



**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 sheets as at March 31, 2010 and 2011 and the interim consolidated statements of earnings, retained earnings and cash flows for the six month periods then ended are the responsibility of the Company's management. These consolidated financial statements have not been audited or 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.

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Yury Ryazanov  
Chief Executive Officer  
April 20, 2011

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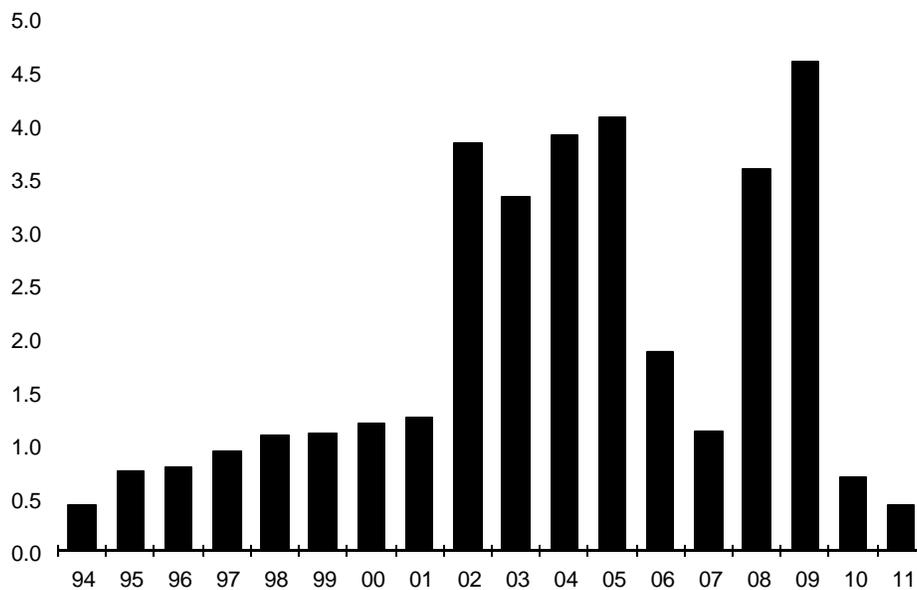
Willy Janzen, C.G.A., B.Comm.  
Chief Financial Officer  
April 20, 2011

# bühler

## Second Quarter Report

March 31, 2011

18 Year History of  
2nd Quarter Net Earnings  
in Millions \$



Buhler has recorded 42 consecutive years of profit.

**A Leading Manufacturer and Distributor of Farm Equipment**

# Management Discussion & Financial Analysis

Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of Buhler Industries Inc. (the Company). Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent the Company's current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, the Company disclaims any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

## Company Overview

The Company is headquartered in Winnipeg, Manitoba, Canada. Established in 1932 as an agricultural equipment manufacturer, the original company was purchased by John Buhler in 1969. Through expansion, new products and acquisitions, the Company has experienced progress and steady growth.

Over the years, many brands have joined Buhler Industries: Farm King, Ezee-On, Allied, Inland and Versatile. Today the Company operates several modern manufacturing plants and distribution centers. Factories in Morden and Winnipeg (Manitoba), Vegreville (Alberta), Fargo (North Dakota), Salem (South Dakota) and Willmar (Minnesota), build tractors, sprayers, front-end loaders, augers, snow blowers, mowers, seeding and tillage equipment, compact implements and more. In addition, the Company maintains several well-stocked parts warehouses.

In 2007, Combine Factory Rostselmash Ltd, a major combine manufacturer located in Rostov-on-Don, Russia, acquired 80% of the common shares of the Company. The Company continues to grow with additional investment in engineering, research and development and production. The dealer / distribution network in North America remains steady, however the Rostselmash network adds more than 200 dealers in Russia, Ukraine and Kazakhstan that provides for additional sales growth in the future.

Buhler Industries remains committed to continuous product improvement and incorporating new value-added features. That tradition of excellence will continue well into the future.

## Ten Year Highlights *In thousands of Canadian dollars (except per share amounts)*

Year ended Sept. 30	2001	2002	2003 restated	2004 restated	2005 restated	2006 restated	2007 restated	2008 restated	2009	2010
Revenue	187,633	232,619	181,162	206,130	202,319	175,067	166,189	218,955	284,072	<b>209,634</b>
Gross profit	31,410	49,485	41,233	37,601	37,044	33,929	28,495	43,878	51,258	<b>37,356</b>
GP%	16.7%	21.3%	22.8%	18.2%	18.3%	19.4%	17.1%	20.0%	18.0%	<b>17.8%</b>
Income from operations	16,527	29,727	25,098	21,311	20,838	17,066	11,951	27,402	32,283	<b>18,263</b>
As percentage of revenue	9%	13%	14%	10%	10%	10%	7%	13%	11%	<b>9%</b>
Net earnings	7,115	13,360	11,314	11,726	9,331	4,406	8,012	11,670	14,388	<b>8,180</b>
Earnings per share (EPS)	0.30	0.58	0.49	0.48	0.37	0.18	0.32	0.47	0.57	<b>0.33</b>
EPS without EOI	0.30	0.58	0.49	0.48	0.37	0.18	0.32	0.18	0.57	<b>0.33</b>
EBITDA	14,518	26,202	21,380	19,534	16,915	14,129	13,391	33,504	26,710	<b>14,206</b>
Total assets	127,531	156,305	178,460	167,044	186,512	184,960	161,865	178,583	193,817	<b>197,203</b>
Working capital	45,673	60,595	82,530	87,414	86,030	81,121	76,089	75,718	93,073	<b>101,199</b>
Shareholders' equity	53,442	61,998	70,552	91,407	97,233	97,895	98,407	110,077	124,465	<b>132,645</b>
Book value per share	2.27	2.70	3.07	3.76	3.90	3.92	3.94	4.40	4.98	<b>5.31</b>
Return on average capital	8%	18%	13%	12%	8%	5%	7%	12%	12%	<b>6%</b>
Return on average equity	13%	23%	18%	14%	10%	5%	8%	11%	12%	<b>6%</b>

# Management Discussion & Financial Analysis

## General Information

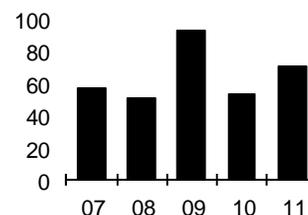
The following discussion and analysis dated April 20, 2011 was prepared by management and should be read in conjunction with the consolidated financial statements prepared in accordance with Canadian GAAP. The following discussion and analysis is presented in millions of Canadian dollars except where otherwise noted. The consolidated financial statements include the accounts of all subsidiaries. All subsidiaries in the United States operate with the U.S. dollar as the functional currency, while the Company and all its Canadian subsidiaries operate with the Canadian dollar as the functional currency.

## Highlights

### Sales

Revenue for the quarter was \$70.5, up \$16.7 when compared to last year. Sales for the quarter were among the best ever recorded by the Company, topped only by the record seen in 2009. Sales for the first six months were up from 2010, an increase of \$26.2 to \$122.7, also among the best on record. The increase in sales can be attributed to the return of the overseas markets for tractors, as well as the demand for the sprayer line which was introduced in 2010. Revenues in the short-line division remain strong.

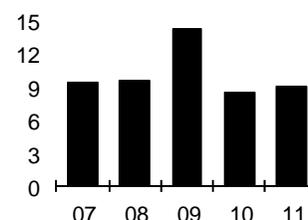
Sales (millions C\$)



### Gross Profit

Gross profit came in at \$9.1, up \$0.6 (7.1%) in the second quarter. Gross profit came in at \$16.9, up from \$15.4 (9.7%) for the six months ended March 31st largely due to the increase in sales. As a percentage of sales, gross profit for the quarter was 12.9%, down from 15.7% in the second quarter last year, and down 2.2% to 13.8% for the six months ended. The decrease was due to economic and competitive pressures as well as the strengthening of the Canadian dollar. In addition, increased sales in the tractor division generated lower margin as a percentage of sales.

