Buhler Industries Inc.

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NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Buhler Industries Inc. and the accompanying interim consolidated balance sheet as at December 31, 2006 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.

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 ____________________

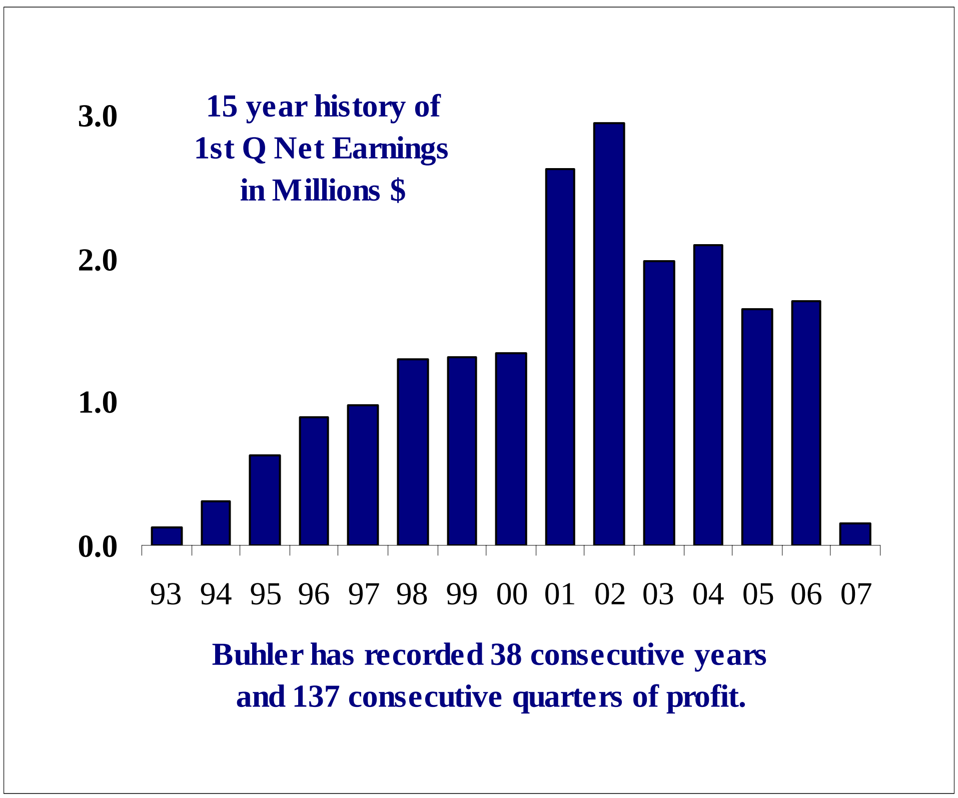
John Buhler
Chief Executive Officer
Winnipeg, Canada
January 22, 2007

__/d/ Ossama AbouZeid____________________

Ossama A. AbouZeid, Ph.D., MBA
President and Chief Financial Officer
Winnipeg, Canada
January 22, 2007

First Quarter report

December 31, 2006



A Leading Manufacturer and Distributor of Farm Equipment

Message from the Chairman

This has been the most trying quarter in the Company's history and we expect the next two quarters to be equally difficult. Fortunately, we were still able to generate a small profit.

The board has accepted the resignation of the Company's president, Mr. Craig Engel. I would like to thank him for his contribution to the success of Buhler. We wish Craig well in his new endeavors.

Dr. Ossama AbouZeid, CFO since 2004 and a director of the corporation, has been appointed to the position of President. He will also continue in his role as Chief Financial Officer. With his 25 years of business experience, he is well placed to take over the duties of President.

I will become more active in the day to day operations and assist Dr. AbouZeid wherever possible.

John Buhler,
Chairman and CEO

Management Discussion & Financial Analysis

Revenue for the first quarter of fiscal 2007 was lower than the same period last year.

According to industry associations, tractor sales declined in North America by 13% over the past 6 months and we were not immune. The decrease in tractor sales was also caused by a change in the buying pattern of our offshore customers, which was the continuation of a trend that emerged last year when shipments were delayed to early spring.

Our short-line sales have declined due to lower than expected industry sales of grain augers. Other short-line products and OEM business remained flat.

