

**The Keller Manufacturing Company, Inc.
and Subsidiary**

**Consolidated Unaudited Financial Statements for the three
months ending March 31, 2005 and 2004**

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

**CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2004 AND DECEMBER 31, 2004**

	<u>2005</u>	MARCH 31, <u>2004</u> (Unaudited)	DECEMBER 31, <u>2004</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 974,257	\$ 1,955,443	\$ 1,093,734
Investments available for sale	-	2,258,736	-
Accounts receivable, less allowance for doubtful accounts of \$173,000 at March 31, 2005, \$841,000 at March 31, 2004 and \$500,000 at December 31, 2004	504,875	1,811,379	556,155
Inventories	790,420	4,702,637	1,542,810
Income taxes refundable	-	2,421	-
Other current assets	-	76,909	-
Total Current Assets	2,269,552	10,807,525	3,192,699
PROPERTY, PLANT AND EQUIPMENT - net	5,572	4,814,867	6,022
OTHER ASSETS:			
Net assets available for sale	-	138,159	-
Total Other Assets	-	138,159	-
TOTAL ASSETS	\$ 2,275,124	\$ 15,760,551	\$ 3,198,721
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 59,986	\$ 1,310,025	\$ 688,460
Accrued commissions, salaries & withholdings	25,580	119,849	25,180
Accrued vacation	-	380,531	-
Allowance for sales returns	70,000	480,270	100,000
Accrued health, life & workers comp. insurance	23,524	574,988	54,909
Accrued property taxes	-	180,000	-
Other current liabilities	12,286	422,046	106,329
Total Current Liabilities	191,376	3,467,709	974,878
LONG-TERM LIABILITIES:			
Accrued pension liability	3,881,320	1,685,415	3,881,320
Other long-term liabilities	-	38,580	25,720
Total Long-Term Liabilities	3,881,320	1,723,995	3,907,040
TOTAL LIABILITIES	4,072,696	5,191,704	4,881,918
STOCKHOLDERS' EQUITY (DEFICIT):			
Common stock - no par value, authorized 40,000,000 shares, issued and outstanding 5,177,800 on March 31, 2005 and 2004, and December 31, 2004, respectively.	439,523	1,671,317	439,523
Deferred stock compensation	332,102	122,162	301,391
Accumulated other comprehensive loss	(3,286,497)	(1,647,776)	(3,286,497)
Retained earnings	717,300	10,423,144	862,386
Total Stockholders' Equity (Deficit)	(1,797,572)	10,568,847	(1,683,197)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,275,124	\$ 15,760,551	\$ 3,198,721

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDING MARCH 31, 2005 AND 2004**

	THREE MONTHS ENDING MARCH 31,	
	<u>2005</u>	<u>2004</u>
	(Unaudited)	
NET SALES	\$ 1,260,754	\$ 4,140,655
COST OF SALES	<u>1,171,496</u>	<u>4,716,113</u>
GROSS PROFIT (LOSS)	89,258	(575,458)
SELLING, GENERAL AND ADMINISTRATIVE	<u>536,159</u>	<u>1,538,152</u>
OPERATING LOSS	(446,901)	(2,113,610)
OTHER INCOME (EXPENSE):		
Interest income	1,844	17,737
Interest expense	(29)	(730)
Gain on sales of fixed assets	-	541,334
Other income (expense)	<u>300,000</u>	<u>(7,596)</u>
Total Other Income (Expense), net	<u>301,815</u>	<u>550,745</u>
LOSS BEFORE INCOME TAXES	(145,086)	(1,562,865)
INCOME TAX PROVISION (BENEFIT)	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (145,086)</u>	<u>\$ (1,562,865)</u>

THE KELLER MANUFACTURING COMPANY, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDING MARCH 31, 2005 AND 2004**

	THREE MONTHS ENDING MARCH 31,	
	<u>2005</u>	<u>2004</u>
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (145,086)	\$ (1,562,865)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	450	240,000
(Gain) Loss on fixed asset disposals	-	(541,334)
Bad debt expense	-	-
Increases (decreases) to inventory reserve	(300,000)	-
Deferred income taxes	-	-
Compensation for stock options granted	30,711	48,999
Changes in Assets and Liabilities:		
Accounts receivable	51,280	(138,723)
Inventory	1,052,390	370,443
Income taxes refundable / payable	-	(1,000)
Other current assets	-	18,237
Prepaid pension costs / accrued pension liability	-	30,000
Accounts payable	(628,474)	(155,422)
Accrued commissions, salaries & withholdings & accrued vacation	400	(87,068)
Allowance for sales returns	(30,000)	-
Accrued health, life & workers compensation insurance	(31,385)	13,081
Other liabilities	(119,763)	135,831
	<u>25,609</u>	<u>(66,956)</u>
Total Adjustments	25,609	(66,956)
Net Cash Used In Operating Activities	<u>(119,477)</u>	<u>(1,629,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant & equipment	-	(569,360)
Proceeds from sales of property, plant & equipment	-	1,002,217
Purchases of investments available for sale	-	(1,496,411)
Proceeds from disposal of investments available for sale	-	2,000,000
	<u>-</u>	<u>2,000,000</u>
Net Cash Provided By Investing Activities	<u>-</u>	<u>936,446</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,477)	(693,375)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,093,734</u>	<u>2,648,818</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 974,257</u>	<u>\$ 1,955,443</u>