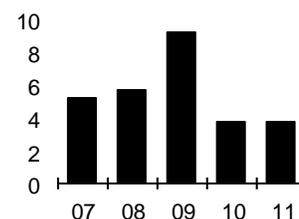
Gross Profit (millions C\$)



### Income from Operations

Income from operations is up \$0.1 from the second quarter in 2010, coming in at \$3.9, versus \$3.8 in the prior year second quarter. Selling and administration expenses increased to \$5.2, up from \$4.7 in the same period last year. As a percentage of sales, selling and administration expenses are down to 7.4% from 8.6% for the quarter. For the six months ended March 31 expenses were stable at \$9.2, the same as in the prior period.

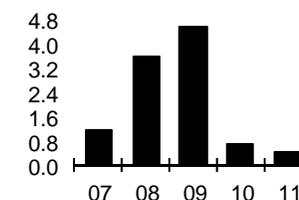
Income from Operations (millions C\$)



### Net Earnings

Net earnings came in at \$0.4, compared to \$0.7 in the prior year's second quarter. For the six months ended March 31st, net earnings were \$0.9, down from the prior period's \$2.1. The prior year's second quarter and six months ended March 31st were elevated due to a large capital gain on sale of excess assets. In the current year, interest and amortization have increased due to the recent acquisitions of the Company which have contributed to the increased sales. Research and development expenditures were increased as the Company continues to invest in the future.

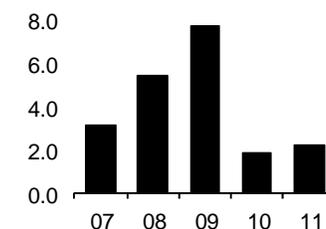
Net Earnings (millions C\$)



### EBITDA

EBITDA is the earnings before income taxes, depreciation and amortization, and is considered to be a useful measure of the cash flow from operations of the Company. EBITDA for the quarter was \$2.2, a decrease of \$0.4 from the same quarter last year. For the year to date, EBITDA was \$3.7, down from \$4.4. The prior period figures were strengthened by above average gains on sale of excess assets, while the current period is experiencing higher spending on research and development.

EBITDA (millions C\$)

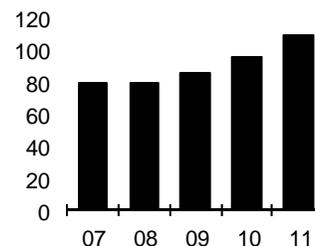


# Management Discussion & Financial Analysis

## Working Capital

Working capital is a measure of company's ability to discharge its current obligations by using its current assets. The Company continues to be in a strong position as the working capital at quarter end was \$109.3, up \$14.0 (14.7%) from March 31, 2010. The Company has increased accounts receivable by \$6.1 (14.6%) and inventory by \$36.9 (39.0%) from the same quarter last year, while at the same time increasing the bank indebtedness by \$23.9 (202.6%), accounts payable and accrued liabilities by \$9.5 (27.4%), which was offset by a decrease in income taxes payable by \$3.3 (51.6%).

Working Capital (millions C\$)



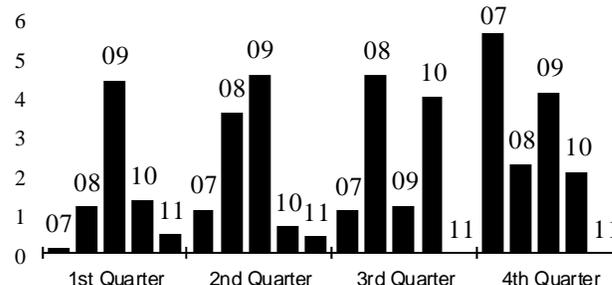
## Research and Development

In keeping with the Company's strategy to invest in the development of new products for the future, expenditures for research and development increased to \$4.6 from \$3.6 for the year to date, an increase of 27.8%, although down to \$1.9 from \$2.3 for the second quarters ended March 31st. Management believes this strategy will maintain the Company's competitive position in the marketplace.

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

	2007 restated	2008 restated	2009	2010	2011
1st Q	\$ 149	\$ 1,203	\$ 4,429	\$ 1,364	\$ 480
2nd Q	1,132	3,223	4,586	691	437
3rd Q	1,104	4,374	1,238	4,022	
4th Q	5,627	2,870	4,135	2,103	
Total	\$ 8,012	\$ 11,670	\$ 14,388	\$ 8,180	\$ 917

## Net Quarterly Income (millions C\$)



## Summary of Quarterly Results

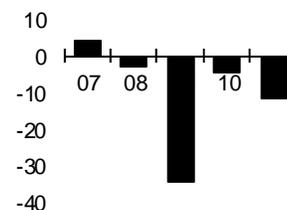
The Company saw a return of the overseas market, which has increased sales for the quarter and six months ended March 31, 2011. Gross profit rose due to the increase in sales while the strengthening of the Canadian dollar, competitive pressures prevalent in the current market place, and increased tractor sales with lower margins reduced gross profit as a percentage of sales. Interest and amortization increased due to financing the acquisition of new property and equipment in order to introduce new products for the Company's customers.

## Cash Flow and Capital Resources

### Operating Activities

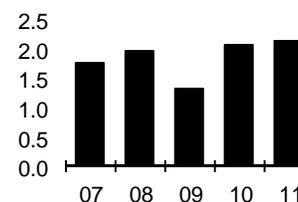
Year to date cash flow came in at (\$31.0), down from last years (\$5.2) usage in cash. An increase in accounts receivable for the first six months accounted for \$6.2, inventories were increased by \$29.0, due to increased sales and an end of life inventory purchase that will be used up during the year. In addition, accounts payable, accrued liabilities and income taxes payable were paid in the amount of \$5.3. These cash outflows were offset by cash provided by operations of \$2.8.

Net Cash Flow (millions C\$)



Management has diligently worked to control the investment in inventory in order to keep the cash position strong. Despite the increase in inventory, the inventory turns have remained stable at 2.1.

Inventory Turns

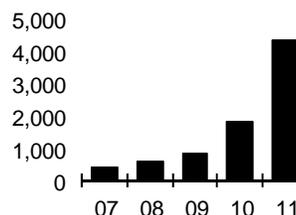


# Management Discussion & Financial Analysis

## Investing Activities

Cash expended in the quarter for investing activities was \$4.3, up \$2.5 from the second quarter of last year, all due to the purchase of capital assets. This includes the purchase of the assets of Ezee-On Manufacturing located in Vegreville, Alberta. For the six months ended March 31, 2011, the Company purchased \$5.1 of capital assets, an increase of \$2.7 for the same period in 2010. The prior year was offset by receiving proceeds of \$2.1 on the sale of excess capital assets, which was not repeated in 2011.

Asset Purchases (000's C\$)



## Financing Activities

The Company generated cash of \$14.0 from financing activities in the second quarter, compared to cash generated of \$0.6 in the prior year's second quarter. The cash brought in for the year consisted primarily of long term debt acquired in the amount of \$14.0, all in the second quarter, where the prior year the additional long term debt incurred was \$1.4.

## Resources

In order for the Company to operate and grow, continued funding resources are required. The Company has several options for funding available to it, such as cash in the bank, cash provided by operations and acquiring new debt. Under the current bank agreements in place, the Company has access to a \$67.5 in credit facilities.

## Risks and Financial Instruments

The Company recognizes that net earnings are exposed to changes in market interest rates, foreign exchange rates, prices of raw materials and risks regarding the financial condition of customers. These market conditions are regularly monitored and actions are taken when appropriate. Despite the methods employed to manage these risks, future fluctuations in interest rates, exchange rates, raw material costs and customers condition can be expected to impact net earnings.

