Buhler Industries Inc.

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NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

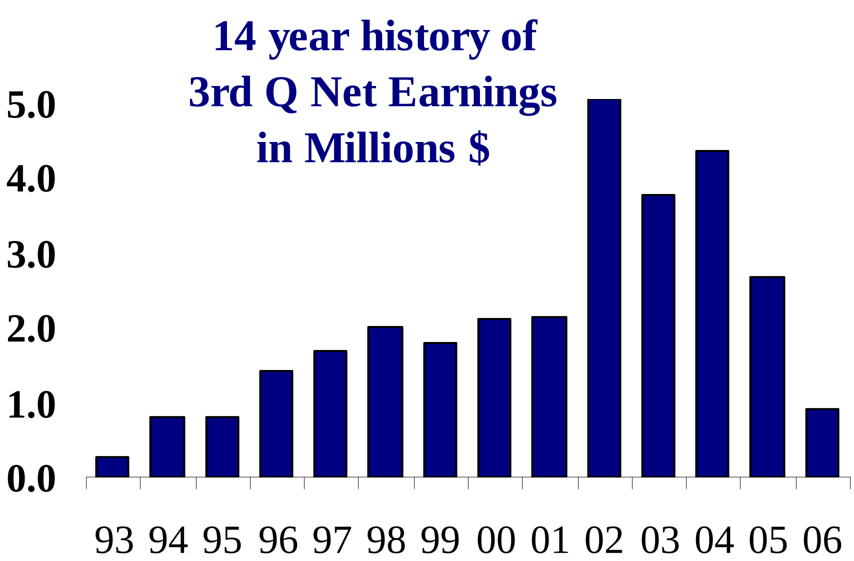
The financial statements of Buhler Industries Inc. and the accompanying interim consolidated balance sheet as at June 30, 2006 and the interim consolidated statements of earnings, retained earnings and cash flows for the nine month period then ended are the responsibility of the Company's management. 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 ____________________	__/d/ Ossama AbouZeid____________________
John Buhler Chief Executive Officer Winnipeg, Canada July 24, 2006	Ossama A. AbouZeid, Ph.D., MBA Chief Financial Officer Winnipeg, Canada July 24, 2006

Third Quarter report

June 30, 2006



Buhler has recorded 37 consecutive years and 135 consecutive quarters of profit.

A Leading Manufacturer and Distributor of Farm Equipment

Management Discussion & Financial Analysis

During Q3, we implemented improvements to reverse the recent trend of decreased sales and profits.

Our priorities are to increase sales, reduce inventory, decrease selling and administration expenses and improve gross margin over the next 4 quarters.

Sales:

To increase sales, we decreased prices and increased our marketing efforts in all territories. We recruited additional field Territory Managers to increase contact with our dealers and have begun to convert select areas of the USA to "dealer direct" business. In order to encourage increased sales from the Commonwealth of Independent States (CIS), we are in the process of warehousing product within these territories in order to decrease delivery times to their customers. As a result, we are beginning to see increased orders compared to last year for the same period.

Inventory:

Our inventory levels remain high due to 3 reasons: lower than anticipated tractor sales in North America, the cancellation of tractor orders from CIS and growth in our shortline inventory. In an effort to reduce inventory, we have established targets for each plant and distribution warehouse. Although many products are seasonal and we acknowledge that it will take several quarters before inventory can be reduced on each product line, we are pleased to see that our managers have already identified areas to reduce inventory. In addition, we have also reduced the tractor production rate. Tractor component suppliers are shipping fewer components and production staff will be working on a reduced work schedule until inventory levels return to normal.

Selling and Administration:

During Q3, we also reduced our fixed and variable selling and administration costs and have reorganized our overhead in order to operate in a more lean fashion. These benefits will have full impact in the quarters to come.

Gross Margin:

In order to help improve gross margin during Q3, we have reduced production related expenses and we continue to analyze our direct and indirect labor utilization and efficiency in order to build more product with less cost.