We continue to work on reducing inventory and bank indebtedness. Inventory at the end of Q1 was $103.8 million compared to $119.6 million at the same time last year. Bank indebtedness decreased by 37% to $34.0 million, down from $54.5 million the previous year. This resulted in a 15% reduced interest expense.

The inventory reduction necessitated a production rate reduction at the tractor factory and as a result the tractor operation became unprofitable. The Company will continue to work at restructuring this plant to regain profitability.

During this period, the Company took the necessary actions required to ensure that our Sales and General Administration expenses (SG&A) are reduced to correspond with the reduced revenue. The SG&A has decreased from $4.6 million last year to $3.7 million this year. We will continue to monitor.

Looking Forward

We anticipate that the increase in commodity prices and the increased demand for farm-based renewable fuels will favorably influence our sales in the next several years. This however, will be moderated by the higher interest rates and fuel and fertilizer prices.

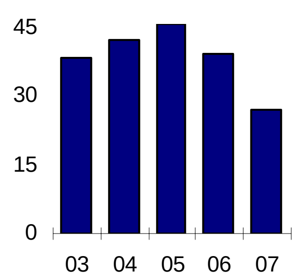
We expect large tractor sales in the North American market to remain flat or slightly decreased over the remainder of the year, in line with the forecast of industry associations. Revenue from the short line products is expected to be flat. Improvements in manufacturing efficiencies will continue to receive full attention. It is our path toward the delivery of an improved financial performance.

The recent weakness in the Canadian dollar eased some of the pressure we experienced last year. The Company's balance sheet continues to be healthy and we will continue to pursue accretive acquisitions.

The resignation of the Company's president has presented our executive group and me with a challenge that we are equal to and we expect the change will be seamless.

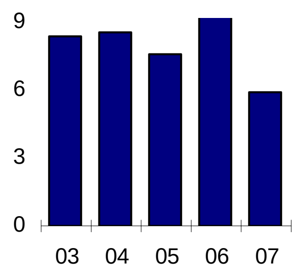
Dr. Ossama AbouZeid, *Ph. D., MBA*
President and *Chief Financial Officer*
January 22, 2007

Sales and Growth *(millions C$)*



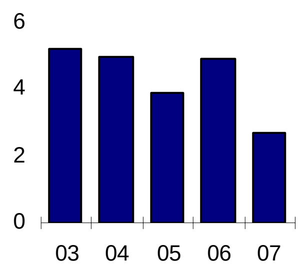
Revenue for the first quarter decreased by 28% to $28.3 million compared with $39.4 million last year. Fall sales for tractors did not materialize as anticipated. Short line products also fell short of expectations.

Gross Profit *(millions C$)*



Gross profit for the first quarter decreased to $5.9 million (20.9% of revenue) compared with last year's $9.4 million (23.9% of revenue). Last year we missed our target of 20% and only reached 19.4%.

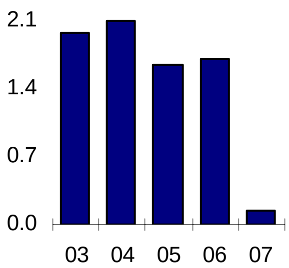
Income from Operations *(millions C$)*



Income from operations decreased to $2.2 million or 7.9% of revenue compared with $4.9 million or 12.5% of revenue last year.

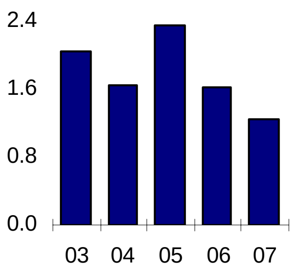
Management Discussion & Financial Analysis

Net Earnings *(millions C$)*



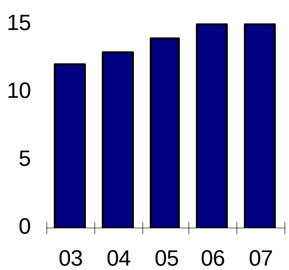
Net earnings for the first quarter fell to a record low of $0.1 million ($0.01 per share) compared with $1.7 million ($0.07 per share) last year.

Inventory Turns



Inventory turns hit an all time low of 1.3. Inventory has been reduced by $15.7 million since last year and should have resulted in a higher ratio, however, the low revenue caused the poor turns. Management is focused on improving this ratio.

