



bühler
2007 annual report

Message from President of Novoe Sodruzhestvo



Konstantin Babkin
*President of
Novoe Sodruzhestvo*

Our reputation at Novoe Sodruzhestvo holdings in Russia is to recover and transform factories. Prior to buying 80% of Buhler Industries Inc. in 2007, our main assets were Combine Factory Rostselmash Ltd., the largest producer of combines in Russia (65% of the Russian market) and “Empils” company - the largest producer of paint in Russia (15% of the market).

When we took over these companies, they were not the largest or even successful. Prior to our acquisition in 1999, “Rostselmash” produced 850

combines and had debt totaling approximately \$85 million USD. A year later, the company became profitable and the 2007 production of combines grew to 5200 machines. At

present, “Rostselmash” is one of five top producers of combines in the world. It designs new models every year and earns prestigious awards for innovation in the exhibitions held in Russia and Europe.

We feel Buhler Industries Inc. will be a good partner to our Russian companies. Officially, the companies will work independently of each other but, it goes without saying, that we shall use the potential of every company for the greatest effectiveness. At the initial stage, it will entail the promotion of new products in the traditional markets.

“Rostselmash” company has a developed network of service centers – more than 160 official representations in Russia, Eastern Europe and Central Asia. This will stimulate quick promotion of Canadian tractors to the new markets. In turn, we hope that farmers in North America will quickly learn about the Russian combines from our Buhler dealers.

Konstantin Babkin, President, of Novoe Sodruzhestvo

Retiring Chairman’s Message



John Buhler
Past Chairman

I always said that I would retire at age 90, but when we received an unsolicited offer from a Russian firm that expressed their desire to grow the Company and expand the distribution in Russia, I had to consider what would be best for the shareholders and the employees. Since I will be 75 years old this year, the decision was easy. The new owners are anxious to prove that they can do a better job and there is evidence that they are going to do just that.

I started out as Secretary Treasurer for Buhler in 1954 and in 1969 I purchased the Company. After several acquisitions, we amalgamated all the Companies and took them public in 1993. In 2007, we recognized 14 employees with over 40 years of service. It gave me great pleasure to see the pride on their faces. A big

thank you to all the employees that have made this company so successful.

My life long dream of building a “Buhler” tractor has been fulfilled and I am so pleased that the tractor will now receive much broader recognition.

Three young men got together in university just prior to Perestroika in Russia and they too had a dream of building an empire at a time when there were no private companies in Russia. They chased their dream and after several successful acquisitions in Russia they needed a high tech tractor to compliment their combine which captures 65% of the Russian market. This is just the beginning for them and I wish them well.

I would like to take this opportunity to bid farewell to all our shareholders and employees.

John Buhler, Director

Chairman’s Message



Dmitry Udras,
Chairman

In 2007, bargaining began regarding the purchase of 80% of the shares of Buhler Industries Inc. by the Russian company Combine Factory Rostselmash Ltd. It was an important stage in the formation of a large industrial holding and we’d like to thank John Buhler for his cooperation and for the open and direct format in which our talks were held. We will ensure that all products known to the consumers bearing the

Buhler name remain in future years synonymous with quality, reliability and effectiveness.

Buhler tractors are demanded in the agricultural business. Advances in agricultural technologies mean using more powerful machines. Integration of the Canadian tractor plant into the new structure will make it possible to increase our exposure to consumers in other world markets. We will be able to offer a full range of equipment to our customers at one supplier, thus becoming the full processing solution.

We plan to produce over a thousand tractors a year at the plant in Canada, which conforms to our strategic objectives.

We intend to maximize the production capacities to develop the Company. Along with Buhler Industries Inc., we shall

grow, increase and sequentially become a leading player in the market of agricultural machinery.

Dmitry Udras, Chairman of the Board, Buhler Industries Inc.

Chief Executive Officer's Message



Yury Ryazanov
CEO

Buhler Industries Inc. experienced some changes in 2007. These changes mostly concerned management, but the Mission Statement and the best traditions of the Company remain constant. We believe these changes will open new horizons for the Company.

A goal to increase the production of tractors from 600 to 1,100 machines has been established for 2008. It will demand additional investments and increased personnel. During the initial stage, we plan to create 100 new

working positions in Winnipeg at the production level.

Moreover, we propose to enter new markets. We have high hopes for the heavy tractor market in Russia, which increases annually by one-third. Large sown areas and the process of larger agricultural companies are positive factors for the demand of heavy tractors in Russia and this will continue to grow in the near future. Our major project will be selling half of the tractors produced in Canada to Russia, thus largely increasing the deliveries to that country.

The experience and production culture of Buhler Industries Inc. are the invaluable advantages of the Company. It will be necessary to preserve and study the style of Buhler production in Canada and use its best practices in the plants of Russia.

Yury Ryazanov, Chief Executive Officer and Director

President's Message



Dmitry Lyubimov
President & CFO

Fiscal 2007 was very demanding financially for Buhler Industries. The sale to Combine Factory Rostselmash Ltd. is offering a challenge for new growth in the Company. Fundamentally, my forecast and plans are dependent on the production standards of Buhler and the successful sales experience of Rostselmash.

The target for Fiscal 2008 is \$240 million in revenue, which is a 45% increase and is similar to Fiscal 2002.

Buhler Industries Inc. will be focusing on two groups: the tractor division and the short line products division. We will concentrate our efforts on these independent divisions and anticipate achieving more efficient results. With our new staff appointments and our improved sales strategy, we estimate increasing our tractor sales to \$157 million and short line products to \$78 million. The other sub-divisions would carry \$5 million.

The main market for the tractor division will be the traditional North American regions and we will continue to

promote growth in the post Soviet Union (Russia, Ukraine and Kazakhstan). Both markets will share 50% of our sales. The sales slogan for 2008 is "customized and friendly service". For us it means reducing the delivery period for each dealer, gaining extensive representation in the most important agricultural regions and superior service and parts delivery. For the short line products division, we plan to establish new warehouses in the regions where we have excessive sales opportunity. We will rely on our current dealers in Russia and North America, but will continue to seek new prospects.

With regard to production, our policy is quality, cost and delivery. We realize there is considerable potential to increase production efficiency and reduce costs by engineering improvements and investigating alternative suppliers.