Research and Development:

The Company continues to focus on maintaining its R&D efforts during F2006. The successful launch of Tier III tractor engines, the release of the largest grain auger in production (16" x 104'), GPS ready tractors, the joint development of a power shift transmission capable of handling the duty cycle of our largest 535 HP tractors and the continuous improvements to our various shortline products all remain important aspects of our future success, and we are therefore committed to their timely completion.

Foreign Exchange:

Once again, Q3 was negatively impacted by the declining US dollar. During Q3, the USD has weakened by more than 4%. This resulted in a net foreign exchange loss of $1.3 million ($0.05 EPS).

As a result, Q3 EPS decreased by 60% to $0.04.

Looking Forward:

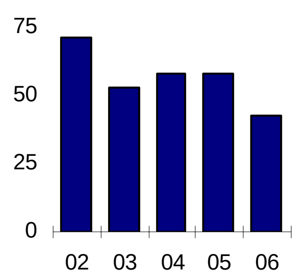
In spite of the negative trends of the past 2 quarters, management is committed to improving areas which have caused our financial performance to decrease. The Company will strive to implement changes to improve our results in due course.

We continue to investigate acquisition opportunities. In spite of our higher than normal bank indebtedness, we will continue to pursue acquisitions which prove to be accretive to earnings and assimilate well into our Company.

Craig Engel,

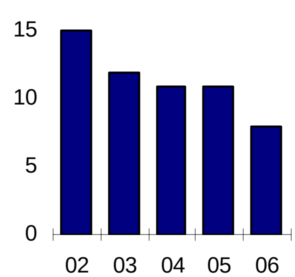
President,
July 24, 2006

Sales and Growth *(millions C$)*



Revenue for the third quarter reduced by 26.4% to $42.9 million compared with $58.3 million last year. Revenue for nine months reduced by 15.9% to $141.4 million compared with $168.1 million last year.

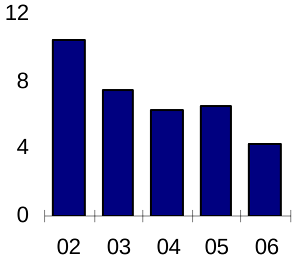
Gross Profit *(millions C$)*



Gross profit for the third quarter is reduced to $8.0 million or 18.6% of revenue compared with $10.9 million or 18.7% of revenue last year. Gross profit for nine months decreased to $27.6 million or 19.5% of revenue compared with $30.1 million or 17.9% of revenue last year. We continue to forecast that gross margin for fiscal 2006 will be in the 18% to 20% range compared to 18.3% in fiscal 2005.

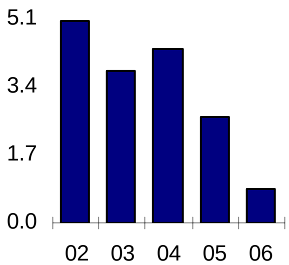
Management Discussion & Financial Analysis

Income from Operations *(millions C$)*



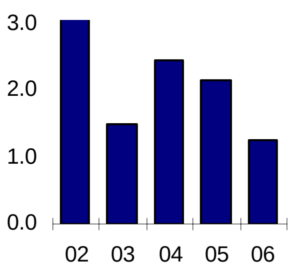
Third quarter income from operations decreased to $4.2 million or 9.9% of revenue compared with $6.6 million or 11.3% of revenue last year. Income from operations for nine months decreased to $14.7 million or 10.4% of revenue compared with $17.7 million or 10.5% of revenue last year.

Net Earnings *(millions C$)*



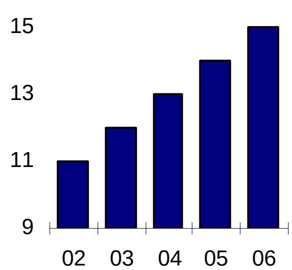
Net earnings for the third quarter decreased by 67.4% to $.9 million or $0.04 per share compared with $2.7 million or $0.11 per share last year. Net earnings for 9 months decreased to $4.5 million or $0.18 per share compared with $8.4 million or $0.34 per share last year.

