



Buhler Industries Inc.

Corporate Office
Box 7300, 1260 Clarence Avenue,
Winnipeg Manitoba, Canada
R3C 4E8
Phone (204) 654-5700
Fax (204) 477-2325

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 March 31, 2007 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.

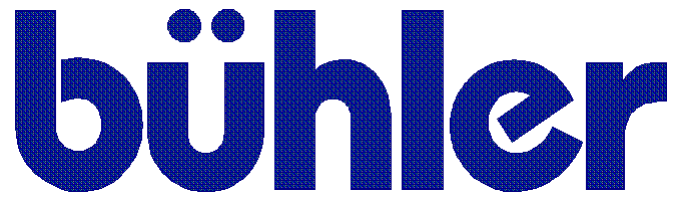
The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

____/d/ J. Buhler _____

John Buhler
Chief Executive Officer
Winnipeg, Canada
April 25, 2007

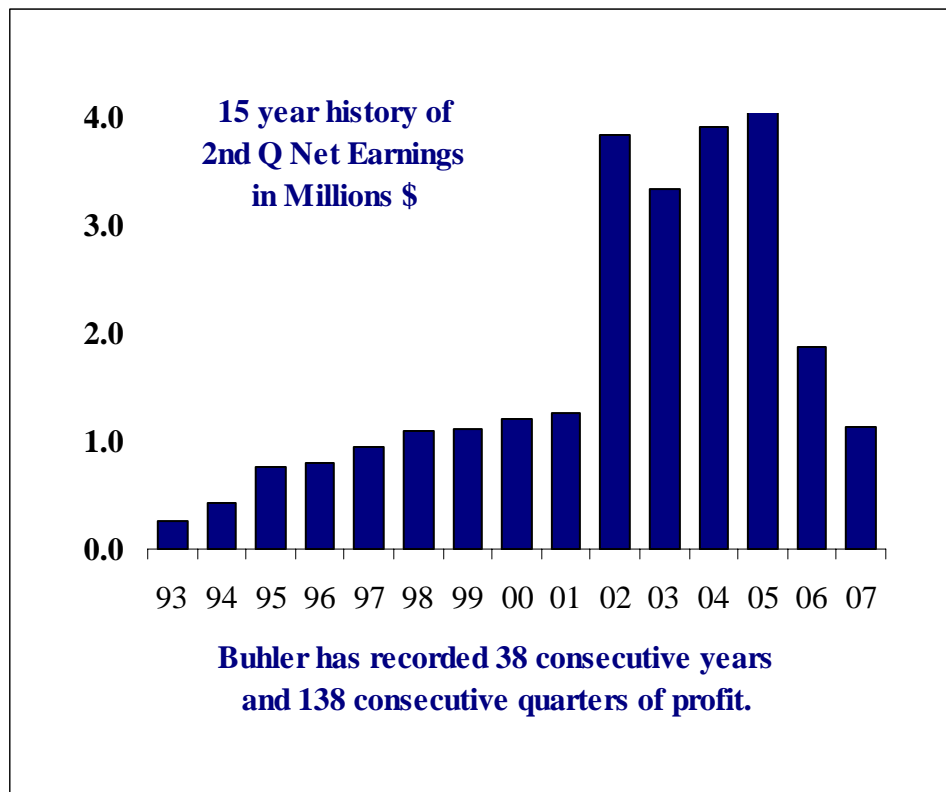
____/d/ Ossama AbouZeid _____

Dr. Ossama A. AbouZeid, Ph.D., MBA
President and Chief Financial Officer
Winnipeg, Canada
April 25, 2007



Second Quarter report

March 31, 2007



A Leading Manufacturer and Distributor of Farm Equipment

Message from the Chairman

We are encouraged to see inventory come down and a significant decrease in bank debt. This is the first step in turning around the operations at Buhler. Gross margin is lower due to the discounting of products and the larger volume of tractor sales, which carry a lower margin.

The head office move from Regent Avenue to Clarence Avenue is almost complete and we expect continued improvement in efficiency, as we finalize the closure of the Regent Avenue factory.

Higher grain prices will cause the agricultural sector to

improve over the next few years, however the high horsepower tractor sector is not expected to show much growth.