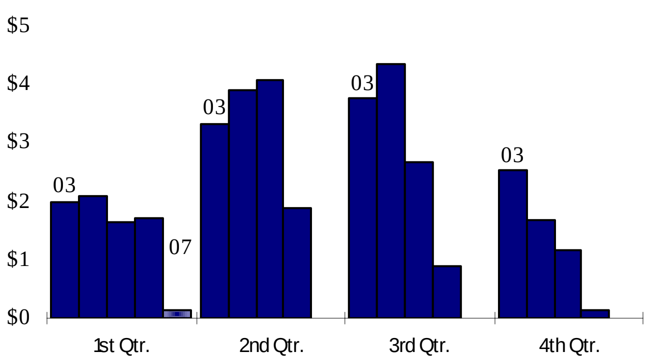
Dividends *(cents C$)*



The Company has paid dividends for 13 consecutive years. An annual dividend of $0.15 per share was paid on January 16th, 2007 to shareholders of record on December 4th, 2006.

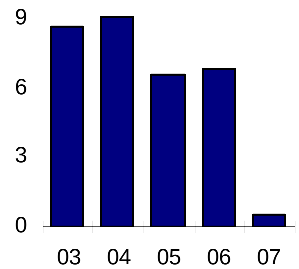
Quarterly Net Earnings Results *(000's millions C$)*

	2003	2004	2005	2006	2007
1st Q	$ 1,985	$ 2,093	$ 1,647	$ 1,707	**$ 0.149**
2nd Q	3,336	3,915	4,078	1,875	
3rd Q	3,782	4,361	2,670	879	
4th Q	2,527	1,680	1,171	123	
Total	**$11,630**	**$12,049**	**$9,566**	**$4,584**	



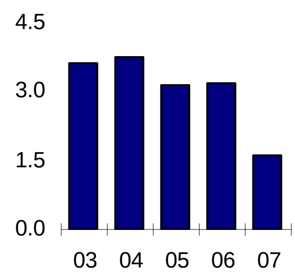
Earnings are at record lows but we remain optimistic that record grain prices will soon translate into improved sales and earnings. The agricultural sector carries many risks such as poor weather, high input costs and low grain prices, therefore, we remain cautious in forecasting significant improvements.

Net Earnings *(cents per share C$)*



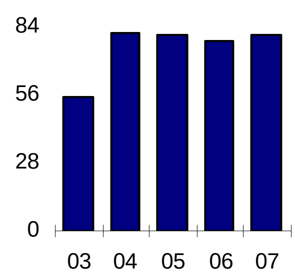
Earnings per share dropped to one cent per share. We are confident that earnings per share have hit bottom and do not expect this to happen again. There are no options issued or outstanding and the number of shares outstanding remains at 25 million.

Net Cash Flow *(millions C$)*



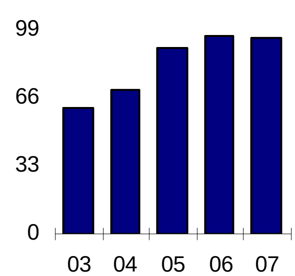
The Company generated $1.4 million cash flow in the first quarter, down 57% from last year and significantly lower than our 5 year average of $3.0 million. Cash flow is the sum of net after tax earnings plus amortization.

Liquidity, Working Capital *(millions C$)*



Working capital of $82 million is up slightly from last year's $78.6 million. The Company is always on the lookout for acquisitions that will compliment the existing lines. The healthy working capital combined with the Company's line of credit provides adequate cash reserves for expansion and future acquisitions.

Equity *(millions C$)*



Equity has dropped slightly to $95.3 million or $3.81 per share compared with last year's $96.1 million or $3.84 per share.