The Company may enter into fixed-rate debt to minimize the risk associated with interest rate fluctuations. In addition, the Company may employ hedging programs to minimize foreign exchange risks associated with the changes in the value of the Canadian dollar relative to the U.S. dollar. To the extent possible, the Company maximizes natural currency hedging by matching inflows from sales in either currency with outflows of costs and expenses denominated in the same currency. A portion of the remaining exposure to fluctuations in exchange rates may be mitigated with forward and option contracts.

The Company currently has a variable interest bank credit facility, a low interest loan from the State of South Dakota, two loans from the State of North Dakota (one of which is zero interest, the other at low interest), low interest loans from the Bank of Montreal and the Canadian Imperial Bank of Commerce, and a low interest loan from Heloval Holdings Ltd. Should future cash requirements result in additional debt be taken on, management would evaluate the financing options available at that time and take a course of action that is in the best interests of the Company in the long term. Currently, all of the financing needs of the Company are being met by the bank credit facility, which carries a low rate of variable interest.

With respect to foreign exchange, the Company manages risk by use of the natural hedge that exists between the U.S. dollar denominated accounts receivables and accounts payable. Where a large difference in this hedge is anticipated, forward foreign exchange contracts may be entered into to mitigate the risk. Purchases of foreign exchange products for the purpose of speculation are not permitted. Transactions are only conducted with certain approved financial institutions. Fluctuations in foreign exchange rates represent a material exposure for the Company's financial results. Hedging programs employed may mitigate a portion of exposures to short-term fluctuations in foreign currency exchange rates. The Company's financial results over the long term will be affected by sizeable changes in the value of the Canadian dollar relative to the U.S. dollar.

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The Company assesses the credit quality of customers, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases, insures accounts receivable balances against credit losses. Nonetheless, unexpected deterioration in the financial condition of a customer can have a negative impact on net earnings in the case of default.

# Management Discussion & Financial Analysis

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## *Accounting Policy Changes*

As described more fully in note 3 to the consolidated financial statements, the Company has prospectively adopted new accounting standards for comprehensive income, financial instruments, capital disclosures and inventories effective with the annual statement beginning September 30, 2009. These standards had no significant impact on the Company's consolidated financial results.

In February 2008, the Canadian Accounting Standards Board confirmed that Publicly Accountable Enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian generally accepted accounting principles (GAAP) to IFRS will be applicable for the Company's first quarter of 2012, at which time the Company will prepare both its fiscal 2012 and fiscal 2011 comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes, disclosure controls, information systems and internal controls.

The Company will complete its IFRS conversion project for the first quarter of 2012. Regular reporting will be provided to the Company's senior management and Audit Committee of the Board of Directors. The Company's conversion project consists of three phases: diagnostic assessment, design and development, and implementation. A high-level review of the major differences between Canadian GAAP and current IFRS will be undertaken and, at that time, the Company will determine where the differences with the highest potential impact to the Company's accounting policies are. These are likely to be, but are not limited to, property, plant and equipment; financial instruments and hedges; impairments; income taxes; financial statement disclosures; as well as the initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS. The potential impact of these changes on the Company's future financial position and results of operations has yet to be determined as accounting policy choices under IFRS are subject to a number of accounting alternatives which still have to be evaluated by the Company. The Company will continue to invest in training and external advisor resources as required throughout the transition to facilitate a timely and successful conversion.

## *Looking Forward*

The Company completed the purchase of Feterl (an auger manufacturer in the U.S.) in 2010 and is projecting its sales of augers to be higher in 2011. In addition, the Company announced a partnership with Westeel (a manufacturer of grain bins in Canada). Westeel will be selling Buhler made augers in Canada, while Buhler's Farm King division will be distributing grain bins in the United States. During the quarter, the Company completed the purchase of the assets and business of Ezee-On Manufacturing, a manufacturer of cultivators, air carts, air seeders and other farm implements located in Vegreville Alberta. This purchase allows the Company to offer a more complete line of farm implements to customers. Sales of the Versatile tractors are expected to be stronger in 2011 due to increased domestic and international demand. In April, the Company purchased the assets, land and buildings to increase its sprayer production.

Net earnings for the remainder of the year are expected to be higher as the result of an anticipated increase in sales during the year. Research and development spending is expected to be higher as the company continues to invest in the future. Continued exchange rate pressure from the strengthening of the Canadian dollar and increased steel pricing will impact future results negatively.

Cash flow for the year is expected to improve during 2011 as receivables are collected and the inventory is used in production.

## *Critical Accounting Estimates*

The Company believes the following accounting estimates are critical to determining and understanding the operating results and the financial position of the Company.

*Allowance for doubtful accounts.* The Company estimates allowances for potential losses resulting from the inability of customers to make required payments of accounts receivable. Additional allowances may be required if the financial condition of any customer deteriorates.

*Allowance for inventory obsolescence.* The Company estimates allowances for potential losses resulting from inventory becoming obsolete and that cannot be processed and/or sold to customers. Additional allowances may be required if the physical condition of inventory deteriorates or customer requirements change.

# Management Discussion & Financial Analysis

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*Impairment of long-lived assets.* On an ongoing basis, the Company estimates the useful life of long-lived assets such as plant, equipment and intangible assets. The net carrying value of these assets is determined by providing depreciation and amortization based on the estimated useful life of each asset. The Company periodically reviews these assets for impairment whenever certain events or changes in circumstances indicate that the net carrying value may not be recoverable, based upon future net cash flows directly associated with the use and possible disposal of the asset. The amount of impairment, if any, is measured by deducting the fair value of the asset from its net carrying value and charged to depreciation or amortization expense. Goodwill is reviewed annually for possible impairment. Assumptions and projections used in the determination of possible impairment losses, such as future cash flows, may affect the carrying value of goodwill and require an impairment

*Contingencies and litigation.* Should a lawsuit or claim be brought against the Company, management would assess the potential financial exposure of the Company. In assessing any probable losses, the amount of possible insurance recoveries will be projected. The Company accrues such liabilities when a loss becomes probable and the net amount of the loss can reasonably be estimated. Due to the inherent uncertainties relating to the eventual outcome of litigation and potential insurance recovery, certain matters could ultimately be resolved for amounts materially different to provisions or disclosures previously made by the Company.

*Warranty obligation.* The Company has accrued amounts that are expected to be potential future warranty claims. These amounts are based on management's best estimates based on the Company's sales and history of past warranty claims. Due to the inherent uncertainty associated with these estimates, the actual amount of future claims could be different than the amount accrued. Management believes that the amounts accrued are reasonable.

*Income taxes.* The future income tax assets and liabilities are measured using the income tax rates that are expected to apply upon realization or settlement. They are also determined on the basis of management's best estimate of the period over which they will be realized or settled. Future income tax assets are realized to the extent that the realization of benefits is considered more likely than not. In the event that the actual outcome differs from management's assumptions and estimates, the carrying amounts may be adjusted. Management believes that estimates employed are reasonable and reflect the probable outcome of known tax contingencies.

## *Disclosure Controls and Internal Controls*

### Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on management's evaluation of the design and effectiveness of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of March 31, 2011 to provide reasonable assurance that the information being disclosed is recorded, summarized and reported as required.

### Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of the controls and procedures. Based on management's design and testing of the effectiveness of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are designed and operating effectively as of March 31, 2011 to provide reasonable assurance that the financial information being reported is materially accurate. During the quarter ended March 31, 2011, there have been no changes in the design of the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

# Consolidated Balance Sheet

<i>Unaudited (000's C\$)</i>	<b>March 31 2011</b>	September 30 2010
<b>Assets</b>		
<b>Current Assets</b>		
Accounts receivable	\$ 61,548	\$ 55,372
Inventories (note 6)	131,550	102,573
Prepaid expenses	2,026	2,201
<b>Total Current Assets</b>	<b>195,124</b>	<b>160,146</b>
Property, plant, equipment and intangibles (note 7)	25,515	21,977
Long term receivables (note 8)	6,912	7,187
Future income taxes (note 9)	9,116	7,741
Investments (note 10)	149	152
<b>Total Assets</b>	<b>\$ 236,816</b>	<b>\$ 197,203</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Bank indebtedness (note 11)	\$ 35,739	\$ 4,772
Account payable and accrued liabilities	44,229	45,761
Income taxes payable	3,143	6,923
Current portion of deferred gains	430	951
Current portion of deferred revenue	168	206
Current obligation under capital lease	-	3
Current portion of long term debt (note 12)	2,111	331
<b>Total Current Liabilities</b>	<b>85,820</b>	<b>58,947</b>
Advances from related party (note 13)	3,570	3,570
Deferred gains	-	4
Deferred revenue	104	179
Long term debt (note 12)	13,760	1,858
<b>Total Liabilities</b>	<b>103,254</b>	<b>64,558</b>
<b>Shareholders' Equity</b>		
Share capital (note 14)	30,000	30,000
Retained earnings	103,562	102,645
<b>Total Shareholders' Equity</b>	<b>133,562</b>	<b>132,645</b>
<b>Total Liabilities and Equity</b>	<b>\$ 236,816</b>	<b>\$ 197,203</b>

*Contingency (note 20)*

*Approved on behalf of the Board:*

**Director:**

Yury Ryazov  
Chief Executive Officer  
April 20, 2011

**Director:**

Dmitry Udras  
Director General  
April 20, 2011

## Consolidated Statement of Earnings

<i>Unaudited six months ended March 31 (000's C\$)</i>	<b>Q2 2011</b>	Q2 2010	<b>YTD 2011</b>	YTD 2010
<b>Revenue</b> (note 13)	<b>\$ 70,546</b>	\$ 53,806	<b>\$ 122,725</b>	\$ 96,560
Cost of goods sold	<u><b>61,462</b></u>	<u>45,351</u>	<u><b>105,821</b></u>	<u>81,120</u>
<b>Gross Profit</b>	<b>9,084</b> 12.9%	8,455 15.7%	<b>16,904</b> 13.8%	15,440 16.0%
Selling & administration expenses	<u><b>5,223</b></u> 7.4%	<u>4,653</u> 8.6%	<u><b>9,236</b></u> 7.5%	<u>9,194</u> 9.5%
<b>Income from Operations</b>	<b>3,861</b> 5.5%	3,802 7.1%	<b>7,668</b> 6.2%	6,246 6.5%
Gain on disposal of assets	<b>(310)</b>	(317)	<b>(620)</b>	(1,702)
Interest expense	<b>561</b>	530	<b>1,005</b>	689
Amortization	<b>1,031</b>	856	<b>1,854</b>	1,638
Research and development costs	<u><b>1,931</b></u>	<u>2,297</u>	<u><b>4,599</b></u>	<u>3,564</u>
<b>Net Earnings before Taxes</b>	<b>648</b> 0.9%	436 0.8%	<b>830</b> 0.7%	2,057 2.1%
Current income taxes (note 16)	<b>512</b>	190	<b>1,493</b>	699
Future income taxes recovered (note 9)	<u><b>(301)</b></u>	<u>(445)</u>	<u><b>(1,580)</b></u>	<u>(697)</u>
<b>Net Earnings</b>	<u><b>\$ 437</b></u> 0.6%	<u>\$ 691</u> 1.3%	<u><b>\$ 917</b></u> 0.7%	<u>\$ 2,055</u> 2.1%

## Consolidated Statement of Retained Earnings

*Unaudited six months ended March 31 (000's C\$) except per share amounts*

<b>Retained Earnings, beginning of period</b>	<b>\$ 103,125</b>	\$ 95,829	<b>\$ 102,645</b>	\$ 94,465
Net earnings for the period	<u><b>437</b></u>	<u>691</u>	<u><b>917</b></u>	<u>2,055</u>
<b>Retained Earnings, end of period</b>	<u><b>\$ 103,562</b></u>	<u>\$ 96,520</u>	<u><b>\$103,562</b></u>	<u>\$ 96,520</u>
<b>Earnings per share</b>				
Basic	<b>\$ 0.02</b>	\$ 0.03	<b>\$ 0.04</b>	\$ 0.08
Fully diluted	<b>\$ 0.02</b>	\$ 0.03	<b>\$ 0.04</b>	\$ 0.08

# Consolidated Statement of Cash Flows

Unaudited six months ended March 31 (000's C\$)

	Q2 2011	Q2 2010	YTD 2011	YTD 2010
<b>Cash provided by (used in) operating activities</b>				
Net earnings	\$ 437	\$ 691	\$ 917	\$ 2,055
Add (deduct) non-cash items				
Amortization	1,031	856	1,854	1,638
Gain on disposal of assets	(310)	(317)	(620)	(1,702)
Loss on foreign exchange	607	1,482	2,371	1,166
Deferred warranty revenue	(56)	(76)	(113)	(119)
Future income taxes recovered	(301)	(445)	(1,580)	(697)
Equity earnings of investment	(3)	(3)	(3)	(3)
	<u>1,405</u>	<u>2,188</u>	<u>2,826</u>	<u>2,338</u>
Net change in non-cash working capital balances*	<u>(22,771)</u>	<u>(6,687)</u>	<u>(43,120)</u>	<u>(8,804)</u>
	<u>(21,366)</u>	<u>(4,499)</u>	<u>(40,294)</u>	<u>(6,466)</u>
<b>Investing activities</b>				
Purchase of capital assets, net of investment tax credits	(4,336)	(1,824)	(5,117)	(2,422)
Proceeds on sale of capital assets	28	-	31	2,147
	<u>(4,308)</u>	<u>(1,824)</u>	<u>(5,086)</u>	<u>(275)</u>
<b>Financing activities</b>				
Decrease in long term receivable	140	123	275	239
Increase in long term debt	13,972	1,368	13,972	1,368
Repayment of long term debt	(139)	(142)	(290)	(170)
Decrease in obligations under capital lease	-	(2)	(3)	(12)
	<u>13,973</u>	<u>1,347</u>	<u>13,954</u>	<u>1,425</u>
<b>Foreign exchange gain on cash held in a foreign currency</b>	<u>143</u>	<u>115</u>	<u>459</u>	<u>98</u>
<b>Net cash used in the period</b>	<u>(11,558)</u>	<u>(4,861)</u>	<u>(30,967)</u>	<u>(5,218)</u>
<b>Bank indebtedness, beginning of period</b>	<u>(24,181)</u>	<u>(6,948)</u>	<u>(4,772)</u>	<u>(6,591)</u>
<b>Bank indebtedness, end of period</b>	<u>\$ (35,739)</u>	<u>\$ (11,809)</u>	<u>\$ (35,739)</u>	<u>\$ (11,809)</u>
<b>*Net change in non-cash working capital balances is comprised of:</b>				
Accounts receivable	\$ (8,743)	\$ 38	\$ (6,176)	\$ 13,482
Inventories	(8,753)	(5,968)	(28,977)	(6,909)
Prepaid expenses	(576)	465	175	(39)
Accounts payable, accrued liabilities and taxes payable	(3,949)	375	(5,312)	(14,074)
Foreign exchange loss on the above items	(750)	(1,597)	(2,830)	(1,264)
<b>Net cash used</b>	<u>\$ (22,771)</u>	<u>\$ (6,687)</u>	<u>\$ (43,120)</u>	<u>\$ (8,804)</u>

# Notes to Consolidated Financial Statements

## 1. Basis of Operations

Buhler Industries Inc. (the Company) was incorporated under the laws of Canada on February 1, 1994. On March 24, 1994 the Company was listed and posted for trading on the TSX under the stock exchange symbol "BUI".

The Company, through its subsidiaries and joint venture, has manufacturing and warehousing facilities in Canada and the United States of America.

