TRANSACTIONS

Related party transactions are detailed in the annual report.

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

	2006 Q1	2005 Y/E
Long term debt	**$ 24,867**	$ 25,686
Current portion	**3,276**	3,276
Long term portion	**$ 21,591**	$ 22,410

The unsecured, interest free, Industry Canada loan is repayable in 120 equal monthly installments of $265 commencing July 31, 2003. The U.S. Bank loan (State of North Dakota interest free loan) is repayable over 10 years and is secured by Company assets. $3,276 is repayable annually over the next 5 years.

8. NON-CONTROLLING INTEREST

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

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

9. INTEREST PAID *(000's C$)*

	2006 Q1	2005 Y/E
Operating loan	**$ 371**	$ 681
Long term debt	**0**	0
	$ 371	$ 681

10. FUTURE INCOME TAXES

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

11. DEFERRED PROFIT SHARING PLAN

In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. In 2005, the Company contributed $150,000 to the plan (2004-$200,000). The plan trust owns approximately 1.1 million Buhler shares.

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

Authorized, an unlimited number of common shares.

	2006		2005	
	No. of Shares	**$**	No. of Shares	$
Issued as at Sept. 30	**25,000**	**$30,000**	25,000	$30,000
Options exercised	**0**	**0**	0	0

There are no options outstanding as of December 31, 2005.

Ten Year Summary

In thousands of Canadian dollars (except per share amounts)

Year Ended September 30,	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
SUMMARY OF OPERATIONS										
Revenue	66,517	85,375	89,194	79,961	116,700	187,633	232,619	181,162	206,130	202,319
Cost of goods sold	45,229	58,315	59,951	53,754	86,398	156,223	183,134	139,929	168,529	165,275
Gross profit	21,288	27,060	29,243	26,207	30,302	31,410	49,485	41,233	37,601	37,044
Selling & admin. expense	9,081	10,747	11,823	11,264	13,513	14,883	19,758	16,135	16,290	16,206
Income from operations	12,207	16,313	17,420	14,943	16,789	16,527	29,727	25,098	21,311	20,838
Gain on sale of capital assets	-	-	(727)	(346)	(1,039)	(733)	(134)	(726)	(2,010)	(119)
Interest expense (Income)	679	457	458	434	671	1,032	369	703	(328)	62
Amortization	3,685	4,809	4,808	5,126	5,520	7,684	7,339	6,894	6,812	6,411
Research & development exp.	498	645	552	577	1,043	1,895	2,850	3,683	2,903	3,342
Non-controlling interest	-	-	-	224	903	847	809	267	378	333
Net Earnings before taxes	7,345	10,402	12,329	8,928	9,691	5,802	18,494	14,277	13,556	10,809
Income taxes	2,212	4,271	5,216	3,131	2,393	(1,313)	5,134	2,647	1,507	1,243
NET EARNINGS	**5,133**	**6,131**	**7,113**	**5,797**	**7,298**	**7,115**	**13,360**	**11,630**	**12,049**	**9,566**
CASH FLOW SUMMARY										
Capital asset purchases	9,552	12,253	5,917	5,960	17,278	3,593	14,546	7,854	4,470	7,515
Long-term debt incurred	-	1,201	-	2,417	31,656	-	-	-	-	-
Reduction of long-term debt	1,689	-	7,696	-	-	2,894	795	1,657	3,628	3,360
Dividends Paid	1,097	1,432	1,703	1,992	2,209	2,435	2,584	2,760	2,990	3,500
Net cash flow	8,573	10,940	11,921	10,923	12,818	14,799	20,699	18,524	18,861	15,977
Cash (Bank indebtedness)	(1,576)	(2,724)	(2,348)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)	15,360	(17,129)
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	13,386	12,352	12,996	13,793	46,789	27,277	40,094	41,777	51,222	38,138
Inventory	13,188	16,586	19,014	20,610	52,846	60,179	70,361	90,495	73,762	105,979
Total current assets	26,574	28,938	32,010	34,403	99,635	87,456	110,455	132,272	124,984	144,117
Total assets	54,341	60,716	61,139	74,843	149,073	127,531	156,305	178,281	167,044	186,512
Total current liabilities	16,108	16,131	13,004	14,195	54,038	41,783	49,860	49,742	37,570	58,087
Total short and long term debt	10,034	11,246	5,741	7,587	47,240	42,245	57,743	60,409	29,870	45,398
Total liabilities	22,530	23,219	16,349	27,516	97,414	74,089	94,307	107,413	74,997	88,399
Total shareholders equity	31,811	37,497	44,790	47,327	51,659	53,442	61,998	70,868	92,047	98,113
Shares o/s (avg. in millions)	23.0	23.9	24.9	24.5	24.2	23.5	23.0	23.0	24.3	25.0
Working capital	10,466	12,807	19,006	20,208	45,597	45,673	60,595	82,530	87,414	86,030
DATA PER COMMON SHARE										
Revenue	$ 2.89	$ 3.57	$ 3.57	$ 3.27	$ 4.82	$ 7.98	$ 10.11	$ 7.88	$ 8.47	$ 8.09
EBITDA	0.51	0.66	0.71	0.59	0.66	0.62	1.14	0.95	0.82	0.69
Price to EBITDA	3.3	3.6	4.3	5.2	5.4	5.8	4.6	5.9	8.7	10.6
EBIT	0.35	0.45	0.51	0.38	0.43	0.29	0.82	0.65	0.54	0.43
Net earnings	0.22	0.26	0.29	0.24	0.30	0.30	0.58	0.51	0.50	0.38
Price to earnings	7.44	9.32	10.68	12.91	11.85	11.90	9.04	11.02	14.54	19.21
Cash flow	0.37	0.46	0.48	0.45	0.53	0.63	0.90	0.81	0.78	0.64
Dividends Paid	0.05	0.06	0.07	0.08	0.09	0.10	0.11	0.12	0.13	0.14
Closing share price	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57	7.20	7.35
Shareholders' equity	1.38	1.57	1.80	1.93	2.13	2.27	2.70	3.08	3.78	3.92
STATISTICAL DATA										
Current ratio	1.6	1.8	2.5	2.4	1.8	2.1	2.2	2.7	3.3	2.5
Int. bearing debt to equity ratio	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2	-	0.2
Number of shareholders	1,350	1,600	1,700	1,700	1,600	1,600	1,600	1,600	1,600	1,600
Inventory turnover	3.4	3.5	3.2	2.7	2.8	2.6	2.6	1.5	2.3	1.6
Gross margin (% of revenue)	32%	32%	33%	33%	26%	17%	21%	23%	18%	18%
SG&A (% of revenue)	14%	13%	13%	14%	12%	8%	8%	9%	8%	8%
EBITDA (% of revenue)	18%	18%	20%	18%	14%	8%	11%	12%	10%	9%
Net earnings (% of revenue)	8%	7%	8%	7%	6%	4%	6%	6%	6%	5%
Return on average capital	21%	24%	26%	18%	14%	8%	18%	13%	12%	8%
Return on average equity	18%	18%	17%	13%	15%	13%	23%	18%	14%	10%