We have emerged from the crisis of the past year with a strong management team, headed by our President and CFO Dr. Ossama AbouZeid. The management team is upbeat and ready and willing to accept the challenges that lie ahead.

John Buhler,
Chairman and CEO

Management Discussion & Financial Analysis

I am pleased to see the strict adherence to our business plan has yielded the expected results. Our inventory has been reduced by over \$30 million from the previous year. This resulted in a \$30 million reduction in our bank indebtedness and thereby lowered our interest expense by over \$500 thousand over the previous year. Our General Sales and Administration expense has been reduced by approximately \$1.5 million.

Tractor Sales

The tractor sales in North America continued to be weak. The industry expects high horsepower tractor sales to be soft for the remainder of the year and we are expecting to follow this trend. The shipment of our export tractors this spring went smoother than the previous year and met its target. Our short line products sales were flat.

Bio-Diesel

The March 2007 USDA plantation report on the corn acreage and the numerous initiatives for increased ethanol and Bio-diesel production in the USA have created much optimism among farmers, farm equipment dealers and manufacturers. We, at Buhler, are cautious and think that any increased sales will not be realized during F07.

Gross Margin

Our gross margin is in line with expectations for the product mix during this period. We have set a plan to maximize the efficiency and utilization of our production facilities. This plan will be substantially completed before the end of this fiscal year with minimal expenses and disruption to production.

Research and Development

R&D will continue to be vital for Buhler. The reduced expenditure is only a reflection of the current phase of developments.

Partnership

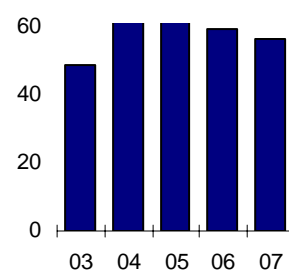
During this quarter we fulfilled our obligation to the external partner in the manufacturing partnership and the results reflect a one time expense.

Acquisitions

We will continue to identify and pursue acquisitions that are accretive and will enhance our competitive advantage.

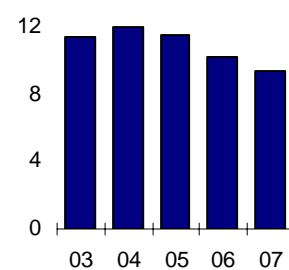
Dr. Ossama AbouZeid, *Ph. D., MBA*
President and Chief Financial Officer
April 25, 2007

Sales and Growth (millions C\$)



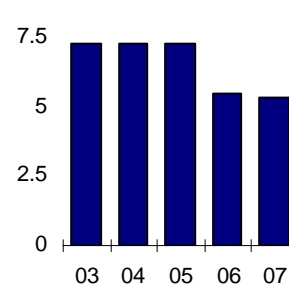
Revenue decreased by 4.1% to \$56.8 million compared with \$59.1 million last year. Revenue for six months decreased by 13.7% to \$85.1 million compared with \$98.5 million last year.

Gross Profit (millions C\$)



Gross profit decreased to \$9.4 million or 16.5% of revenue compared with \$10.2 million or 17.3% of revenue last year. Gross profit for six months decreased to \$15.3 million or 18.0% of revenue compared with \$19.6 million or 19.9% of revenue last year.

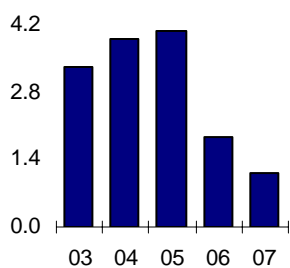
Income from Operations (millions C\$)



Income from operations decreased to \$5.3 million or 9.3% of revenue compared with \$5.5 million or 9.3% of revenue last year. Income from operations for six months decreased to \$7.5 million or 8.9% of revenue compared with \$10.4 million or 10.6% of revenue last year.