Consolidated Balance Sheets

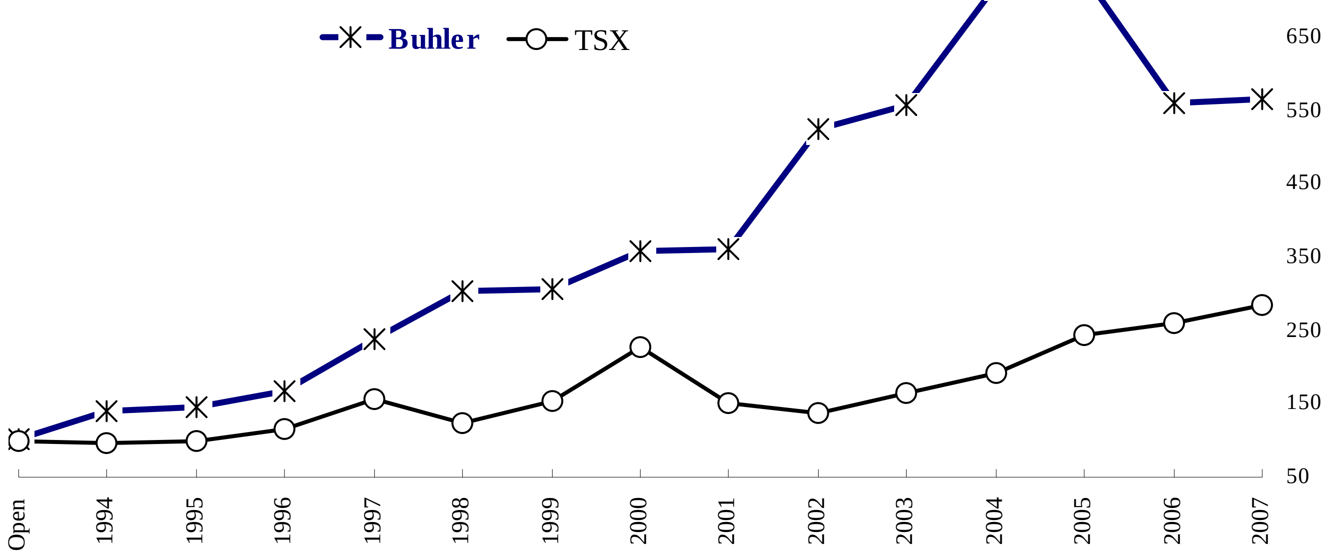
Buhler Industries Inc. 1st Quarter Fiscal 2006

Unaudited (000's C$)

ASSETS As at December 31	**2006**	2005
Current assets		
Cash	-	-
Accounts receivable	$ 39,778	$ 47,796
Inventories (note 2)	103,875	119,570
Prepaid expenses	486	223
Total current assets	144,139	167,589
Property Plant and Equipment (note 3)	33,002	37,882
Related party loan (note 5)	-	2,261
Future income taxes (note 10)	2,058	3,048
Investments - at cost	166	187
Total assets	$ 179,365	$ 210,967
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Bank indebtedness (note 4)	$ 33,985	$ 54,465
Account payable & accrued liabilities	24,839	31,253
Current portion, long term	3,286	3,276
Total current liabilities	62,110	88,994
Advances from related party (note 5)	3,426	-
Long term debt (note 7)	18,305	21,591
Total liabilities	83,841	110,585
Non-controlling interest (note 8)	178	4,312
SHAREHOLDERS' EQUITY		
Share capital (note 12)	30,000	30,000
Retained earnings	65,346	66,070
Total shareholders equity	95,346	96,070
Total Liabilities and equity	$ 179,365	$ 210,967