Dmitry Lyubimov, MBA
President and Chief Financial Officer
December 08, 2007

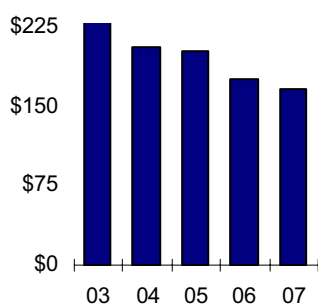
Ten Year Highlights

In thousands of Canadian dollars (except per share amounts)

Year ended Sept. 30	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenue	89,194	79,961	116,700	187,633	232,619	181,162	206,130	202,319	175,067	166,189
Gross profit	29,243	26,207	30,302	31,410	49,485	41,233	37,601	37,044	33,929	28,495
EBITDA	17,595	14,488	15,882	14,518	26,202	21,874	19,534	16,915	14,129	13,391
Income from operations	17,420	14,943	16,789	16,527	29,727	25,098	21,311	20,838	17,066	11,951
As percentage of revenue	20%	19%	14%	9%	13%	14%	10%	10%	10%	7%
Shareholders equity	44,790	47,327	51,659	53,442	61,998	70,552	91,408	97,239	97,895	98,407
Capital expenditures-net	5,917	5,960	17,278	3,593	14,546	7,854	4,470	7,515	2,815	3,151
Number of employees	600	600	1,000	700	800	820	850	850	800	700
Earnings per share	0.29	0.24	0.30	0.30	0.58	0.49	0.48	0.37	0.18	0.32
Book value per share	1.80	1.93	2.13	2.27	2.70	3.08	3.78	3.92	3.96	3.94
Avg shares issued (millions)	24.9	24.5	24.2	23.5	23.0	23.0	24.3	25.0	25.0	25.0
Return on average capital	26%	18%	14%	8%	18%	13%	11%	8%	5%	7%
Return on average equity	17%	13%	15%	13%	23%	18%	14%	10%	5%	8%

Management Discussion & Financial Analysis

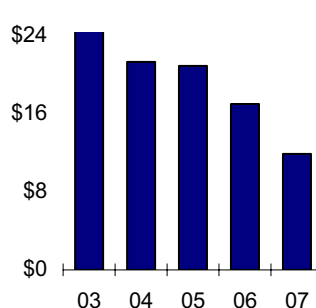
Sales and Growth (millions)



Revenue is down 5.1% to \$166.2 million compared with \$175.1 million last year.

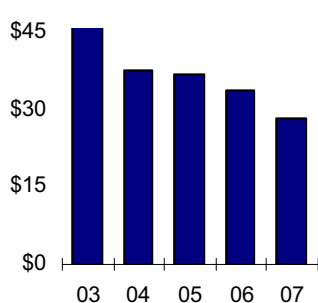
The strength of the Canadian dollar and a short term inventory shortage of high horse power tractors had a negative impact on revenue.

Income from Operations (millions)



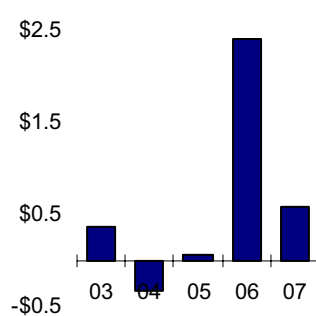
Operating income of \$12.0 million (7.2% of revenue) is down from last year's \$17.1 million (9.73% of revenue).

Gross Profit (millions)



Gross profit decreased to \$28.5 million (17.1% of revenue) compared with \$33.9 million (19.4% of revenue) last year. The strong Canadian dollar is responsible for most of the reduction in gross margin.

Net Interest Expense (millions)

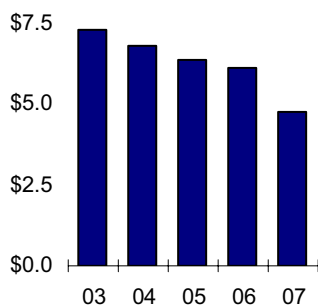


Interest expense of \$0.6 million is a significant improvement over last year's \$2.4 million.

Reduced inventory and accounts receivable allowed for the return to normal interest expense.

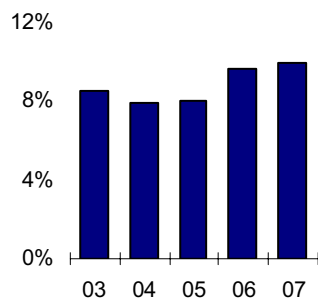
Management Discussion & Financial Analysis

Amortization Expense (millions)



Amortization expense of \$4.8 million is down from last year's \$6.1 million and will continue to reduce in future years until we make some major equipment purchases. The Company does not have any leases and does not record any of its intangible assets or goodwill on the balance sheet.

Selling & Administration Expense (% of Revenue)

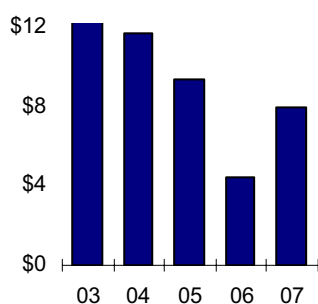


Selling and administration expense as a percentage of revenue increased slightly to 10.0% compared with 9.6% last year and is above the five year average of 8.8%.

Selling and administration expense was \$16.5 million compared with \$16.9 million last year.

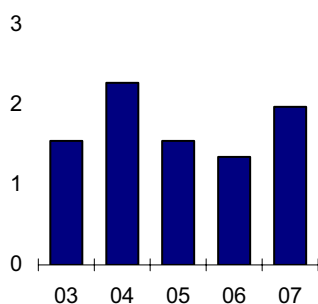
Management has worked diligently to keep this expense under control, however, when faced with a sudden drop in revenue it is difficult to reduce this expense quickly. We do expect that given time we will again see improvements in this ratio.

Net Earnings (millions)



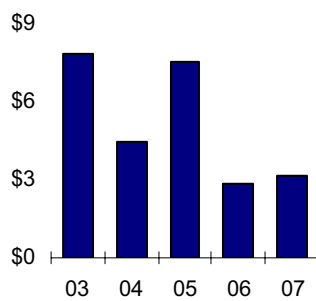
Net earnings increased 81.8% to \$8.0 million (\$0.32 per share on 25.0 million shares) compared with \$4.6 million (\$0.18 per share on 25 million shares) This year's earnings include a \$3.7 million gain on sale of capital assets compared with \$0.8 million last year.

Inventory Turns



Management concentrated on inventory management throughout the year, which resulted in an improved ratio of 2.0 compared with 1.3 last year. The 10 year average turnover is 2.25 and we believe there is still room for further improvement.