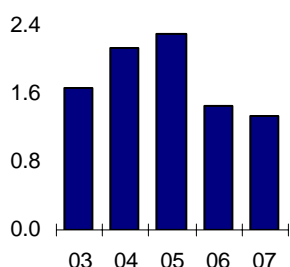
Management Discussion & Financial Analysis

Net Earnings (millions C\$)



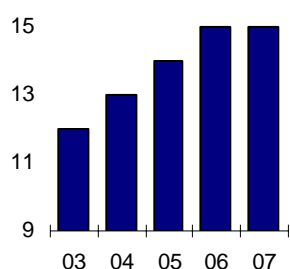
Net earnings decreased by 39.6% to \$1.1 million or \$0.05 per share compared with \$1.9 million or \$0.07 per share last year. Net earnings for 6 months decreased to \$1.3 million or \$0.05 per share compared with \$3.6 million or \$0.14 per share last year.

Inventory Turns



Inventory turns of 1.3 is at a record low and management continues to focus on this ratio by reducing inventory in all locations.

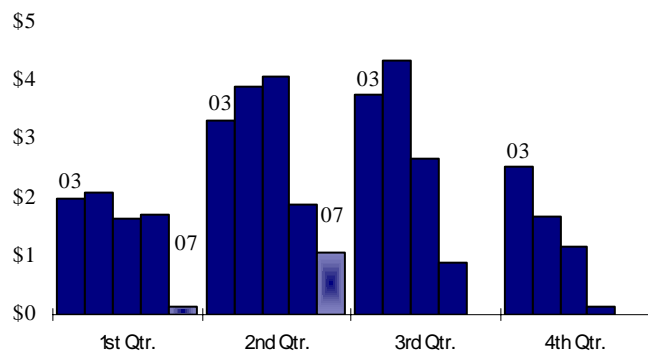
Dividends (cents C\$)



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.

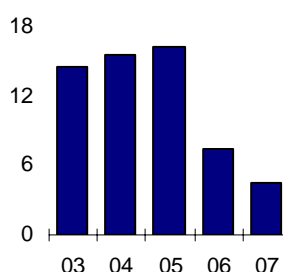
Quarterly Net Earnings Results (000's C\$)

	2003	2004	2005	2006	2007
1st Q	\$ 1,985	\$ 2,093	\$ 1,647	\$ 1,707	\$ 149
2nd Q	3,336	3,915	4,078	1,875	1,132
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	\$ 1,281



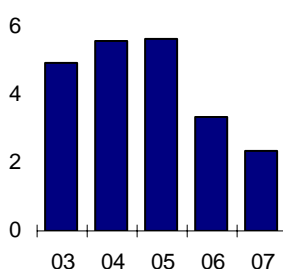
Earnings are at record lows but we remain optimistic that record grain prices will soon translate into improved sales and earnings. The agricultural sector carries many risks such as poor weather, high input costs and low grain prices, therefore, we remain cautious in forecasting significant improvements.

Net Earnings (cents per share C\$)



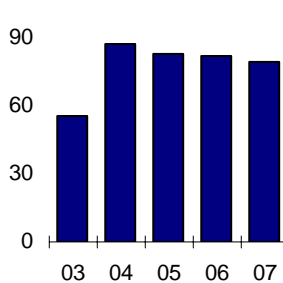
Earnings per share dropped to \$0.05 which is an improvement over first quarter earnings, but far from the record high of 16 cents per share. There are no options issued or outstanding and the number of shares outstanding remains at 25 million.

Net Cash Flow (millions C\$)



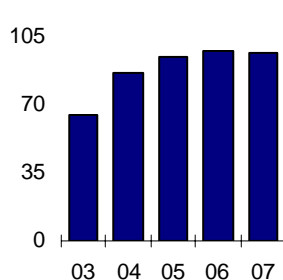
The Company generated \$2.4 million cash flow compared with \$3.4 million last year. Cash flow is the sum of net after tax earnings plus amortization.

Liquidity, Working Capital (millions C\$)



Working capital remains flat at \$79.6 million. The Company is always on the lookout for acquisitions that will compliment its' existing lines. The healthy working capital combined with the Company's line of credit provide cash for prompt payment to suppliers and for future acquisitions.

Equity (millions C\$)



Equity now totals \$96.5 million or \$3.86 per share compared with \$97.9 million last year or \$3.92 per share. Equity has increased annually for 38 consecutive years. Share capital remains at \$30 million.

