

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED MARCH 31, 1995

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-5005

SELAS CORPORATION OF AMERICA
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PENNSYLVANIA 23-1069060
(STATE OR OTHER JURISDICTION OF (IRS EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

DRESHER, PENNSYLVANIA 19025
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(215) 646-6600
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED
TO BE FILED BY SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT
WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING
REQUIREMENTS FOR THE PAST 90 DAYS.

(X) YES () NO

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF
COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

CLASS	OUTSTANDING AT MAY 6, 1995
COMMON SHARES, \$1.00 PAR VALUE	3,460,050 (exclusive of 242,376 treasury shares)

SELAS CORPORATION OF AMERICA

I N D E X

Page
Number

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets as of March 31, 1995 and December 31, 1994	3, 4
Consolidated Statements of Operations for the Three Months Ended March 31, 1995 and 1994	5
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 1995 and 1994	6
Consolidated Statement of Shareholders' Equity for the Three Months Ended March 31, 1995	7
Notes to Consolidated Financial Statements	8, 9, 10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11, 12

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K	13
--	----

-3-

SELAS CORPORATION OF AMERICA

Consolidated Balance Sheets
Assets

	March 31, 1995 (Unaudited)	December 31, 1994 (Audited)
Current assets		
Cash, including cash equivalents of \$2,454,000 in 1995 and \$4,497,000 in 1994	\$ 5,640,303	\$ 5,812,508
Accounts receivable (including unbilled receivables of \$7,267,000 in 1995 and \$1,695,000 in 1994 less allowance for doubtful accounts of \$552,000 in 1995 and \$513,000 in 1994)	27,276,031	21,480,083
Inventories	8,411,524	8,210,027
Deferred income taxes	1,428,305	1,189,942
Other current assets	1,576,108	1,414,952
Total current assets	44,332,271	38,107,512
Investment in unconsolidated affiliates.	1,024,384	1,705,080
Property, plant and equipment		
Land	1,164,615	1,102,963
Buildings	11,922,510	11,332,798
Machinery and equipment	15,833,260	15,162,425
	28,920,385	27,598,186
Less: Accumulated depreciation	11,978,744	11,291,064

Net property, plant and equipment . . .	16,941,641	16,307,122
Deferred pension cost	365,399	379,178
Notes receivable	1,261,484	376,996
Excess of cost over net assets of acquired subsidiaries, less accumulated amortization of \$559,000 and \$476,000	12,707,106	12,790,019
Other assets including patents, less amortization	451,847	454,416
	<u>\$77,084,132</u>	<u>\$70,120,323</u>
	=====	=====

(See accompanying notes to the consolidated financial statements)

-4-

SELAS CORPORATION OF AMERICA

Consolidated Balance Sheets
Liabilities and Shareholders' Equity

	March 31, 1995 (Unaudited)	December 31, 1994 (Audited)
Current liabilities		
Notes payable	\$ 2,862,103	\$ --
Current maturities of long-term debt . . .	2,415,953	2,389,664
Accounts payable	12,616,270	10,563,966
Federal, state and foreign income taxes . .	922,377	446,624
Customers' advance payments on contracts .	1,198,996	761,792
Guarantee obligations and estimated future costs of service	1,376,459	1,156,296
Other accrued liabilities	4,292,608	4,853,978
Total current liabilities	25,684,766	20,172,320
Long-term debt	10,934,492	11,136,028
Pension plan obligation	478,021	491,800
Other postretirement benefit obligations . .	3,966,627	3,939,303
Deferred income taxes	1,342,852	1,282,959
Contingencies and commitments		
Shareholders' equity		
Common shares, \$1 par; 10,000,000 shares authorized; 3,702,426 and 3,697,426 shares issued, respectively	3,702,426	3,697,426
Additional paid-in capital	13,512,005	13,484,640
Retained earnings	15,859,356	14,886,035
Foreign currency translation adjustment . .	2,098,147	1,524,372
Minimum pension liability adjustment . . .	(112,623)	(112,623)
Less: 242,376 common shares held in treasury, at cost	(381,937)	(381,937)