## 2. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and have been prepared on a basis consistent with the same accounting policies and methods of application as disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2010.

These unaudited interim consolidated financial statements do not include all of the information required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's annual report for the year ended September 30, 2010.

The preparation of interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses in the reporting period. Management believes that the estimates and assumptions used in preparing its interim consolidated financial statements are reasonable and prudent, however, actual results could differ from these estimates.

## 3. Accounting Policy Changes

Effective October 1, 2009, the Company adopted the following new Canadian Institute of Chartered Accountants (CICA) accounting standards:

### (a) Section 3064 - Goodwill and Intangible Assets

Effective October 1, 2009, the Company implemented the new CICA Handbook Section 3064 "Goodwill and Intangible Assets". This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of Section 3064 did not have a material impact on the Company's consolidated financial statements or results of operations.

### (b) EIC-173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

During the year, the Company adopted EIC-173 "Credit Risk and the Fair value of Financial Assets and Financial Liabilities". Under this new standard, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these recommendations did not have any material effect on the Company's consolidated financial statements.

### (c) Section 3862 - Financial Instruments - Disclosures

The CICA has issued amendments to section 3862 "Financial Instruments - Disclosures", to enhance disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009.

In accordance with CICA Handbook Section 3862, Financial Instruments - Disclosures, the Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 - fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

The company has reviewed the amendments and determined there was no impact on the consolidated financial statements.

## 4. Future Accounting Standards

### (a) International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed the effective date of the initial adoption of IFRS.

While the implementation of these new standards will not impact the Company's financial statement until the September 30, 2012 year end, the Company will soon begin the process of the conversion by evaluating the major differences between Canadian GAAP and IFRS.

The Company has not yet determined the impact these future changes may have on the Company's future consolidated financial position and results of operation.

### (b) Business Combinations - Handbook Section 1582

This section, which replaces CICA Section 1581- Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier applications permitted.

The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements.

### (c) Consolidated Financial Statements and Non-Controlling Interests - Handbook Section 1601 and 1602

These sections replace CICA Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier application permitted.

The Company has not yet determined the impact of the adoption of these changes on its consolidated financial statements.

## 5. Significant Accounting Policies

### (a) Basis of consolidation

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

### (b) Inventories

Inventories are stated at the lower of cost (first-in, first-out) 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 intangibles

Capital assets and intangibles 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
Equipment under capital lease	20 to 30%	Declining balance
Equipment held for leasing purposes	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired

Intangible assets consist of customer lists and patents, and will be amortized over their expected useful life of five years.

### (d) Revenue recognition

The Company records revenue when goods are shipped and legal title passes to the customer. Customer volume rebates and cash discounts are accrued at the time of sale and are recorded as a reduction of sales. Interest income is recognized as earned.

# Notes to Consolidated Financial Statements

## 5. Significant Accounting Policies - continued

### (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 bases:

- 1) Monetary assets and 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 the year.

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

### (g) Long-lived Assets

Long-lived assets consist of property, plant, equipment and intangible assets with finite and indefinite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in loss for the year.

Prices for similar items are used to measure the fair value of long-lived assets.

### (h) Future Income Taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted and substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

### (i) Earnings Per Share

Earnings per share is calculated using the daily weighted average number of shares outstanding during the year.

### (j) Financial Instruments

Financial instruments are classified as held for trading ("HFT"), held to maturity ("HTM"), loans and receivables, available for sale ("AFS") financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value, except for those classified as loans and receivables, HTM investments and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in fair value of HFT financial instruments are recorded in net income. Changes in fair value of AFS financial assets are recorded in other comprehensive income until the investment is sold or impaired at which time, the realized gain or loss will be recorded in net income.

The Company has designated its financial instruments, as follows:

Financial Statement Item	Classification	Measurement
Cash/bank indebtedness	Held for trading	Fair Value
Accounts receivable	Loans and receivables	Amortized Cost
Long term receivables	Loans and receivables	Amortized Cost
Investments	Available for Sale	Amortized Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Advances from related party	Other financial liabilities	Amortized Cost
Long term debt	Other financial liabilities	Amortized Cost

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

### 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.

## 5. Significant Accounting Policies - continued

### Fair value

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

### k) 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 assets, long term receivables and long term investments. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

The Company has estimated the federal and provincial investment tax credits it is entitled to based on management's estimate of qualifying expenditures and the tax rates in effect. Actual investment tax credits received could differ from those accrued in the financial statements.

### (l) Comprehensive Income

Comprehensive income includes all changes in equity of the Company, except those resulting from investments by shareholders and dividends paid. Comprehensive income is the total of net income and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with Canadian generally accepted accounting principles, require recognition, but are excluded from net income. The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the year.

## 6. Inventories (000's C\$)

	March 31 2011	Sept. 30 2010
Finished goods	\$ 53,380	\$ 51,423
Work in process	6,816	5,189
Raw materials	71,354	45,961
	<u>\$ 131,550</u>	<u>\$ 102,573</u>

During the period, inventories in the amount of \$47,728 (2010 - \$34,856) were expensed to cost of sales.

The carrying value of inventories is pledged as security against the Company's credit facility.

## 7. Property, Plant, Equipment and Intangibles (000's C\$)

	March 31 2011			Sept. 30 2010		
	Cost	Accum. Amort.	Net Book Value	Cost	Accum. Amort.	Net Book Value
Land	\$ 3,126	\$ -	\$ 3,126	\$ 2,996	\$ -	\$ 2,996
Buildings	24,911	(12,878)	12,033	23,410	(12,492)	10,918
Equipment	51,074	(42,103)	8,971	47,732	(40,996)	6,736
Equipment under capital lease	113	(113)	-	113	(113)	-
Equipment held for leasing purposes	1,353	(979)	374	1,353	(913)	440
Computers	4,908	(4,403)	505	4,679	(4,323)	356
Software & tools	3,438	(3,316)	122	3,331	(3,226)	105
Intangibles	426	(42)	384	426	-	426
	<u>\$ 89,349</u>	<u>\$ (63,834)</u>	<u>\$ 25,515</u>	<u>\$ 84,040</u>	<u>\$ (62,063)</u>	<u>\$ 21,977</u>

# Notes to Consolidated Financial Statements

## 8. Long Term Receivables (000's C\$)

	March 31 2011	Sept. 30 2010
Current portion (included in accounts receivable)	\$ 725	\$ 881
Long Term receivables	<u>6,912</u>	<u>7,187</u>
	<u>\$ 7,637</u>	<u>\$ 8,068</u>

Long term receivables are secured by property. One receivable carries interest at 6.50% and is repayable in blended monthly installments of \$22 commencing October 2010, with the remaining amount due in October 2012. The other receivable carries interest at 6.00% and is repayable in monthly installments of \$61 plus interest, with a renewal date of December 2012.

Amounts to be received over the next five years are as follows:

2011	\$ 446	(included in accounts receivable)
2012	3,983	
2013	556	
2014	590	
2015	626	

## 9. Future Income Taxes (000's C\$)

Future income taxes are recorded to reflect the timing differences arising from deduction of warranty costs for income tax purposes, the amounts of amortization provided in the year compared to the allowances deducted for income tax purposes, and from expected Scientific Research and Experimental Development (SR&ED) tax credit claims. Future tax benefits are composed of an asset of \$343 (September 30, 2010 - \$515) relating to amortization of capital assets, a benefit of \$1,621 (September 30, 2010 - \$2,111) in respect of provisions for warranty, and a benefit from SR&ED of \$5,858 (September 30, 2010 - \$4,811) and losses carried forward and other amounts of \$1,294 (September 30, 2010 - \$304).