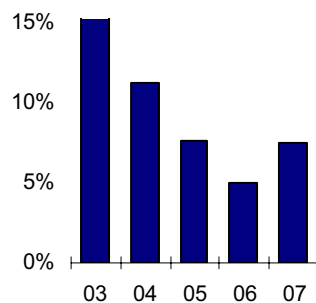
Asset Purchases (millions)



Over the past 10 years, the Company has invested \$73.1 million in capital assets. This includes the purchase of the tractor factory in the year 2000 and the Fargo and Saskatoon factories in year 2002. Capital expenditures for other years were mostly for new equipment. The Company invests in state of

the art equipment in order to maintain an efficient operation. The Company will continue, on average, to invest the equivalent of the annual amortization on new equipment.

Return on Capital



Return on capital of 7.0% is an improvement over last year, but lower than our 10 year average of 10.9%. ROC is calculated by dividing the earnings before interest and taxes by the sum of short and long term debt and total equity. The Company has no leases.

Research and Development Expense

The Company continues to invest in R&D, with its goal and commitment to keep its products modern and competitive in the market place. This year's R&D expense is \$2.0 million compared with \$3.2 million last year.

Evaluation of Disclosure Controls & Procedures

Management has evaluated the effectiveness of Buhler disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of September 30, 2007. Management has concluded that, as of September 30, 2007, Buhler's disclosure controls and procedures provided reasonable assurance that material information relating to Buhler and its consolidated subsidiaries would be made known to them.

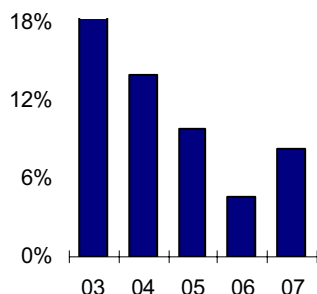
Risks

Management considers fluctuations in commodity prices and fluctuations in the Canadian dollar versus the US dollar to be a normal part of conducting business in this industry.

Going forward, the Company considers the degree of risk to be greater until the exchange rates stabilize.

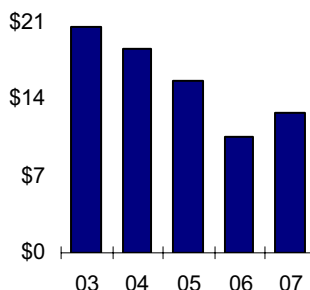
Management Discussion & Financial Analysis

Return on Equity



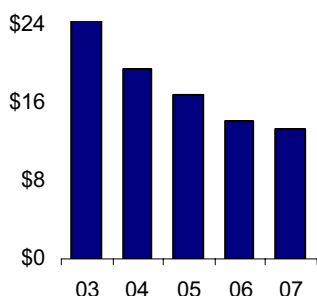
Return on equity of 8% has improved compared with last year's 5%, but well below our ten year average of 13.5%. We believe there will be further improvement on this ratio.

Net Cash Flow (millions)



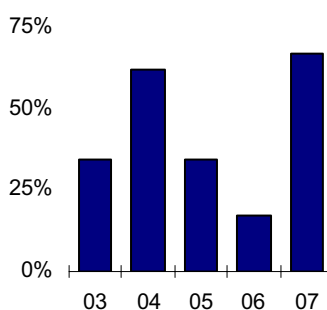
The Company generated cash flow of \$12.8 million compared with \$10.5 million last year. Cash flow is below the 10 year average of \$14.8 million. Cash flow is the sum of net after tax earnings, plus amortization.

EBITDA (millions)



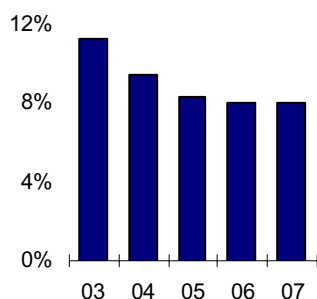
EBITDA of \$13.4 million is down from last year's \$14.1 million and well below our ten year average of \$17.4 million. We believe we have hit bottom on this chart and expect improvements for Fiscal 2008.

Cash Flow (as a percentage of debt)



Cash flow as a percentage of debt has improved to 39% compared with 17% last year. This chart measures the percentage of debt that can be paid with one year's cash flow. The Company can now retire 39% of its' total debt with one year's cash flow.

EBITDA (as a percentage of revenue)

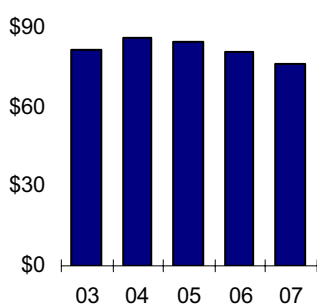


EBITDA as a percentage of revenue now stands at 8.1%, consistent with last year's 8.1% and below the 10 year average of 10.6%.

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

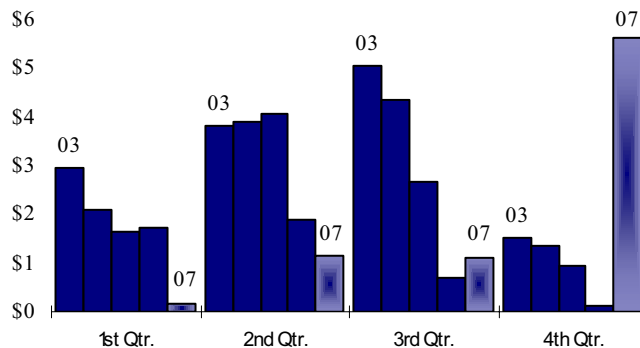
	2003	2004	2005	2006	2007
1st Q	\$ 1,985	\$ 2,093	\$ 1,647	\$ 1,707	\$ 149
2nd Q	3,336	3,915	4,078	1,875	1,132
3rd Q	3,782	4,361	2,670	701	1,104
4th Q	2,211	1,357	936	123	5,627
Total	\$11,314	\$11,726	\$ 9,331	\$ 4,406	\$ 8,012

Liquidity, Working Capital (millions)



Working capital is down slightly to \$76.1 million compared with \$81.1 million last year.

Net Quarterly Income (millions)



The Company has now completed 39 consecutive years and 140 consecutive quarters of profit. The unusually high Q4 earnings for this year comes from the sale of non-operating capital assets.