Consolidated Balance Sheets

Unaudited second quarters ended March 31 (\$000's C\$)

2007

2006

ASSETS

Current Assets

Accounts receivable	51,035	57,453
Inventories (note 2)	84,676	115,062
Prepaid expenses	369	131

Total Current Assets

136,080 172,646

Property plant and equipment (note 3)	31,997	37,522
Future income taxes (note 10)	2,159	3,047
Investments - at cost	176	166

Total Assets

\$ 170,412 \$ 213,381

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Bank indebtedness (note 4)	\$ 29,625	\$ 59,028
Account payable and accrued liabilities	23,547	28,411
Current portion of long term debt	3,286	3,276

Total Current Liabilities

56,458 90,715

Advances from related party (note 5)	-	622
Long term debt (note 7)	17,476	20,776

Total Liabilities

73,934 112,113

Non-controlling interest (note 8)	-	3,323
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SHAREHOLDERS' EQUITY

Share capital (note 12)	30,000	30,000
Retained earnings	66,478	67,945

Total Shareholders' Equity

96,478 97,945

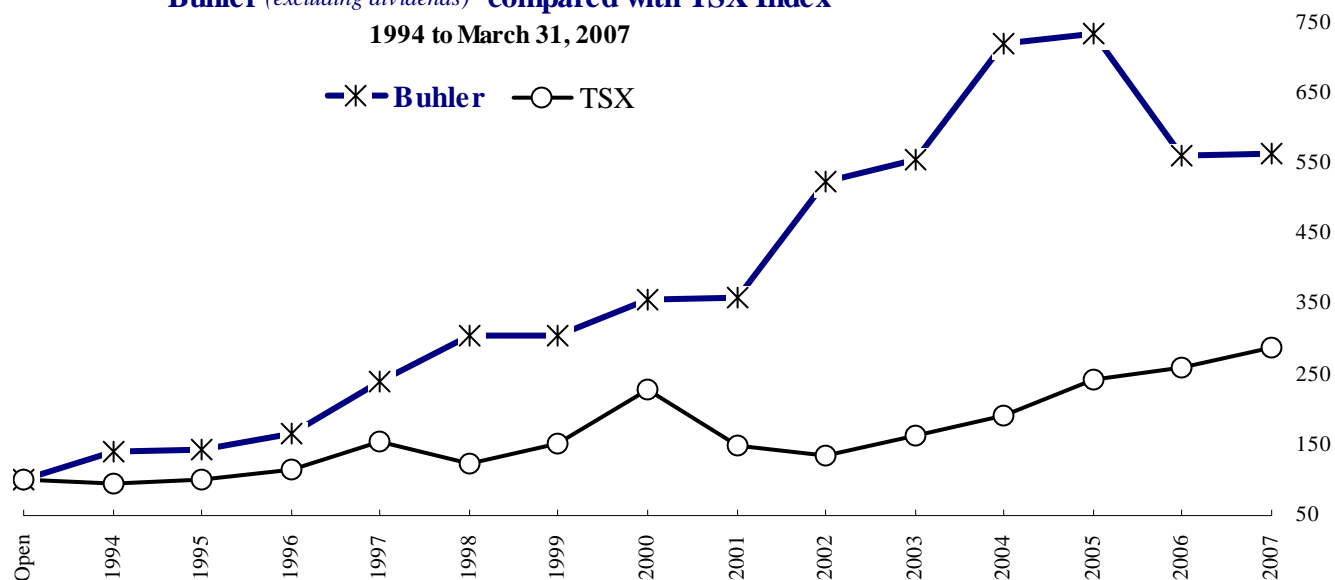
Total Liabilities and Equity

\$ 170,412 \$ 213,381

Buhler (excluding dividends) compared with TSX Index

1994 to March 31, 2007

—*— Buhler —○— TSX