Total shareholders' equity 34,677,374 33,097,913

\$77,084,132 \$70,120,323
=====

(See accompanying notes to the consolidated financial statements)

-5-

SELAS CORPORATION OF AMERICA

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	March 31, 1995	March 31, 1994
Sales, net	\$21,471,505	\$22,086,038
Operating costs and expenses		
Cost of sales	15,942,679	16,896,313
Selling, general and administrative expenses	3,727,919	3,559,889
Operating income	1,800,907	1,629,836
Interest (expense)	(281,320)	(347,769)
Interest income	75,884	53,070
Other income, net	139,460	63,031
Income before income taxes	1,734,931	1,398,168
Income taxes	571,308	507,262
Net income	\$ 1,163,623	\$ 890,906
	=====	=====
Earnings per common and common equivalent share	\$.34	\$.26
	=====	=====
Weighted average common shares outstanding	3,457,000	3,452,000

(See accompanying notes to the consolidated financial statements)

-6-

SELAS CORPORATION OF AMERICA
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	March 31, 1995	March 31, 1994
Cash flows from operating activities:		
Net income	\$ 1,163,623	\$ 890,906
Adjustments to reconcile net income to net		

cash provided (used) by operating activities:		
Depreciation and amortization	679,441	721,909
Equity in (income) loss of unconsolidated affiliates	14,683	(27,940)
(Gain) on sale of property and equipment . .	(9,017)	(4,851)
Deferred taxes	(78,258)	(84,747)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(4,211,089)	(6,539,819)
(Increase) in inventories	(148,138)	(898,824)
(Increase) in other assets	(361,215)	(77,205)
Increase in accounts payable	913,113	4,591,746
Increase (decrease) in accrued expenses .	(42,460)	487,025
Increase (decrease) in customer advances .	369,057	(26,337)
Increase in other liabilities	11,449	11,449
Net cash (used) by operating activities	(1,698,811)	(956,688)
Cash flows from investing activities:		
Purchases of property, plant and equipment . . .	(567,877)	(443,974)
Proceeds from sale of property, plant and equipment	15,191	21,105
Investment in subsidiary	--	(9,167)
Net cash (used) by investing activities	(552,686)	(432,036)
Cash flows from financing activities:		
Proceeds from short-term bank borrowings	2,482,835	1,152,255
Repayments of short-term bank borrowings	--	(285,787)
Repayments of long-term debt	(472,885)	(465,665)
Proceeds from exercise of stock options	28,281	113,125
Payment of dividends	(190,303)	(172,652)
Net cash provided by financing activities	1,847,928	341,276
Effect of exchange rate changes on cash	231,364	12,894
Net (decrease) in cash and cash equivalents	(172,205)	(1,034,554)
Cash and cash equivalents, beginning of period . .	5,812,508	7,147,358
Cash and cash equivalents, end of period	\$ 5,640,303	\$ 6,112,804
	=====	=====

(See accompanying notes to the consolidated financial statements)

-7-

SELAS CORPORATION OF AMERICA

Consolidated Statement of Shareholders' Equity
Three Months Ended March 31, 1995
(Unaudited)

	Common Stock		Additional Paid-In Capital
	Number of Shares	Amount	
Balance, January 1, 1995	3,697,426	\$3,697,426	\$13,484,640
Net income			
Exercise of 5,000 stock options	5,000	5,000	27,365
Cash dividends paid (\$.055 per share)			
Translation gain			
Balance, March 31, 1995	3,702,426	\$3,702,426	\$13,512,005
	=====	=====	=====

	Retained Earnings	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment
Balance, January 1, 1995	\$14,886,035	\$1,524,372	\$ (112,623)
Net income	1,163,623		
Exercise of 5,000 stock options			
Cash dividends paid (\$0.055 per share)	(190,302)		
Translation gain		573,775	
Balance, March 31, 1995	\$15,859,356	\$2,098,147	\$ (112,623)
	=====	=====	=====