Management's Responsibility For the Financial Statements

The consolidated financial statements of Buhler Industries Inc. were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's Auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

Yury Ryazanov
Chief Executive Officer
November 28, 2007

Dmitry Lyubimov
President &
Chief Financial Officer

Auditor's Report

To The Shareholders of Buhler Industries Inc.

We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 2007 and the consolidated statement of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

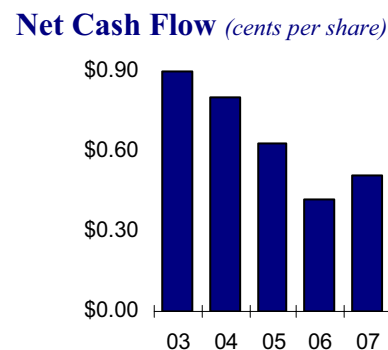
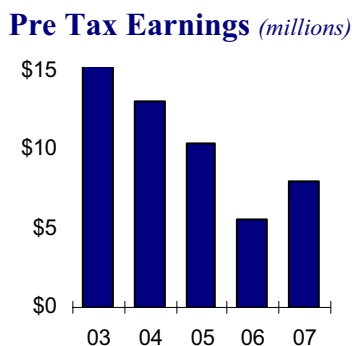
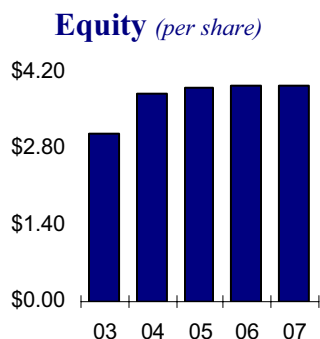
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, an audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of public accountants.

Winnipeg, Manitoba
November 28, 2007

BCCA LLP
Chartered Accountants



Consolidated Balance Sheets

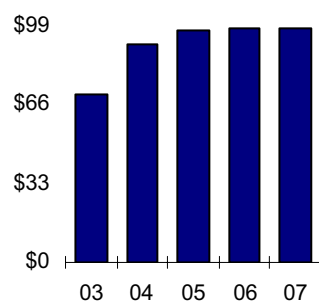
For the years ended September 30 (\$000's C\$)

	2007	2006
ASSETS		restated
Current Assets		
Cash	\$ 10,733	\$ -
Accounts receivable	38,028	42,394
Inventories (note 2)	69,668	104,888
Prepaid expenses	659	808
Total Current Assets	119,088	148,090
Property plant and equipment (note 3)	26,871	34,036
Long term receivables	8,030	-
Advances to related party (note 5)	1,001	-
Future income taxes (note 11)	6,629	2,668
Investments (note 15)	246	166
Total Assets	\$ 161,865	\$ 184,960
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	\$ -	\$ 39,203
Account payable and accrued liabilities	31,888	24,486
Income taxes payable	1,637	-
Current portion of deferred revenue and deposits	6,200	-
Current portion of long term debt	3,274	3,280
Total Current Liabilities	42,999	66,969
Advances from related party (note 5)	-	235
Deferred revenue	4,722	-
Long term debt (note 7)	15,737	19,095
Total Liabilities	63,458	86,299
Non-controlling interest (note 8)	-	766
SHAREHOLDERS' EQUITY		
Share capital (note 13)	30,000	30,000
Retained earnings	68,407	67,895
Total Shareholders' Equity	98,407	97,895
Total Liabilities and Equity	\$ 161,865	\$ 184,960

Approved on behalf of the Board:

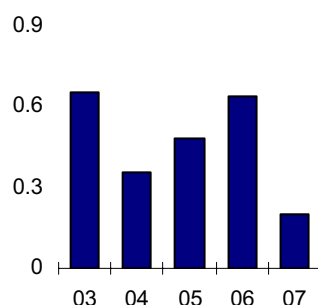
Director:

Total Equity (millions)

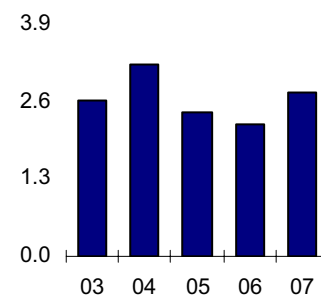


Director:

Debt to Equity (ratio:1)



Working Capital (ratio : 1)



Consolidated Statement of Earnings

For the years ended September 30 (\$000's)

	2007		2006 restated	
Revenue	\$ 166,189		\$ 175,067	
Cost of goods sold	<u>137,694</u>		<u>141,138</u>	
Gross Profit	28,495	17.1%	33,929	19.4%
Selling & administration expenses	<u>16,544</u>	10.0%	<u>16,863</u>	9.6%
Income from Operations	11,951	7.2%	17,066	9.7%
Gain on disposal of assets	(3,689)		(801)	
Interest expense (income)	585		2,414	
Amortization	4,768		6,133	
Research and development costs	2,003		3,183	
Non-controlling interest	<u>246</u>		<u>555</u>	
Net Earnings before Taxes	8,038	4.8%	5,582	3.2%
Provision for Income Taxes (note 11)	<u>26</u>		<u>1,176</u>	
NET EARNINGS	\$ 8,012	4.8%	\$ 4,406	2.5%

Consolidated Statements of Retained Earnings

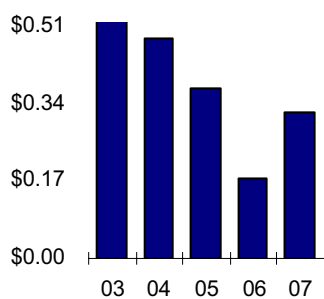
For the years ended September 30 (\$000's) except per share amounts

Retained Earnings beginning of year as previously reported	\$ 68,947	\$ 67,239
Accounting Error (note 16)	\$ (1,052)	\$ (874)
Retained Earnings beginning of year restated	\$ 67,895	\$ 66,365
Net earnings for the year	8,012	4,406
Dividends	(7,500)	(3,750)
Retained Earnings end of year	\$ 68,407	\$ 67,021

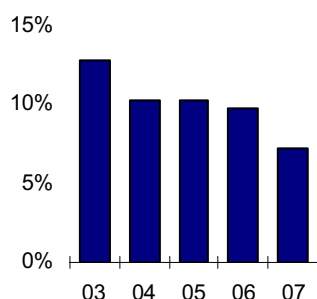
Earnings per share

Basic	\$ 0.32	\$ 0.18
Fully diluted	\$ 0.32	\$ 0.18

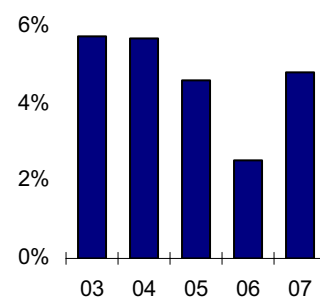
Earnings (cents per share)