Inventory Turns



The unexpected downturn in sales has contributed to increased inventory levels resulting in less than desirable turns. The Company has instituted inventory reduction plans that should see inventory turns improve by year end.

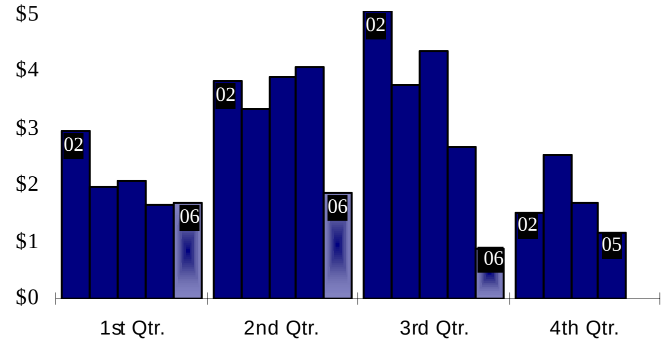
Dividends *(cents C$)*



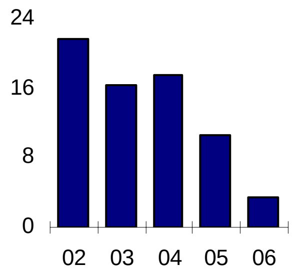
The Directors declared the 13th consecutive increase in dividends to 15 cents per share, paid on January 13, 2006 to shareholders of record on December 2, 2005. Given the current performance, additional increases in dividends may be postponed.

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	**1,875**
3rd Q	5,059	3,782	4,361	2,670	**879**
4th Q	1,520	2,527	1,680	1,171	
Total	**$13,360**	**$11,630**	**$12,049**	**$9,566**	

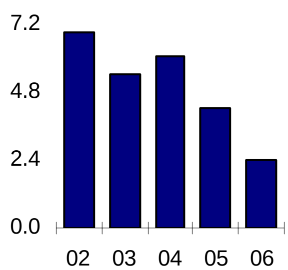


Net Earnings *(cents per share C$)*



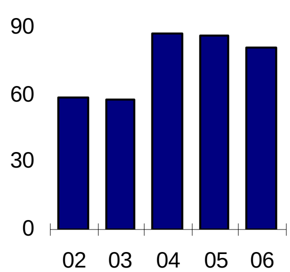
Earnings per share (EPS) of $0.04 for the third quarter is below expectations. We are now forecasting EPS of $0.20 to $0.25 for fiscal 2006, compared with previous EPS forecast of $0.30 to $0.40. The total number of outstanding shares is 25 million.

Net Cash Flow *(millions C$)*



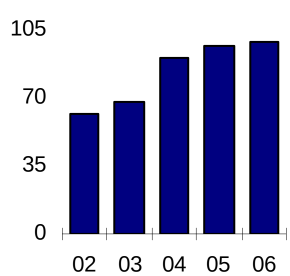
Third quarter cash flow decreased to $2.4 million; well below our 5 year average of $5.0 million. Cash flow is the sum of net after tax earnings plus amortization. The cash flow is sufficient to provide for normal operations and to take advantage of all cash discounts.

Liquidity, Working Capital *(millions C$)*



Working capital of $81.2 million is down from last year's $86.4 million. The working capital is more than sufficient to meet the Company's needs. Working capital will improve as inventory reduction initiatives reduce inventory levels.

Equity *(millions C$)*



Equity has increased for 37 consecutive years as a result of consistent earnings. Equity now stands at $98.8 million or $3.95 per share compared with $96.9 million last year or $3.88 per share. Share capital remains at $30 million.