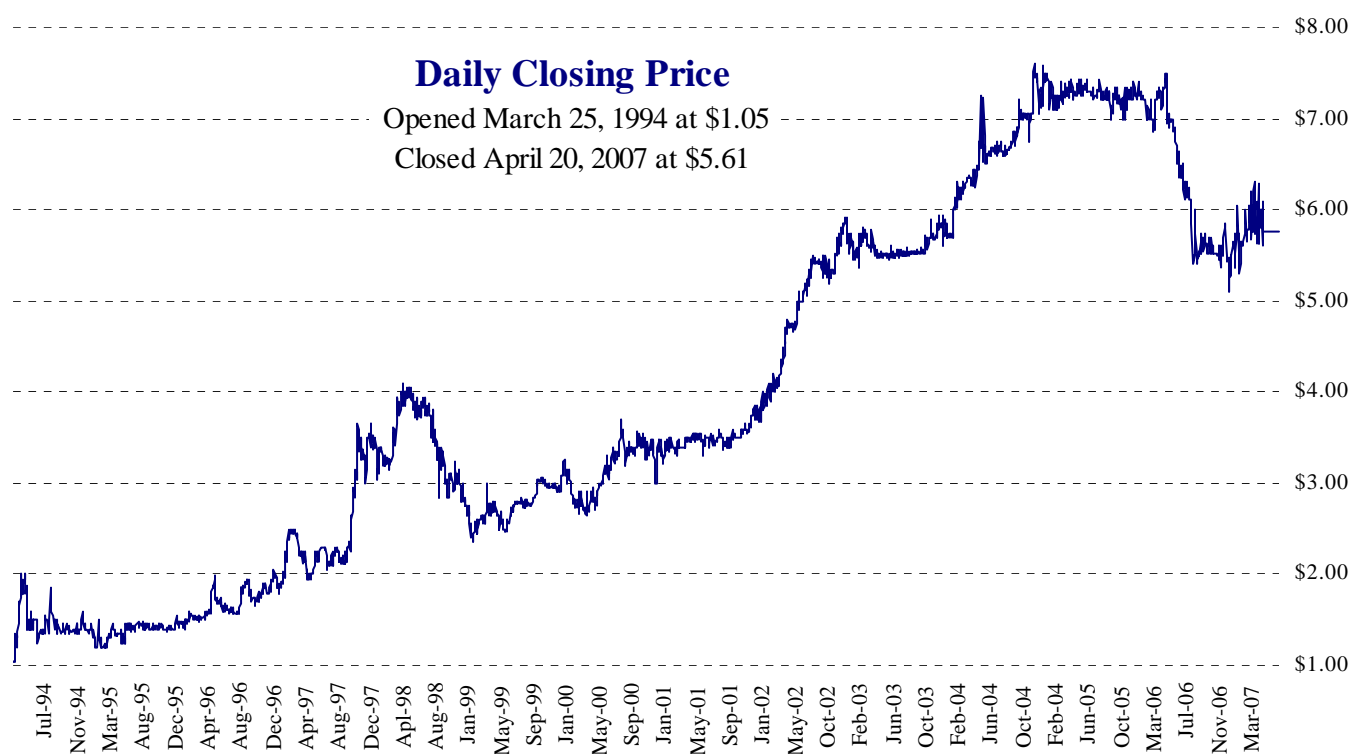


Consolidated Statements of Earnings and Retained Earnings

Buhler Industries Inc. 2nd Quarter Fiscal 2007

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

	Three Months Ended March 31		Six Months Ended March 31	
	2007	2006	2007	2006
Revenue	\$ 56,753	\$ 59,152	\$ 85,066	\$ 98,541
Cost of Goods Sold	47,395	48,938	69,783	78,918
Gross Profit	9,358 16.5%	10,214 17.3%	15,283 18.0%	19,623 19.9%
Selling & administration expenses	4,057 7.1%	4,706 8.0%	7,745 9.1%	9,190 9.3%
Income From Operations	5,301 9.3%	5,508 9.3%	7,538 8.9%	10,433 10.6%
Loss (gain) sale capital assets	(2)	(46)	(76)	(54)
Interest expense (income)	261	832	621	1,253
Amortization	1,233	1,489	2,462	2,990
Research & Development	329	964	846	1,907
Non-controlling interest	1,857	60	1,892	121
Earnings Before Taxes	1,623 2.9%	2,209 3.7%	1,793 2.1%	4,216 4.3%
Provision for income taxes	491	334	512	634
NET EARNINGS	\$ 1,132 2.0%	\$ 1,875 3.2%	\$ 1,281 1.5%	\$ 3,582 3.6%
Retained Earnings, begin period	65,346	66,070	68,947	68,113
Dividends	-	-	(3,750)	(3,750)
Retained Earnings, End of Period	\$ 66,478	\$ 67,945	\$ 66,478	\$ 67,945
Earnings per share (fully diluted)	\$ 0.05	\$ 0.07	\$ 0.05	\$ 0.14