Operating Income (% of Revenue)



Net Earnings (% of Revenue)



Consolidated Statement of Cash Flows

<i>For the years ended September 30 (000's)</i>	2007	2006 restated
Cash provided by (used in) operating activities		
Net earnings	8,012	4,406
Add (deduct) non-cash items		
Amortization	4,768	6,133
Loss (gain) on disposal of assets	(3,689)	(801)
Loss (gain) on foreign exchange	4,176	(490)
Future income taxes	(3,961)	874
	<u>9,306</u>	<u>10,122</u>
 Net change in non-cash working capital balances*	 <u>48,774</u>	 <u>(18,536)</u>
	<u>58,080</u>	<u>(8,414)</u>
Investing activities		
Increase in deferred revenue	10,922	-
Purchase of capital assets, net of investment tax credits	(3,151)	(2,815)
Proceeds on sale of capital assets	9,237	2,605
Investments	(80)	25
	<u>16,928</u>	<u>(185)</u>
Financing activities		
Issuance of share capital	-	-
Retirement of shares	-	-
Increase in long term receivable	(8,030)	-
Repayment of long term debt	(3,364)	(3,315)
Increase (decrease) in non-controlling interest	(766)	(4,553)
Advances (repayment) from related party	(1,236)	(2,347)
Dividends paid	(7,500)	(3,750)
	<u>(20,896)</u>	<u>(13,965)</u>
 Foreign exchange gain on cash held in foreign currency	 <u>(4,176)</u>	 <u>490</u>
 Net cash provided (used) in the year	 49,936	 (22,074)
Bank balance (debt), beginning of year	<u>(39,203)</u>	<u>(17,129)</u>
Bank balance (debt), end of year	<u>\$ 10,733</u>	<u>\$ (39,203)</u>
 *Net change in non-cash working capital balances is comprised of:		
Accounts receivable	\$ 4,366	\$ (4,997)
Inventories	35,220	1,091
Prepaid expenses	149	(67)
Accounts payable, accrued liabilities and taxes payable	9,039	(14,563)
Net cash provided (used)	<u>\$ 48,774</u>	<u>\$ (18,536)</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) Property plant & equipment 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 6.52%	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired
Leaseholds	20%	Straight line

(d) Revenue recognition

The company records revenue when goods are shipped and legal title passes to the customer. Interest income is recognized as earned.

(e) Investments

The company accounts for its investments where significant influence is exercised using the equity method of accounting whereby original costs are increased by the company's proportionate share of earnings, net of losses, since dates of acquisition and are decreased by dividends received.

(f) 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.

(g) 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.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian Generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The more subjective of such estimates is valuation of accounts receivable, inventory, future income tax asset, long term receivables and long term investments. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

2. INVENTORIES (000's C\$)	2007	2006
Land for development	\$ 126	\$ 2,320
Finished goods	28,706	57,591
Work in process	6,126	4,223
Raw materials	34,710	40,754
	<u>\$ 69,668</u>	<u>\$104,888</u>

3. 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.

4. PROPERTY, PLANT & EQUIP. (000's)	2007	2006	
Cost	Accum. Amort.	Net Book Value	Net Book Value
Land	\$ 3,416	\$ 3,416	\$ 4,532
Buildings	23,618	(9,892)	13,726
Equipment	47,971	(40,326)	7,645
Equipment held for leasing purposes	1,503	(87)	1,416
Computers	4,566	(3,898)	668
Software & tools	2,684	(2,684)	-
	<u>\$ 83,758</u>	<u>\$ (56,887)</u>	<u>\$ 26,871</u>
			<u>\$ 34,036</u>

5. ADVANCES TO/FROM RELATED PARTY

The advances from related party is from the majority shareholder, holding 63% 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 (2006 - \$665,000) to secure a line of credit for an entity in which the majority shareholder has a significant influence.

6. RELATED PARTY TRANSACTIONS (000's)

Companies Controlled by Officers or Family Members

Accounts receivable	\$ 4,521	-
Advances to/(from) Related Party	\$ 1,001	\$ (235)
Revenue	500	300

Immediate Family Members of Controlling Shareholder

Fees paid for management services	114	135
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Above amounts are recorded at the exchange rates agreed to by the related parties.

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

Long term debt	\$ 19,011	\$ 22,375
Current portion	3,274	3,280
Long term portion	<u>\$ 15,737</u>	<u>\$ 19,095</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. \$3,280 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. Principal repayments over the next five years are as follows:

2008	\$3,275	2011	\$3,298
2009	3,282	2012	3,307
2010	3,290		

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 second quarter, the outside partner relationship ended.

9. OPERATING LEASE REVENUE (000'S)

During the year the company received income from operating leases of \$35 (2006 \$ - 0)

Notes to Consolidated Financial Statements

10. INTEREST PAID (000's)	2007	2006
Operating loan	\$ 1,459	\$ 2,976
Long term debt	<u>0</u>	<u>0</u>
	\$ 1,459	\$ 2,976

11. INCOME TAXES (000's)	2007	2006
		restated
At applicable statutory rate	\$ 2,902	\$ 2,043
Federal SRED Credits Earned	(2,994)	(910)
Large Corporations Tax	<u>68</u>	<u>43</u>
Income tax provision	26	1,176

Tax paid and future tax, 000's

Income taxes paid (recovered) during the year were (\$1.6), (2006 – \$1.6)

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

12. SEGMENTED INFORMATION (000's)

The Company has organized its business between agricultural and non-agricultural operations due to the differences in the products and approaches in marketing and manufacturing in both segments. The agricultural equipment segment produces a wide variety of agricultural equipment, whereas the non-agricultural operations consist primarily of custom metal fabrication.

	2007		2006 restated	
	Canada	US	Canada	US
Revenue	\$143,563	\$ 22,626	\$153,857	\$21,210
Earnings	9,062	(1,050)	4,103	303
Propert, plant & Equipment	19,285	7,586	25,902	8,134
	Ag	Non-Ag	Ag	Non-Ag
Revenue	\$157,749	\$ 8,440	\$166,638	\$8,429
Interest revenue	852	22	559	3
Interest	1,455	4	2,244	732
Earnings	7,604	408	3,775	631
Assets	146,317	15,548	171,176	13,784

Included in Canadian revenue are export sales, primarily to the United States, of \$113 million (2006 - \$111 million). The accounting policies of the segments are the same as described in the note for significant accounting policies. The Company accounts for inter-segment sales at current market prices. Revenue from the top two customers was \$15 million and \$9 million, both in the agricultural segments.