## 10. Investments (000's C\$)

	March 31 2011	Sept. 30 2010
Investments	\$ 109	\$ 109
Investments accounted for by the equity method	<u>40</u>	<u>43</u>
	<u>\$ 149</u>	<u>\$ 152</u>

## 11. Bank Indebtedness (000's C\$)

The Company has available a financing facility with the Bank of Montreal (BMO) in the amount of \$60,000. The credit facility is secured by a mortgage on specific property, debenture, general security agreement and assignment of specific receivables and inventory. The Company's financing facility is at BMO Bankers Acceptance plus stamping fees.

The company also has a financing facility with the Canadian Imperial Bank of Commerce (CIBC) in the amount of \$7,500. This facility is secured by a mortgage on specific property as well as specific receivables and inventory. The company can borrow on this facility at CIBC Bankers Acceptance plus stamping fees.

## 12. Long Term Debt (000's C\$)

	March 31 2011	Sept. 30 2010
State of North Dakota, monthly payments of \$10 US non-interest bearing, due August 2013.	\$ 304	\$ 382
State of North Dakota, monthly payments of \$10 US including interest at 1%, due December 2015.	465	537
Heloval Holdings Ltd., principal and interest of 1.5% due February 2016	5,007	-
CIBC, quarterly payments of \$375 plus monthly interest as indicated in Note 11, due February 2016	7,500	-
BMO, monthly payments of \$25 US, plus interest as indicated in Note 11, due April 2016	1,454	-
State of South Dakota, monthly payments of \$13 US including interest at 3%, due February 2020	1,141	1,270
	<u>15,871</u>	<u>2,189</u>
Less: Current portion	<u>2,111</u>	<u>331</u>
Long term portion	<u>\$ 13,760</u>	<u>\$ 1,858</u>

These loans are all secured by company assets.

## 12. Long Term Debt (000's C\$) - continued

These loans are all secured by company assets.

Principal payments over the next 5 years are as follows:

2011	\$ 1,053	2014	2,014
2012	2,121	2015	2,025
2013	2,125		

## 13. Related Party Transactions (000's C\$)

	March 31 2011	Sept. 30 2010
Accounts receivable from controlling shareholder	\$ 25,948	\$ 22,288
Advances from controlling shareholder	<u>3,570</u>	<u>3,570</u>

Net sales to the controlling shareholder for the second quarter were \$11,909 (2010 - \$1,362).

All transactions with related parties are recorded at the exchange amount agreed to by the related parties. The advances to the shareholder were made in the normal course of trade and have no specific terms of repayment.

## 14. Capital Stock and Options (000's C\$)

Authorized, an unlimited number of Class A & B common shares.

	March 31, 2011	Sept. 30, 2010
Issued at December 31		
Class A Common	25,000	\$ 30,000
	\$ 30,000	25,000
		\$ 30,000

There are no options outstanding as of March 31, 2011 nor September 30, 2010.

## 15. Interest Paid (000's C\$)

	2011 Q2	2010 Q2
Operating loan	\$ 563	\$ 523
Long term debt	<u>50</u>	<u>7</u>
	<u>\$ 613</u>	<u>\$ 530</u>

## 16. Income Taxes (000's C\$)

	2011 Q2	2010 Q2
At applicable statutory rate	\$ 255	\$ 134
Federal SRED Credits Earned	<u>(543)</u>	<u>(719)</u>
Reassessments and other	499	330
Income tax provision	<u>\$ 211</u>	<u>\$ (255)</u>

Income taxes paid during the period were \$1,378 (2010 - \$945)

## 17. Capital Disclosures

The Company's fundamental objectives in managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, ensure adequate liquidity and financial flexibility at all times, and deploy capital to provide an appropriate investment return to its shareholders while maintaining prudent levels of financial risk. The Company believes that the aforementioned objectives are appropriate in the context of the Company's business.

The Company defines its capital as bank indebtedness, shareholders' equity, long-term debt including the current portion, net of any cash and cash equivalents. The Company's financial strategy is designed to maintain a flexible capital structure including an appropriate debt to capital ratio consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, raise debt (secured, unsecured, convertible and/or other types of available debt instruments), enter into hedging arrangements and refinance existing debt with different characteristics, amongst others.

The Company constantly monitors and assesses its financial performance and economic conditions in order to ensure that its net debt levels are prudent.

The Company's financial objectives and strategy are reviewed on an annual basis. The Company believes that its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As part of the lending agreements for the financing facility and long term debt, the Company is subject to certain covenants. These are reviewed monthly to ensure compliance. As at March 31, 2011, all covenants were met.

There were no changes in the Company's approach to capital management during the current period.

# Notes to Consolidated Financial Statements

## 18. Financial Instruments (000's C\$)

The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Company may utilize derivative instruments in the management of its foreign currency and interest rate exposures.

### Categories of financial assets and liabilities

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held for trading, held to maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet, which are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

Held for trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instruments is derecognized or impaired.

Financial Asset/Liability	Classification	Carried at cost/ Amortized cost	Carrying/ Fair Value (\$35,739)
Cash/bank indebtedness	Held for trading		
Accounts receivable	Loans and receivables	61,548	
Long term receivables	Loans and receivables	6,912	
Investments	Available for Sale	149	
Accounts payable and accrued liabilities	Other financial liabilities	44,229	
Advances from related party	Loans and receivables	3,570	
Long term debt	Other financial liabilities	15,871	

Financial instruments include cash/bank indebtedness, accounts receivable, long term receivables, investments, accounts payable and accrued liabilities, advances from related party and long term debt. Except for the long term receivables, investments and long term debt, the carrying values of these financial instruments approximate fair value due to the short term nature of the financial instruments or they are carried at fair value.

The Company has classified its investments as available for sale. These shares are not actively traded in a quoted market and accordingly have been recorded at cost.

The fair value of the long term receivables and long term debt is impacted by changes in market yields which can result in differences between the carrying value and fair value of the instruments.

The fair value of long term receivables has been estimated based on the current market rates for long term bonds with similar terms and conditions. The estimated fair value of long term receivable for the period ended March 31, 2011 is \$8,001 (September 30, 2010 - \$8,411).

The fair value of long term debt has been estimated based on the current market rates for long term debt with similar terms and conditions. The estimated fair value of long term debt payable for the year ended March 31, 2011 is \$15,400 (September 30, 2010 - \$2,162).

In accordance with CICA Handbook Section 3862, Financial Instruments – Disclosures, the Company categorizes its fair value measurements of financial instruments according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 – fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

All of the financial instruments carried at fair value have been measured within the Level 1 hierarchy.

## 19. Deferred Profit Sharing Plan

In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company can contribute 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. The plan trust owns approximately 255,000 Buhler Industries Inc. shares.

## 20. Contingent Liability (000's C\$)

In a prior year, a loan from Industry Canada in the amount of \$9,300 was forgiven. Should the Company fail to maintain certain tractor production levels in Winnipeg until October 22, 2017, \$5,000 of the amount forgiven may become payable by the Company.

As at March 31, 2011, the Company was in compliance with this requirement, and management believes that production levels will continue to be met during the time period set out in the contract with Industry Canada.

## 21. Financial Risk Management (000's C\$)

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Company's Board of Directors.

### Foreign Exchange Risk

The Canadian dollar is the Company's functional currency. The Company operates primarily in Canada and the United States. The reporting currency of the Company is Canadian dollars, whereas the functional currency for operations in the United States is the U.S. dollar. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar will affect the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differs over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars. This is largely dependent on the Company's revenue mix by currency as operating costs denominated in Canadian dollars have been relatively stable.

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. These foreign exchange gains and losses are recorded in revenues. As a result of the Company's U.S. dollar net monetary position within the Canadian dollar reporting currency operations through to March 31, 2011, a one-cent strengthening/weakening in the year-end foreign exchange rate from Canadian dollars to U.S. dollars would have increased/decreased net earnings by \$446 for 2011 (2010 - \$488).