Consolidated Balance Sheets

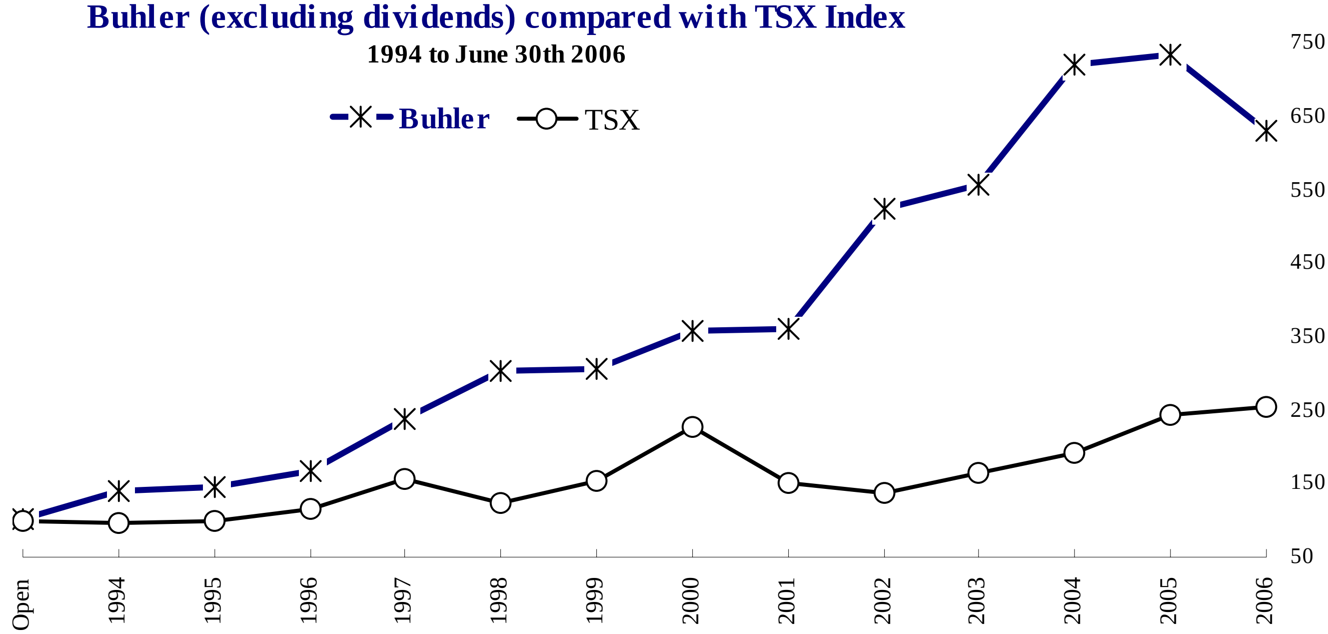
Buhler Industries Inc. 3rd Quarter 2006

Unaudited (000's C$)

ASSETS as at June 30	2006	2005
Current assets		
Accounts receivable	$ 53,316	$ 50,445
Inventories (note 2)	113,167	89,978
Prepaid expenses	1,003	966
Total current assets	167,486	141,389
Property Plant and Equipment (note 3)	36,451	36,382
Related party loan (note 5)	-	595
Future income taxes (note 10)	4,618	4,319
Investments - at cost	166	192
Total assets	$ 208,721	$ 182,877
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Bank indebtedness (note 4)	$ 57,893	$ 18,870
Account payable & accrued liabilities	25,133	32,811
Current portion, long term	3,278	3,276
Total current liabilities	86,304	54,957
Advances from related party (note 5)	515	-
Long term debt (note 7)	19,915	23,282
Total liabilities	106,734	78,239
Non-controlling interest (note 8)	3,163	7,696
SHAREHOLDERS' EQUITY		
Share capital (note 12)	30,000	30,000
Retained earnings	68,824	66,942
Total shareholders equity	98,824	96,942
Total Liabilities and equity	$ 208,721	$ 182,877