13. SHARE CAPITAL AND OPTIONS (000's C\$)

Authorized, an unlimited number of class A & B 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 June 30, 2007

14. 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 2007, the Company contributed \$150,000 to the plan (2006-\$150,000). The plan

15. INVESTMENTS (000's)

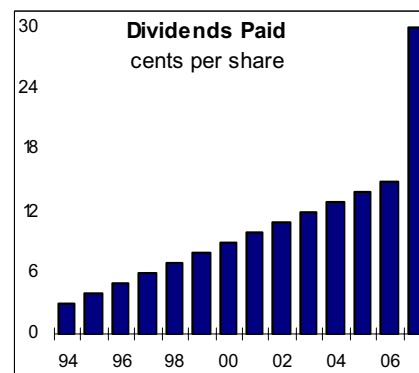
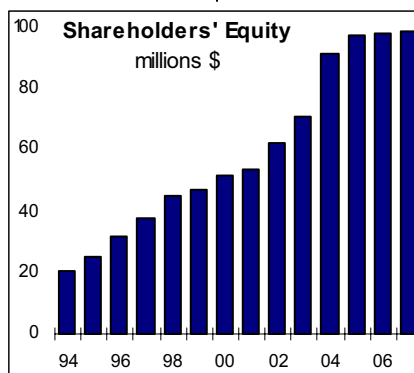
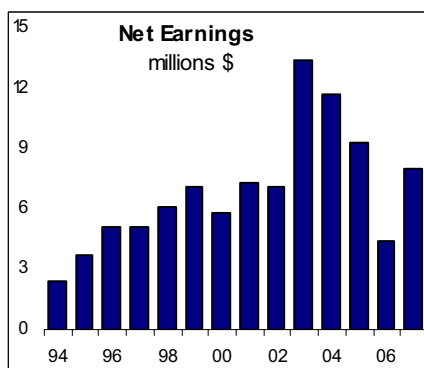
	2007	2006
Investments accounted for by the equity method	\$ 94.5	\$ 22.0
Investments held at cost	<u>152.2</u>	<u>144.2</u>
	246.7	166.2

16. ACCOUNTING ERRORS (000's)

In 2007, errors relating to the reporting of non-controlling interest and related income taxes in previous years were identified.

As a result, the 2006 accounts payable and accrued liabilities were understated by \$1,646 and future income taxes were understated by \$594, the comparative figures have been restated to properly reflect the accounts payable and accrued liabilities, future income taxes, opening retained earnings, non-controlling interest income statement account and provision for income taxes.

On the comparative statement of operations, non-controlling interest has been increased by \$279, the provision for income taxes has been decreased by \$101 and the opening retained earnings for the 2006 year has been decreased by \$874 representing the cumulative effect of the error on previous year's net earnings.



Net earnings for 2007 include a capital gain of \$3.7 million on the sale of non operating capital assets. This year marks the 39th consecutive year of profit. The strong Canadian dollar reduced this year's earnings.

Shareholders equity has increased for 39 consecutive years. This year's increase was minimal, leaving a total of \$98.4 million, just shy of the \$100 million mark.

An early dividend was paid on October 15, 2007 to shareholders of record on September 25, 2007. The Company is not expecting to pay dividends in the future.

Company Profile

Buhler Industries Inc. was established in 1932 and operated as Standard Gas Engine Works until the Company was purchased by John Buhler in 1969. The Company has since grown to become a significant player in the farm equipment industry.

Today, the Company operates eight modern manufacturing plants and eight distribution centers totaling over 1.6 million square feet of facilities and employing over 800 people. The Company remains strongly committed to its core business as a manufacturer of a wide range of agricultural equipment marketed overseas and throughout North America under the brand names: “Buhler”, “Allied”, “Farm King”, “Inland” and “Buhler Versatile”.

In 2000, the Company purchased the only tractor manufacturing plant in Canada. Ranging from 145 hp to 535 hp, the tractors became the perfect compliment to the Company’s long standing portfolio of short line farm equipment, which includes grain augers, 3-point hitch attachments, front-end loaders and haying equipment.

On October 31, 2007, Combine Factory Rostselmash Ltd. purchased 80% of the shares of Buhler Industries Inc.

Audit Committee

Allan L.V. Stewart
Konstantin Babkin
Oleg Gorbunov

Legal Counsel

Perlov Stewart LLB
Winnipeg, Manitoba

Exchange Listing

The shares of Buhler Industries Inc. are listed on the Toronto Stock Exchange and trading under the symbol “BUI”.

Corporate Banker

Bank of Montreal
Winnipeg, Manitoba

Cusip Number

119 918 100

Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Corporate Office

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

Auditors

BCCA LLP
Winnipeg, Manitoba

Annual Meeting

The annual meeting of shareholders will be held on Thursday, March 20th, 2008 at 11:00 AM at the Head Office, 1260 Clarence Avenue, Winnipeg Manitoba.