Buhler (excluding dividends) compared with TSX Index

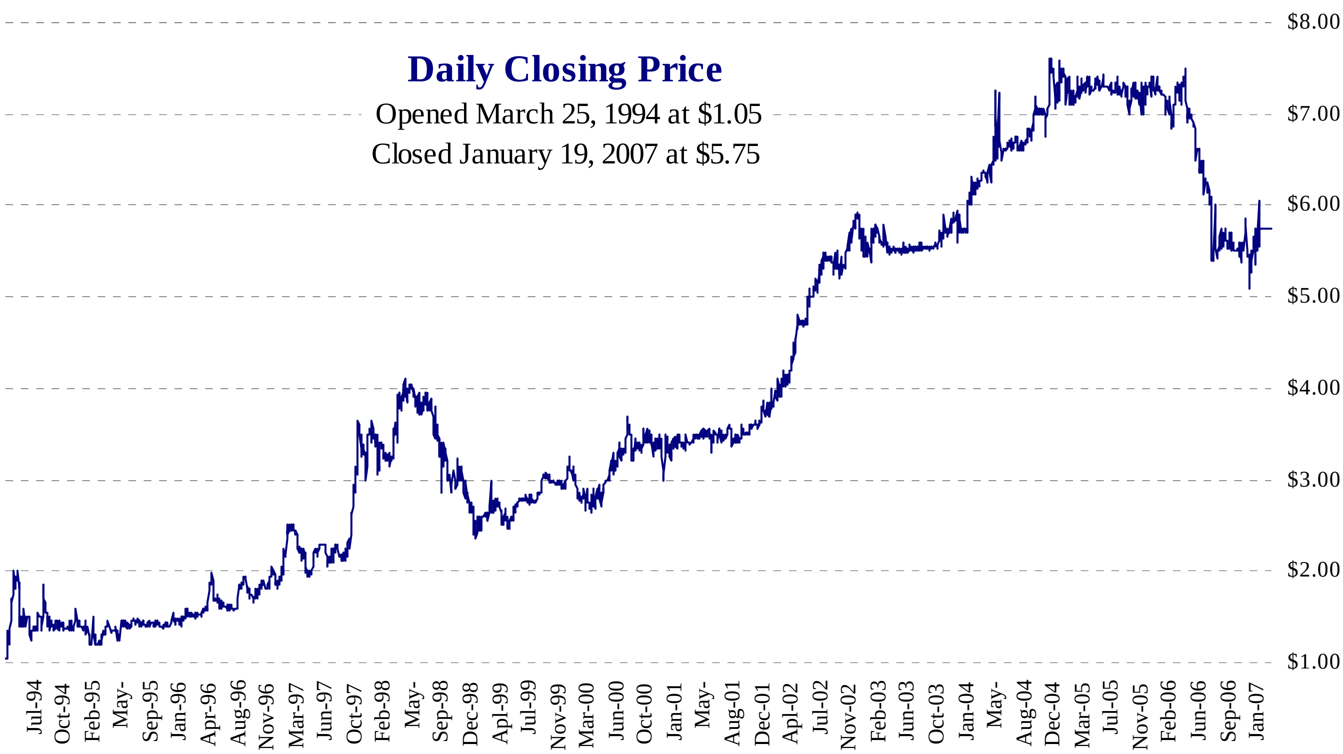
1994 to December 31, 2006



Consolidated Statements of Earnings and Retained Earnings

Buhler Industries Inc. 1st Quarter Fiscal 2007
Unaudited *(000's C$) except per share amounts*

	Three Months Ended December 31			
	2006		2005	
Revenue	**$ 28,313**		$ 39,389	
Cost of Goods Sold	**22,388**		29,980	
Gross Profit	**5,925**	**20.9%**	9,409	23.9%
Selling & administration expenses	**3,688**	**13.0%**	4,484	11.4%
Income From Operations	**2,237**	**7.9%**	4,925	12.5%
Loss (gain) sale capital assets	**(74)**		(8)	
Interest expense (income)	**360**		421	
Amortization	**1,229**		1,501	
Research & Development	**517**		943	
Non-controlling interest	**35**		61	
Earnings Before Taxes	**170**	**0.6%**	2,007	5.1%
Provision for income taxes	**21**		300	
NET EARNINGS	**$ 149**	**0.5%**	$ 1,707	4.3%
Retained Earnings, begin period	**68,947**		68,113	
Dividends	**(3,750)**		(3,750)	
Retained Earnings, End of Period	**$ 65,346**		$ 66,070	
Earnings per share *(fully diluted)*	**$ 0.01**		$ 0.07	



Consolidated Statement of Cash Flows

For 3 months ended December 31 (000's)	**2006**	2005
Cash provided by (used in) operating activities		
Net earnings	**$ 149**	1,707
Add (deduct) non-cash items		
Amortization	**1,229**	1,501
Loss (gain) on disposal of assets	**(74)**	(8)
Loss (gain) on foreign exchange	**(720)**	(511)
Future income taxes	**584**	2,689
Net change in non-cash working capital balances*	**5,952**	(29,902)
	6,536	(27,213)
Investing activities		
Purchase of capital assets, net of investment tax credits	**(311)**	(353)
Proceeds on sale of capital assets	**211**	134
Investments	**-**	5
	(100)	(214)
Financing activities		
Repayment of long term debt	**(790)**	(819)
Increase (decrease) in non-controlling interest	**(588)**	(1,007)
Advances (repayment) from related party	**3,190**	(4,844)
Dividends paid	**(3,750)**	(3,750)
	(1,938)	(10,420)
Foreign exchange gain on cash held in foreign currency	**720**	511
Net cash provided (used) in the period	**5,218**	(37,336)
Bank balance (debt), beginning of period	**(39,203)**	(17,129)
Bank balance (debt), end of period	**$ (33,985)**	$ (54,465)
***Net change in non-cash working capital balances is comprised of:**		
Accounts receivable	**$ 2,616**	(10,400)
Inventories	**1,014**	(13,591)
Prepaid expenses	**322**	518
Accounts payable, accrued liabilities and taxes payable	**2,000**	(6,429)
Net cash provided (used)	**$ 5,952**	$ (29,902)