Buhler (excluding dividends) compared with TSX Index

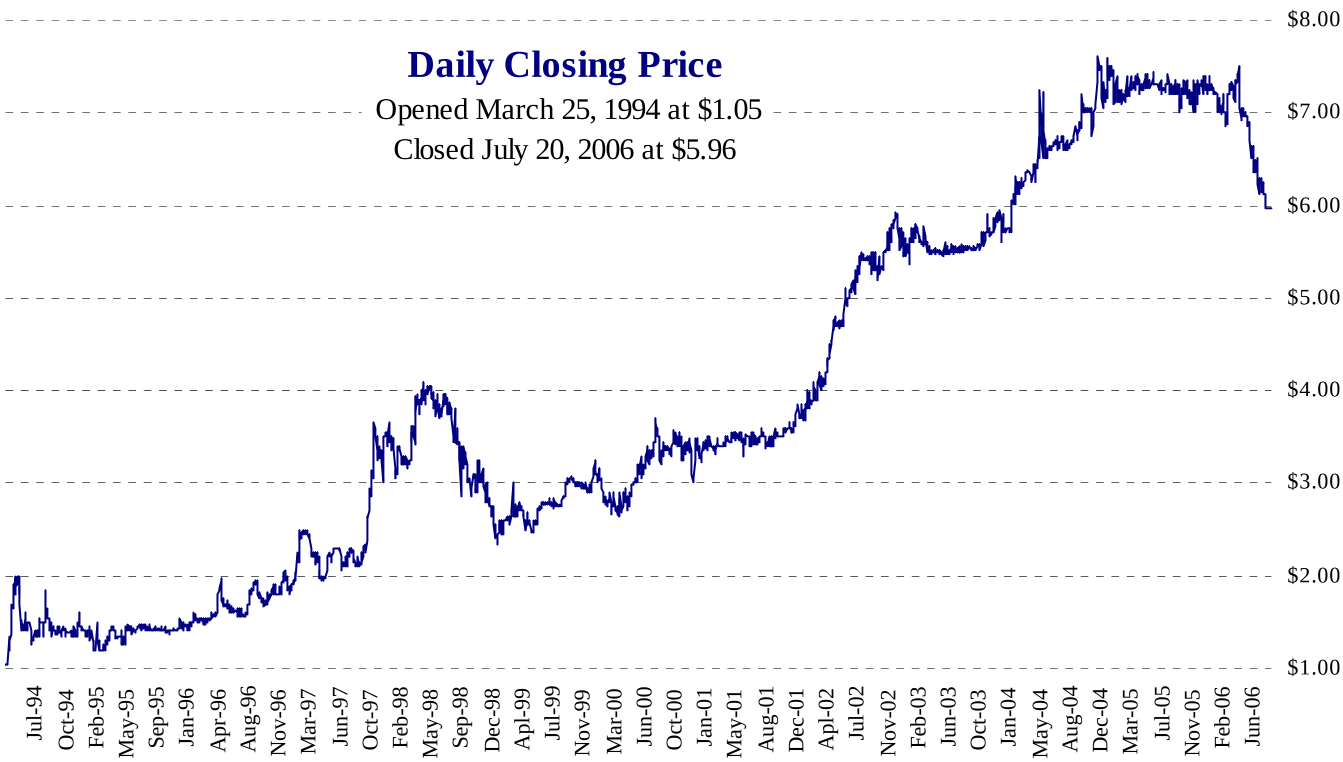
1994 to June 30th 2006



Consolidated Statements of Earnings

Buhler Industries Inc. 3rd Quarter Fiscal 2006
Unaudited *(000's C$) except per share amounts*

	Three Months Ended June 30				Nine Months Ended June 30			
	2006		2005		**2006**		2005	
Revenue	**$ 42,879**		$ 58,268		**$141,420**		$ 168,068	
Cost of Goods Sold	**34,913**		47,375		**113,831**		138,013	
Gross Profit	**7,966**	**18.6%**	10,893	18.7%	**27,589**	**19.5%**	30,055	17.9%
Selling & administration expenses	**3,730**	**8.7%**	4,318	7.4%	**12,920**	**9.1%**	12,354	7.4%
Income From Operations	**4,236**	**9.9%**	6,575	11.3%	**14,669**	**10.4%**	17,701	10.5%
Loss (gain) sale capital assets	**(1)**		(39)		**(55)**		(91)	
Interest expense (income)	**691**		248		**1,944**		(143)	
Amortization	**1,562**		1,557		**4,552**		4,627	
Research & Development	**835**		1,035		**2,742**		2,716	
Non-controlling interest	**60**		66		**181**		189	
Earnings Before Taxes	**1,089**	**2.5%**	3,708	6.4%	**5,305**	**3.8%**	10,403	6.2%
Provision for income taxes	**210**		1,038		**844**		2,008	
NET EARNINGS	**$ 879**	**2.0%**	$ 2,670	4.6%	**$ 4,461**	**3.2%**	$ 8,395	5.0%
Retained Earnings, begin period	**67,945**		64,272		**68,113**		62,047	
Dividends	**-**		-		**(3,750)**		(3,500)	
Retained Earnings, End of Period	**$ 68,824**		$ 66,942		**$ 68,824**		$ 66,942	
Earnings per share *(fully diluted)*	**$ 0.04**		$ 0.11		**$ 0.18**		$ 0.34	