Directors, Officers and Senior Management

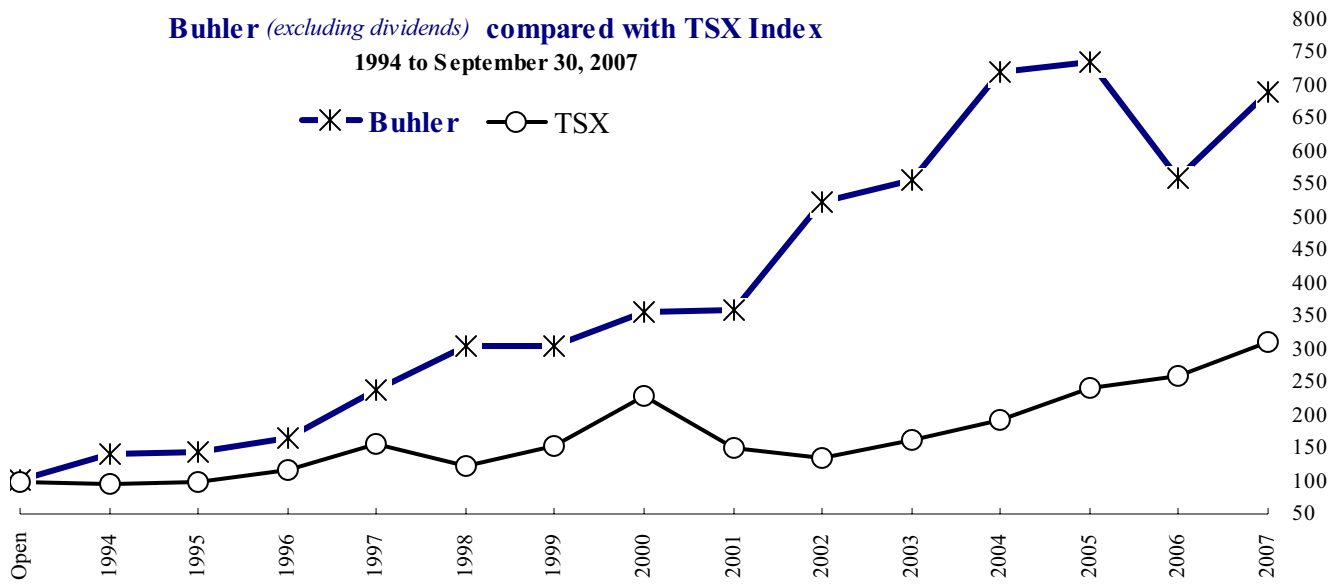
Name	Office	Principal Occupation
Dmitry Udras	Chairman/Officer	Director General, Novoe Sodrugestvo, CJSC
Yury Ryazanov	Director/Officer	Vice President, Novoe Sodrugestvo, CJSC
Konstantin Babkin	Director	Chairman of the Board of Directors, Novoe Sodrugestvo, CJSC
Oleg Gorbunov	Director	Deputy Head of Government Bank, Russia
Allan Stewart, <i>B.A., LL.B.</i>	Director	Lawyer, Perlov Stewart LLB
John Buhler	Director	President, Highland Park Financial Inc.
Dmitry Lyubimov, <i>MBA</i>	Officer	President and Chief Financial Officer, Buhler Industries Inc.
Alex Buchko, <i>CA, CPA, MBA</i>	Management	Head of Financial Department, Buhler Industries Inc.
Grant Adolph, <i>P.Mgr.</i>	Management	Chief Operating Officer, Buhler Industries Inc.
Eric Allison	Management	Director of Sales, Tractor division
Steve Froese	Management	Director of Sales, Short Line division
Helen Bergen, <i>C.H.R.P.</i>	Management	Manager, Human Resources, Buhler Industries Inc.
Rick Kneeshaw, <i>C.I.M.</i>	Management	Operations Manager, Morden Division
Min Lee, <i>I.S.M.</i>	Management	Chief Information Officer, Buhler Industries Inc.

Ten Year Summary

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
						restated	restated	restated	restated	
	In thousands of Canadian dollars (except per share amounts)									
SUMMARY OF OPERATIONS										
Revenue	89,194	79,961	116,700	187,633	232,619	181,162	206,130	202,319	175,067	166,189
Cost of goods sold	59,951	53,754	86,398	156,223	183,134	139,929	168,529	165,275	141,138	137,694
Gross profit	29,243	26,207	30,302	31,410	49,485	41,233	37,601	37,044	33,929	28,495
Selling & admin. expense	11,823	11,264	13,513	14,883	19,758	16,135	16,290	16,206	16,863	16,544
Income from operations	17,420	14,943	16,789	16,527	29,727	25,098	21,311	20,838	17,066	11,951
Gain on sale of capital assets	(727)	(346)	(1,039)	(733)	(134)	(726)	(2,010)	(119)	(801)	(3,689)
Interest expense (Income)	458	434	671	1,032	369	703	(328)	62	2,414	585
Amortization	4,808	5,126	5,520	7,684	7,339	6,894	6,812	6,411	6,133	4,768
Research & development exp.	552	577	1,043	1,895	2,850	3,683	2,903	3,342	3,183	2,003
Non-controlling interest	-	224	903	847	809	762	884	700	555	246
Net Earnings before taxes	12,329	8,928	9,691	5,802	18,494	13,782	13,050	10,442	5,582	8,038
Income taxes	5,216	3,131	2,393	(1,313)	5,134	2,468	1,324	1,111	1,176	26
NET EARNINGS	7,113	5,797	7,298	7,115	13,360	11,314	11,726	9,331	4,406	8,012
CASH FLOW SUMMARY										
Capital asset purchases	5,917	5,960	17,278	3,593	14,546	7,854	4,470	7,515	2,815	3,151
Long-term debt incurred	-	2,417	31,656	-	-	-	-	-	-	-
Reduction of long-term debt	7,696	-	-	2,894	795	1,657	3,628	3,360	3,315	3,315
Dividends Paid	1,703	1,992	2,209	2,435	2,584	2,760	2,990	3,500	3,750	7,500
Net cash flow	11,921	10,923	12,818	14,799	20,699	18,208	18,538	15,742	10,539	12,780
Net cash (Bank indebtedness)	(2,348)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)	15,360	(17,129)	(39,203)	10,733
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	12,996	13,793	46,789	27,277	40,094	41,777	51,222	38,138	43,202	49,420
Inventory	19,014	20,610	52,846	60,179	70,361	90,495	73,762	105,979	104,888	69,668
Total current assets	32,010	34,403	99,635	87,456	110,455	132,272	124,984	144,117	148,090	119,088
Total assets	61,139	74,843	149,073	127,531	156,305	178,460	167,405	187,000	184,960	161,865
Total current liabilities	13,004	14,195	54,038	41,783	49,860	49,742	37,570	58,087	66,969	42,999
Total short and long term debt	5,741	7,587	47,240	42,245	57,743	60,409	29,870	45,398	61,813	19,011
Total liabilities	16,349	27,516	97,414	74,089	94,307	107,908	75,998	89,767	87,065	63,458
Total shareholders equity	44,790	47,327	51,659	53,442	61,998	70,552	91,407	97,233	97,895	98,407
Shares o/s (avg. in millions)	24.9	24.5	24.2	23.5	23.0	23.0	24.3	25.0	25.0	25.0
Working capital	19,006	20,208	45,597	45,673	60,595	82,530	87,414	86,030	81,121	76,089
DATA PER COMMON SHARE										
Revenue	\$ 3.57	\$ 3.27	\$ 4.82	\$ 7.98	\$ 10.11	\$ 7.88	\$ 8.47	\$ 8.09	\$ 7.00	6.65
EBITDA	0.71	0.59	0.66	0.62	1.14	0.90	0.82	0.67	0.47	0.54
Price to EBITDA	4.3	5.2	5.4	5.8	4.6	6.2	6.8	8.3	11.9	13.5
EBIT	0.51	0.38	0.43	0.29	0.82	0.60	0.54	0.42	0.22	0.32
Net earnings	0.29	0.24	0.30	0.30	0.58	0.49	0.48	0.37	0.18	0.32
Price to earnings	10.68	12.91	11.85	11.90	9.04	14.94	15.25	19.69	31.77	21.53
Cash flow	0.48	0.45	0.53	0.63	0.90	0.79	0.76	0.63	0.42	0.51
Dividends Paid	0.07	0.08	0.09	0.10	0.11	0.12	0.13	0.14	0.15	0.30
Closing share price	3.05	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60	6.90
Shareholders' equity	1.80	1.93	2.13	2.27	2.70	3.07	3.76	3.89	3.92	3.94
STATISTICAL DATA										
Current ratio	2.5	2.4	1.8	2.1	2.2	2.7	3.3	2.5	2.2	2.8
Interest bearing debt?equity ratio	0.1	0.1	0.2	0.2	0.2	0.2	-	0.2	0.4	0.1
Number of shareholders	1,700	1,700	1,600	1,600	1,600	1,600	1,600	1,600	1,500	1,300
Inventory turnover	3.2	2.7	2.8	2.6	2.6	1.5	2.3	1.6	1.3	2.0
Gross margin (% of revenue)	32.8%	32.8%	26.0%	16.7%	21.3%	22.8%	18.2%	18.3%	19.4%	17.1%
Selling & Admin. (% of revenue)	13%	14%	12%	8%	8%	9%	8%	8%	10%	10%
EBITDA (% of revenue)	20%	18%	14%	8%	11%	12%	10%	9%	8%	7%
Net earnings (% of revenue)	8%	7%	6%	4%	6%	6%	6%	5%	3%	5%
Return on average capital	26%	18%	14%	8%	18%	13%	11%	8%	5%	7%
Return on average equity	17%	13%	15%	13%	23%	18%	14%	10%	5%	8%