The Company is insulated from large foreign exchange gains and losses by virtue of its mix of cash inflows and outflows in U.S. dollars. Gains and losses generated by fluctuations in the exchange rates used to translate U.S. dollar assets are offset by similar gains and losses on U.S. dollar liabilities. The Company also uses forward contracts to further mitigate these fluctuations when the natural hedges are forecasted to be insufficient. There were no forward contracts in place at March 31, 2011.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

### Interest Rate Risk

The Company's interest rate risk arises from its variable rate bank indebtedness. The long-term debt is either interest-free or very low rate, and therefore carries minimal interest rate risk. As the bank indebtedness is all variable rate, the Company is exposed to a certain level of interest rate risk. Management feels that these risks are manageable as the interest rate on this debt is less than prime and therefore has not entered into any instruments to mitigate this risk. Based on the level of bank indebtedness outstanding at March 31, 2011, a 1% increase/decrease in the rate being charged to the Company would result in a \$410 (2010 - \$108) decrease/increase in net earnings.

### Liquidity Risk

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Company including cash on hand, cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. The low level of outstanding debt and an informal investment grade credit rating allow the Company to enjoy relatively low interest rates. The Company has determined that total current credit facilities of \$67,500 are adequate. The Company has remained within all bank debt covenants during 2011 and foresees no change in its ability to meet these covenants in 2012.

# Notes to Consolidated Financial Statements

## 21. Financial Risk Management (000's C\$) - continued

The 2011 requirements for capital expenditures, working capital and debt repayments can be financed from cash resources, cash flow provided by operating activities and unused credit facilities. The following table outlines the maturity analysis of the Company's liabilities:

	2011	2012	2013	2014	2015	Post 2015	Total
Accounts payable and accrued liabilities	\$ 44,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,229
Income taxes payable	3,143	-	-	-	-	-	3,143
Long term debt	1,053	2,121	2,125	2,014	2,025	6,533	15,871
Advances from related party	-	-	-	-	-	3,570	3,570
<b>Total</b>	<b>\$ 48,425</b>	<b>\$ 2,121</b>	<b>\$ 2,125</b>	<b>\$ 2,014</b>	<b>\$ 2,025</b>	<b>\$ 10,103</b>	<b>\$ 66,813</b>

### Credit Risk

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. Management regularly monitors customer credit limits, performs credit reviews and, in certain cases insures accounts receivable balances against credit losses.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within selling, general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses in the earnings statement.

## 21. Financial Risk Management (000's C\$) - continued

The following table details the continuity of the allowance for doubtful accounts:

The following table sets out the aging details of the Company's accounts receivable balances outstanding based on the status of the receivable in relation to when the receivable was due and payable and related allowance for doubtful accounts:

	March 31 2011	Sept. 30 2010
Current - neither impaired nor past due	\$ 61,082	\$ 32,456
Not impaired but past the due date;		
Within 30 days	379	842
31-60 Days	173	72
Over 60 days	826	22,955
	<b>62,460</b>	<b>56,325</b>
Less: Allowance for doubtful accounts	(912)	(953)
<b>Total receivables, net</b>	<b>\$ 61,548</b>	<b>\$ 55,372</b>
	<b>2011 Q2</b>	<b>2010 Q2</b>
Balance, beginning of period	\$ (930)	\$ (946)
Provisions for the period, net of recoveries	-	44
Uncollectible amounts written off	-	-
Foreign exchange impact	18	24
<b>Balance, end of period</b>	<b>\$ (912)</b>	<b>\$ (878)</b>

## 22. Comparative Figures

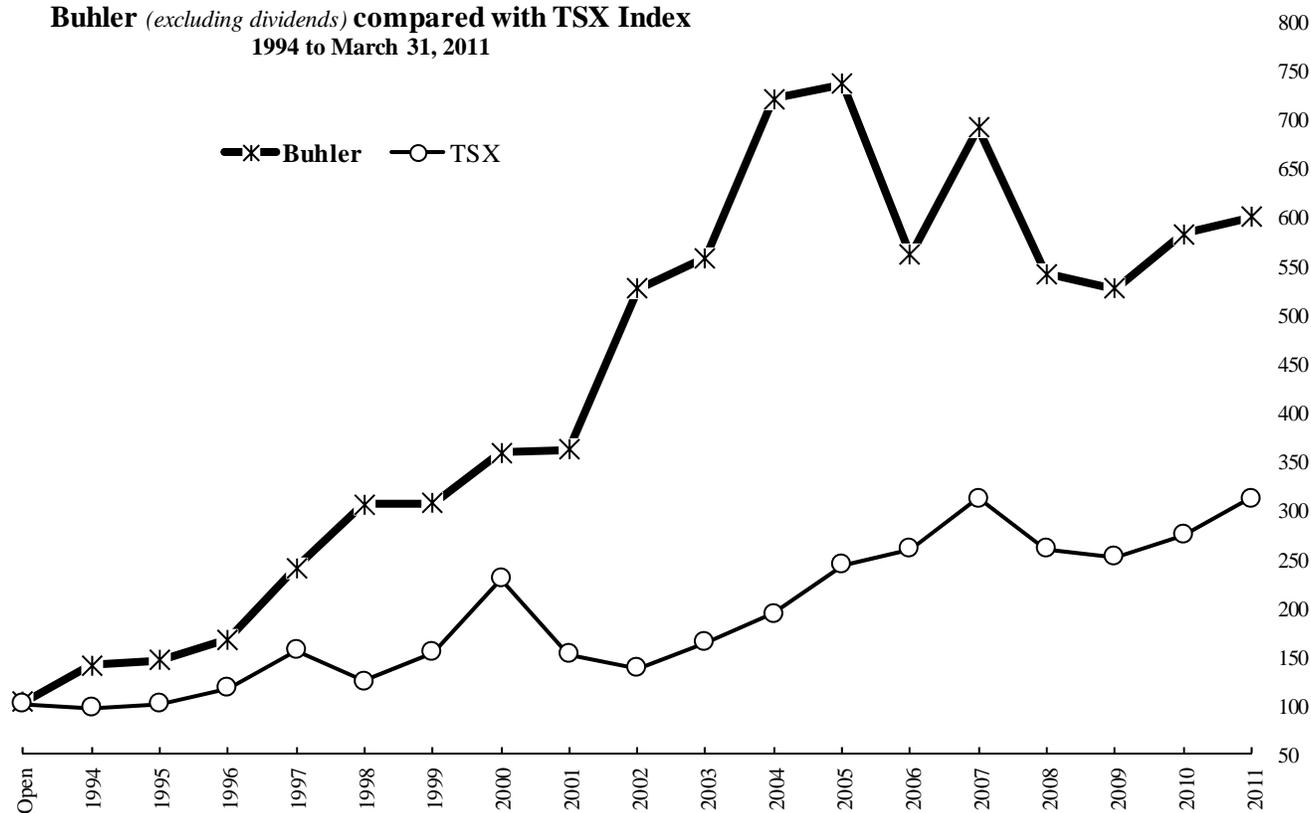
Certain of the prior period figures have been reclassified to conform with current period presentation.

# Directors, Officers and Senior Management

Name	Office	Principal Occupation
Dmitry Udras	Chairman/Officer	Director General of Novoe Sodrugestvo, CJSC
Yury Ryazanov	Director/Chief Executive Officer	Vice President of Novoe Sodrugestvo, CJSC
Konstantin Babkin	Director	Chairman of the Board of Directors of Novoe Sodrugestvo, CJSC
Oleg Gorbunov	Director	Deputy Head of Government Bank, Russia
Allan Stewart, <i>B.A., LL.B.</i>	Director	Lawyer, Thompson Dorfman Sweatman LLP
John Buhler	Director	President, Highland Park Financial Inc.
Dmitry Lyubimov	Officer	President, Buhler Industries Inc.
Maxim Loktionov	Officer	Vice President, Buhler Industries Inc.
Grant Adolph, <i>P.Mgr</i>	Officer	Chief Operating Officer, Buhler Industries Inc.
Willy Janzen, <i>C.G.A., B.Comm.</i>	Officer	Chief Financial Officer, Buhler Industries Inc.
Darrell Steiner	Management	Director of Sales, Tractor Division
Bill Morgan	Management	Director of Sales, Short Line Division
Min Lee, <i>I.S.M.</i>	Management	Chief Information Officer, Buhler Industries Inc.
Todd Trueman, <i>C.I.M. P.Mgr</i>	Management	Director of Human Resources, Buhler Industries Inc.
Adam Reid	Management	Marketing Manager, Buhler Industries Inc.