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 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$)*

	2007 Q1	2006 Y/E
Land for development	**$ 2,561**	$ 2,320
Finished goods	**56,396**	57,591
Work in process	**4,196**	4,223
Raw materials	**40,722**	40,754
	$ 103,875	104,888

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

	Cost	Accum. Amort.	**2007 Q1 Net Book Value**	2006 Y/E Net Book Value
Land	$ 4,532	0	**$ 4,532**	$ 4,532
Buildings	29,315	(12,378)	**16,937**	17,087
Equipment	51,617	(40,963)	**10,654**	11,465
Computers	4,576	(3,697)	**879**	951
Software & tools	2,784	(2,784)	**-**	1
	$ 92,824	$ (59,822)	**$ 33,002**	$ 34,036

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

The advances from related party is from the majority shareholder, holding 53% of the shares of the Company. Throughout the year, the majority shareholder advances or borrows funds from the Company with interest calculated at bank prime. The advance has no specific terms of repayment. 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$)*

	2007 Q1	2006 Y/E
Long term debt	**$ 21,591**	$ 25,686
Current portion	**3,286**	3,276
Long term portion	**$ 18,305**	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. $3,280 is repayable annually over the next 5 years. In the event of default of the Industry Canada Loan, the entire balance then outstanding shall, after the expiry of 30 days, bear interest and become due and payable.

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$)*

	2007 Q1	2006 Y/E
Operating loan	**$ 574**	$ 2,976
Long term debt	**-**	-
	$ 574	2,976

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 2006, the Company contributed $150,000 to the plan (2005-$150,000). The plan trust owns approximately 1.2 million Buhler shares.

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

Authorized, an unlimited number of common shares.