Consolidated Statement of Cash Flows

<i>For 6 months ended March 31 (000's) C\$</i>	2007	2006
Cash provided by (used in) operating activities		
Net earnings	1,281	3,582
Add (deduct) non-cash items		
Amortization	2,462	2,990
Loss (gain) on disposal of assets	(76)	(54)
Loss (gain) on foreign exchange	(193)	(1,109)
Future income taxes	(102)	1
	<u>3,372</u>	<u>5,410</u>
 Net change in non-cash working capital balances*	 <u>12,717</u>	 <u>(37,801)</u>
	<u>16,089</u>	<u>(32,391)</u>
Investing activities		
Purchase of capital assets, net of investment tax credits	(710)	(1,573)
Proceeds on sale of capital assets	367	272
Investments	(10)	25
	<u>(353)</u>	<u>(1,276)</u>
Financing activities		
Repayment of long term debt	(1,619)	(1,633)
Increase (decrease) in non-controlling interest	(766)	(1,997)
Advances (repayment) from related party	(235)	(1,961)
Dividends paid	(3,750)	(3,750)
	<u>(6,370)</u>	<u>(9,341)</u>
 Foreign exchange gain on cash held in foreign currency	 <u>193</u>	 <u>1,109</u>
 Net cash provided (used) in the period	 <u>9,559</u>	 <u>(41,899)</u>
Bank balance (debt), beginning of period	<u>(39,203)</u>	<u>(17,129)</u>
Bank balance (debt), end of period	<u>\$ (29,644)</u>	<u>\$ (59,028)</u>
 *Net change in non-cash working capital balances is comprised of:		
Accounts receivable	\$ (8,641)	(20,057)
Inventories	20,212	(9,083)
Prepaid expenses	439	610
Accounts payable, accrued liabilities and taxes payable	707	(9,271)
Net cash provided (used)	<u>\$ 12,717</u>	<u>\$ (37,801)</u>

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	2006
Land for development	\$ 2,880	\$ 2,425
Finished goods	29,125	62,085
Work in process	5,540	4,223
Raw materials	47,131	46,329
	<u>\$ 84,676</u>	<u>\$ 115,062</u>

3. CAPITAL ASSETS (000's C\$)	2007	2006		
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Land	\$ 4,532	-	\$ 4,532	\$ 4,569
Buildings	29,387	(12,647)	16,740	18,774
Equipment	51,647	(41,726)	9,921	13,026
Computers	4,564	(3,760)	804	1,119
Software & tools	2,783	(2,783)	-	33
	<u>\$ 92,913</u>	<u>\$ (60,916)</u>	<u>\$ 31,997</u>	<u>\$ 37,521</u>

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 (000's C\$)

The advances from the related party are from the majority shareholder, holding 54% of the shares of the Company. This practice will be discontinued. In 2007 advances from related party of \$366 have been included in accounts payable. Interest is calculated at bank prime. The Company has provided a letter of credit for \$665 (2006 - \$665) to secure a line of credit for an entity in which the majority shareholder has a significant influence.

6. RELATED PARTY TRANSACTIONS

Related party transactions are detailed in the annual report.

7. LONG TERM DEBT (000's C\$)	2007	2006
Long term debt	\$ 20,762	\$ 23,752
Current portion	3,286	3,276
Long term portion	<u>\$ 17,476</u>	<u>\$ 20,476</u>

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. During the quarter, the outside partner relationship ended. As a result the Company took a charge of \$1.9 million.

9. INTEREST PAID (000's C\$)	2007	2006
Operating loan	\$ 1,012	\$ 1,371
Long term debt	-	-
	<u>\$ 1,012</u>	<u>\$ 1,371</u>

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 1.1 million Buhler shares.

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

Authorized, an unlimited number of common shares.

	2007 Shares	2006 Shares
Issued at Dec 31	25,000	\$ 30,000
	25,000	\$ 30,000

There are no options outstanding as of March 31, 2007

Ten Year Summary

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SUMMARY OF OPERATIONS										
In thousands of Canadian dollars (except per share amounts)										
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%