## Stock Data

**Buhler (excluding dividends) compared with TSX Index**  
1994 to March 31, 2011



# Ten Year Summary

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
			restated	restated	restated	restated	restated	restated		
<b>SUMMARY OF OPERATIONS</b>										
In thousands of Canadian dollars (except per share amounts)										
Revenue	187,633	232,619	181,162	206,130	202,319	175,067	166,189	218,955	284,072	<b>209,634</b>
Cost of goods sold	156,223	183,134	139,929	168,529	165,275	141,138	137,694	175,077	232,814	<b>172,278</b>
Gross profit	31,410	49,485	41,233	37,601	37,044	33,929	28,495	43,878	51,258	<b>37,356</b>
Selling & admin. expense	14,883	19,758	16,135	16,290	16,206	16,863	16,544	16,476	18,975	<b>19,093</b>
Income from operations	16,527	29,727	25,098	21,311	20,838	17,066	11,951	27,402	32,283	<b>18,263</b>
Gain on sale of capital assets	(733)	(134)	(726)	(2,010)	(119)	(801)	(3,689)	(1,512)	(3,247)	<b>(3,477)</b>
Interest expense (Income)	1,032	369	703	(328)	62	2,414	585	2,089	1,148	<b>1,407</b>
Amortization	7,684	7,339	6,894	6,812	6,411	6,133	4,768	3,933	4,070	<b>3,584</b>
Research & development exp.	1,895	2,850	3,683	2,903	3,342	3,183	2,003	2,621	8,820	<b>7,534</b>
Non-controlling interest	847	809	762	884	700	555	246	-	-	-
Net Earnings before taxes	5,802	18,494	13,783	13,050	10,442	5,582	8,038	20,271	21,492	<b>9,215</b>
Income taxes (expense) recovery	1,313	(5,134)	(2,468)	(1,324)	(1,111)	(1,176)	(26)	(15,812)	(7,104)	<b>(1,035)</b>
Extraordinary items	-	-	-	-	-	-	-	7,211	-	-
<b>NET EARNINGS</b>	<b>7,115</b>	<b>13,360</b>	<b>11,314</b>	<b>11,726</b>	<b>9,331</b>	<b>4,406</b>	<b>8,012</b>	<b>11,670</b>	<b>14,388</b>	<b>8,180</b>
<b>CASH FLOW SUMMARY</b>										
Capital asset purchases	3,593	14,546	7,854	4,470	7,515	2,815	3,151	3,294	2,088	<b>4,039</b>
Long-term debt incurred	-	-	-	-	-	-	-	-	807	<b>1,368</b>
Reduction of long-term debt	2,894	795	1,657	3,628	3,360	3,315	3,315	18,852	1,305	<b>2,437</b>
Dividends Paid	2,435	2,584	2,760	2,990	3,500	3,750	7,500	-	-	-
Net cash flow	14,799	20,699	16,938	15,778	13,132	8,079	11,640	25,843	18,958	<b>11,295</b>
Net cash (Bank indebtedness)	(9,939)	(14,258)	(16,560)	15,360	(17,129)	(39,203)	10,733	14,512	(6,591)	<b>(4,772)</b>
<b>BALANCE SHEET SUMMARY</b>										
Acc'ts rec, cash & ppd. exp.	27,277	40,094	41,777	51,222	38,138	43,202	49,420	64,860	68,764	<b>57,573</b>
Inventory	60,179	70,361	90,495	73,762	105,979	104,888	69,668	74,492	87,731	<b>102,573</b>
Total current assets	87,456	110,455	132,272	124,984	144,117	148,090	119,088	139,352	156,495	<b>160,146</b>
Total assets	127,531	156,305	178,460	167,044	186,512	184,960	161,865	178,583	193,817	<b>197,203</b>
Total current liabilities	41,783	49,860	49,742	37,570	58,087	66,969	42,999	63,634	63,422	<b>58,947</b>
Total short and long term debt	42,245	57,743	60,409	29,870	45,398	61,813	19,011	760	1,198	<b>2,189</b>
Total liabilities	74,089	94,307	107,908	75,998	96,407	87,065	63,458	68,506	69,352	<b>64,558</b>
Total shareholders equity	53,442	61,998	70,552	91,407	97,233	97,895	98,407	110,077	124,465	<b>132,645</b>
Shares o/s (avg. in millions)	23.5	23.0	23.0	24.3	25.0	25.0	25.0	25.0	25.0	<b>25.0</b>
Working capital	45,673	60,595	82,530	87,414	86,030	81,121	76,089	75,718	93,073	<b>101,199</b>
<b>DATA PER COMMON SHARE</b>										
Revenue	\$ 7.98	\$ 10.11	\$ 7.88	\$ 8.47	\$ 8.09	\$ 7.00	\$ 6.65	\$ 8.76	\$ 11.36	<b>\$8.39</b>
EBITDA	0.62	1.14	0.63	0.95	0.69	0.57	0.54	1.34	1.07	<b>0.57</b>
Price to EBITDA	5.8	4.6	6.2	6.8	10.9	11.9	13.5	3.8	4.9	<b>10.2</b>
EBIT	0.29	0.82	0.60	0.54	0.42	0.22	0.32	1.27	0.91	<b>0.72</b>
Net earnings	0.30	0.58	0.49	0.48	0.37	0.18	0.32	0.47	0.57	<b>0.33</b>
Net earnings, no extraordinary item	0.30	0.58	0.49	0.48	0.37	0.18	0.32	0.18	0.57	<b>0.33</b>
Price to earnings	11.90	9.04	14.94	15.25	27.34	31.77	21.53	11.51	9.21	<b>17.61</b>
Cash flow	0.63	0.90	0.79	0.76	0.53	0.42	0.41	1.03	0.76	<b>0.45</b>
Dividends Paid	0.10	0.11	0.12	0.13	0.14	0.15	0.30	0.00	0.00	<b>0.00</b>
Closing share price	3.60	5.25	5.57	7.20	7.35	5.60	6.90	5.41	5.25	<b>5.81</b>
Shareholders' equity	2.27	2.70	3.07	3.76	3.90	3.92	3.94	4.40	4.98	<b>5.31</b>
<b>STATISTICAL DATA</b>										
Current ratio	2.1	2.2	2.7	3.3	2.5	2.3	2.8	2.2	2.5	<b>2.7</b>
Interest bearing debt/ equity ratio	0.2	0.2	0.2	-	0.2	0.4	0.1	-	0.1	<b>0.2</b>
Inventory turnover	2.6	2.6	1.5	2.3	1.6	1.3	2.0	2.4	2.7	<b>1.8</b>
Gross margin (% of revenue)	16.7%	21.3%	22.8%	18.2%	18.3%	19.4%	17.1%	20.0%	18.0%	<b>17.8%</b>
Selling & Admin. (% of revenue)	8%	8%	9%	8%	8%	10%	10%	8%	7%	<b>9%</b>
EBITDA (% of revenue)	8%	11%	12%	10%	9%	8%	7%	16%	9%	<b>7%</b>
Net earnings (% of revenue)	4%	6%	6%	6%	5%	3%	5%	5%	5%	<b>4%</b>
Return on average capital	8%	18%	13%	12%	8%	5%	7%	12%	12%	<b>6%</b>
Return on average equity	13%	23%	18%	14%	10%	5%	8%	11%	12%	<b>6%</b>