	2006 Shares		2005 Shares	
Issued at Dec 31	**25,000**	**$ 30,000**	25,000	$ 30,000

There are no options outstanding as of December 31, 2006

Ten Year Summary

In thousands of Canadian dollars (except per share amounts)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SUMMARY OF OPERATIONS										
Revenue	85,375	89,194	79,961	116,700	187,633	232,619	181,162	206,130	202,319	175,067
Cost of goods sold	58,315	59,951	53,754	86,398	156,223	183,134	139,929	168,529	165,275	141,138
Gross profit	27,060	29,243	26,207	30,302	31,410	49,485	41,233	37,601	37,044	33,929
Selling & admin. expense	10,747	11,823	11,264	13,513	14,883	19,758	16,135	16,290	16,206	16,863
Income from operations	16,313	17,420	14,943	16,789	16,527	29,727	25,098	21,311	20,838	17,066
Gain on sale of capital assets	-	(727)	(346)	(1,039)	(733)	(134)	(726)	(2,010)	(119)	(801)
Interest expense (Income)	457	458	434	671	1,032	369	703	(328)	62	2,414
Amortization	4,809	4,808	5,126	5,520	7,684	7,339	6,894	6,812	6,411	6,133
Research & development exp.	645	552	577	1,043	1,895	2,850	3,683	2,903	3,342	3,183
Non-controlling interest	-	-	224	903	847	809	267	378	333	276
Net Earnings before taxes	10,402	12,329	8,928	9,691	5,802	18,494	14,277	13,556	10,809	5,861
Income taxes	4,271	5,216	3,131	2,393	(1,313)	5,134	2,647	1,507	1,243	1,277
NET EARNINGS	6,131	7,113	5,797	7,298	7,115	13,360	11,630	12,049	9,566	4,584
CASH FLOW SUMMARY										
Capital asset purchases	12,253	5,917	5,960	17,278	3,593	14,546	7,854	4,470	7,515	2,815
Long-term debt incurred	1,201	-	2,417	31,656	-	-	-	-	-	-
Reduction of long-term debt	-	7,696	-	-	2,894	795	1,657	3,628	3,360	3,315
Dividends Paid	1,432	1,703	1,992	2,209	2,435	2,584	2,760	2,990	3,500	3,750
Net cash flow	10,940	11,921	10,923	12,818	14,799	20,699	18,524	18,861	15,977	10,717
Cash (Bank indebtedness)	(2,724)	(2,348)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)	15,360	(17,129)	45,612
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	12,352	12,996	13,793	46,789	27,277	40,094	41,777	51,222	38,138	43,202
Inventory	16,586	19,014	20,610	52,846	60,179	70,361	90,495	73,762	105,979	104,888
Total current assets	28,938	32,010	34,403	99,635	87,456	110,455	132,272	124,984	144,117	148,090
Total assets	60,716	61,139	74,843	149,073	127,531	156,305	178,281	167,044	186,512	184,366
Total current liabilities	16,131	13,004	14,195	54,038	41,783	49,860	49,742	37,570	58,087	65,323
Total short and long term debt	11,246	5,741	7,587	47,240	42,245	57,743	60,409	29,870	45,398	61,813
Total liabilities	23,219	16,349	27,516	97,414	74,089	94,307	107,413	74,997	88,399	85,419
Total shareholders equity	37,497	44,790	47,327	51,659	53,442	61,998	70,868	92,047	98,113	98,947
Shares o/s (avg. in millions)	23.9	24.9	24.5	24.2	23.5	23.0	23.0	24.3	25.0	25.0
Working capital	12,807	19,006	20,208	45,597	45,673	60,595	82,530	87,414	86,030	82,767
DATA PER COMMON SHARE										
Revenue	$ 3.57	$ 3.57	$ 3.27	$ 4.82	$ 7.98	$ 10.11	$ 7.88	$ 8.47	$ 8.09	$ 7.00
EBITDA	0.66	0.71	0.59	0.66	0.62	1.14	0.95	0.82	0.69	0.58
Price to EBITDA	3.6	4.3	5.2	5.4	5.8	4.6	5.9	8.7	10.6	9.7
EBIT	0.45	0.51	0.38	0.43	0.29	0.82	0.65	0.54	0.43	0.33
Net earnings	0.26	0.29	0.24	0.30	0.30	0.58	0.51	0.50	0.38	0.18
Price to earnings	9.32	10.68	12.91	11.85	11.90	9.04	11.02	14.54	19.21	30.54
Cash flow	0.46	0.48	0.45	0.53	0.63	0.90	0.81	0.78	0.64	0.43
Dividends Paid	0.06	0.07	0.08	0.09	0.10	0.11	0.12	0.13	0.14	0.15
Closing share price	2.39	3.05	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60
Shareholders' equity	1.57	1.80	1.93	2.13	2.27	2.70	3.08	3.78	3.92	3.96
STATISTICAL DATA										
Current ratio	1.8	2.5	2.4	1.8	2.1	2.2	2.7	3.3	2.5	2.3
Interest bearing debt to equity ratio	0.3	0.1	0.1	0.2	0.2	0.2	0.2	-	0.2	0.4
Number of shareholders	1,600	1,700	1,700	1,600	1,600	1,600	1,600	1,600	1,600	1,500
Inventory turnover	3.5	3.2	2.7	2.8	2.6	2.6	1.5	2.3	1.6	1.3
Gross margin (% of revenue)	31.7%	32.8%	32.8%	26.0%	16.7%	21.3%	22.8%	18.2%	18.3%	19.4%
Selling & Admin. (% of revenue)	13%	13%	14%	12%	8%	8%	9%	8%	8%	10%
EBITDA (% of revenue)	18%	20%	18%	14%	8%	11%	12%	10%	9%	8%
Net earnings (% of revenue)	7%	8%	7%	6%	4%	6%	6%	6%	5%	3%
Return on average capital	24%	26%	18%	14%	8%	18%	13%	12%	8%	5%
Return on average equity	18%	17%	13%	15%	13%	23%	18%	14%	10%	5%