Consolidated Statement of Cash Flows

For 9 months ended June 30 (000's C$)	**2006**	2005
Cash provided by (used in) operating activities		
Net earnings	**$ 4,461**	8,395
Add (deduct) non-cash items		
Amortization	**4,552**	4,627
Loss (gain) on disposal of assets	**(55)**	(91)
Loss (gain) on foreign exchange	**156**	1,000
Future income taxes	**(1,570)**	(767)
	7,544	13,164
Net change in non-cash working capital balances*	**(35,918)**	(33,247)
	(28,374)	(20,083)
Investing activities		
Purchase of capital assets, net of investment tax credits	**(2,083)**	(2,884)
Proceeds on sale of capital assets	**293**	301
Investments	**25**	(20)
	(1,765)	(2,603)
Financing activities		
Repayment of long term debt	**(2,495)**	(2,488)
Increase (decrease) in non-controlling interest	**(2,156)**	(3,138)
Advances (repayment) from related party	**(2,068)**	(1,418)
Dividends paid	**(3,750)**	(3,500)
	(10,469)	(10,544)
Foreign exchange gain on cash held in foreign currency	**(156)**	(1,000)
Net cash provided (used) in the period	**(40,764)**	(34,230)
Bank balance (debt), beginning of period	**(17,129)**	15,360
Bank balance (debt), end of period	**$ (57,893)**	$ (18,870)
***Net change in non-cash working capital balances is comprised of:**		
Accounts receivable	**$ (15,919)**	(15,354)
Inventories	**(7,188)**	(16,216)
Prepaid expenses	**(262)**	(195)
Accounts payable, accrued liabilities and taxes payable	**(12,549)**	(1,482)
Net cash provided (used)	**$ (35,918)**	$ (33,247)

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 period-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 Q3	2005 Y/E
Land for development	**$ 2,425**	$ 2,451
Finished goods	**61.487**	51,748
Work in process	**4,223**	5,374
Raw materials	**45,032**	46,406
	$ 113,167	$ 105,979

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

	Cost	Accum. Amort.	**2006 Q3 Net Book Value**	2005 Y/E Net Book Value
Land	$ 4,569	$ 0	**$ 4,569**	$ 4,569
Buildings	30,665	12,178	**18,487**	19,337
Equipment	51,754	39,399	**12,355**	13,998
Computers	4,556	3,534	**1,022**	1,191
Software & tools	2,784	2,766	**18**	61
	$ 94,328	$ 57,877	**$ 36,451**	$ 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 *(000's 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 (2005 - $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$)*

	2006 Q3	2005 Y/E
Long term debt	**$ 23,193**	$ 25,686
Current portion	**3,278**	3,276
Long term portion	**$ 19,915**	$ 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 Q3	2005 Y/E
Operating loan	**$ 2,326**	$ 681
Long term debt	**0**	0
	$ 2,326	$ 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, from the amounts of amortization provided in the year compared to the allowances deducted for income tax purposes, and for tax losses carried forward by subsidiary Companies.

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 No. of Shares		2005 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 June 30, 2006.

Ten Year Summary

Year Ended September 30,	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
						In thousands of Canadian dollars (except per share amounts)				
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%