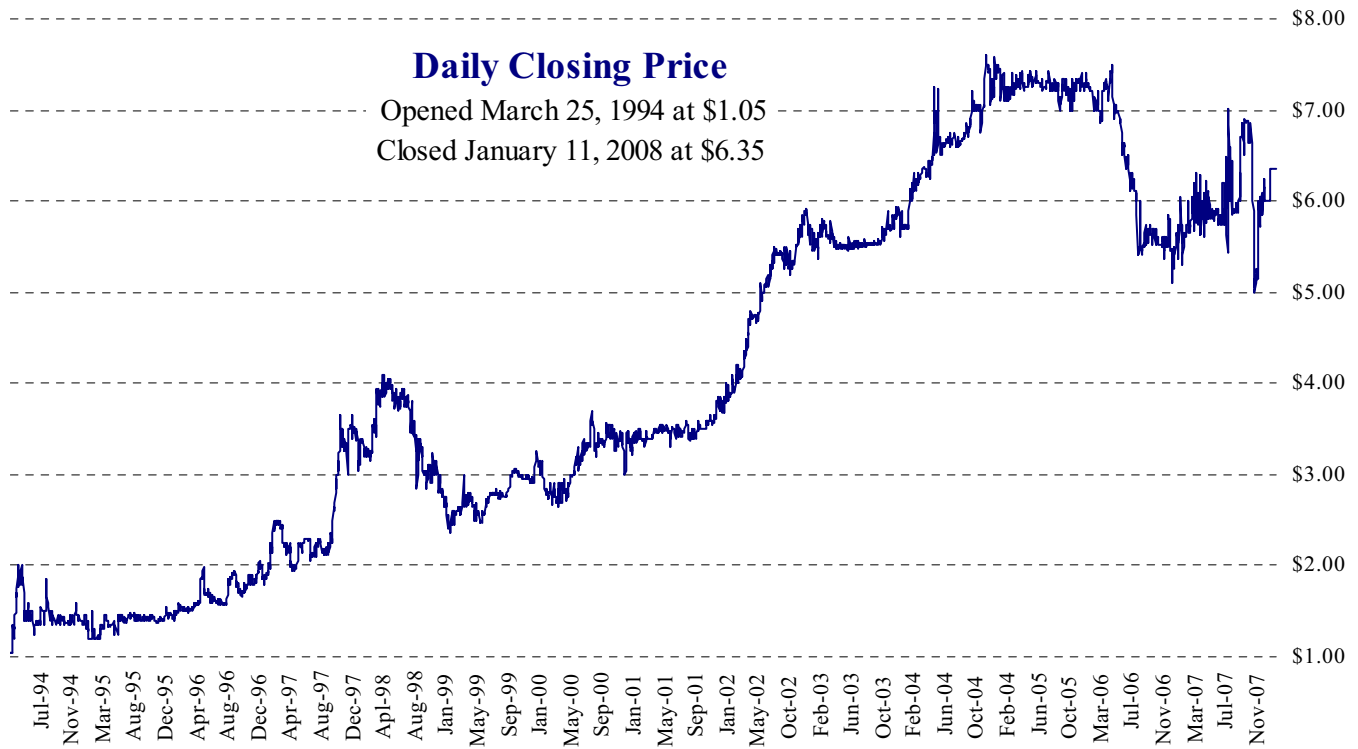
Stock Data

Buhler (excluding dividends) compared with TSX Index
1994 to September 30, 2007



Daily Closing Price

Opened March 25, 1994 at \$1.05
Closed January 11, 2008 at \$6.35



Year end Sept. 30	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74	3.75	5.50	5.92	7.30	7.63	7.60	7.25
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70	3.00	3.48	5.20	5.48	7.00	4.35	5.30
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57	7.20	7.35	5.60	6.90
Trading Volume (000's)	1,311	867	1,927	3,015	4,134	2,274	1,092	2,800	1,836	1,321	5,024	1,703	3,010	5,637



bühler

Buhler Industries Inc. 1260 Clarence Ave. :: Winnipeg, Manitoba :: Canada R3T 1T2
Telephone: 204.661.8711 :: Fax: 204.654.2503 :: info@buhler.com :: www.buhler.com