	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 1995	\$ (381,937)	\$33,097,913
Net income		1,163,623
Exercise of 5,000 stock options		32,365
Cash dividends paid (\$0.055 per share)		(190,302)
Translation gain		573,775
Balance, March 31, 1995	\$ (381,937)	\$34,677,374
	=====	=====

(See accompanying notes to the consolidated financial statements)

-8-

SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Unaudited)

- In the opinion of management, the accompanying consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly Selas Corporation of America's consolidated financial position as of March 31, 1995 and December 31, 1994, and the consolidated results of its operations for the three months ended March 31, 1995 and 1994 and consolidated statements of shareholders' equity and cash flows for the three months then ended.
- The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1994 Selas Corporation of America Annual Report.
- As discussed in note 2 of the 1994 Annual Report, on October 20, 1993, the Company acquired all of the outstanding capital stock of Resistance Technology, Inc. (RTI), a manufacturer of precision electromechanical and plastic component parts predominantly for the hearing aid industry. RTI's results of operations have been included in the consolidated results of operations since the date of acquisition.
- Inventories consist of the following:

	March 31, 1995	December 31, 1994
Raw material	\$2,735,915	\$2,281,342
Work-in-process	1,616,846	2,200,579
Finished products and components	4,058,763	3,728,106
Total	\$8,411,524	\$8,210,027
	=====	=====

5. Income Taxes

Consolidated income taxes for the three months ended March 31, 1995 and 1994 are \$571,000 and \$507,000 which result in effective tax rates of 32.9% and 36.3% respectively. The rate of tax in relation to pre-tax income in 1995 is lower because certain domestic and foreign net operating loss carryforward benefits have been utilized.

6. Legal Proceedings

The Company is a defendant along with a number of other parties in approximately 210 lawsuits as of December 31, 1994 (650 as of December 31, 1993) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against

-9-

SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Unaudited)-
(Continued)

6. Legal Proceedings (Continued)

the Company. The Company is also one of approximately 500 defendants in a class action on behalf of approximately 2700 present or former employees of a Texas steel mill alleging that products supplied by the defendants created a poisoned atmosphere that caused unspecified physical harm. These cases are being defended by one or more of the Company's insurance carriers presently known to be "at risk". Through October 1993, the legal costs of defense of the asbestos and steel mill cases were shared among the insurance carriers (92%) and the Company (8%). The lead insurance carrier settled a number of the cases in 1993 and requested that the Company pay a portion of the settlement amount. The Company declined to do so because no such payment is required by the express terms of the policies. The lead carrier then purported in October 1993 to abrogate the arrangement under which the defense costs had been shared, and the Company responded by tendering all of the cases to the lead carrier and demanding that the lead carrier honor its obligations under its policies to pay 100% of the costs of defense and 100% of all settlements and judgments up to the policy limits. The lead carrier has settled approximately 450 claims in 1994 with no request for the Company to participate in any settlement. Management is of the opinion that the disposition of these lawsuits will not materially affect the Company's consolidated financial position or results of operation.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits will not materially affect the Company's consolidated financial position or results of operation.

-10-

SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 1. Notes to Consolidated Financial Statements (Unaudited)-
(Continued)

7. Statements of Cash Flows

Supplemental disclosures of cash flow information:

Three Months Ended	
March 31,	March 31,
1995	1994

Interest received	\$ 71,341	\$ 37,749
Interest paid	\$ 247,404	\$ 405,571
Income taxes paid	\$ 237,308	\$ 44,737

8. Accounts Receivable

At March 31, 1995, the Company had \$2,236,257 of trade accounts receivable due from the major U.S. automotive manufacturers and \$2,532,019 of trade accounts receivable due from hearing aid manufacturers. The Company also had \$15,414,833 in receivables from long-term contracts for customers in the steel industry in North America, Europe and Asia.

9. Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share are computed based on the weighted average number of shares outstanding each quarter, giving effect to outstanding stock options, where dilutive.

-11-

SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated net sales for the three months ended March 31, 1995 were \$21.5 million compared to \$22.1 million for the same period in 1994. Net sales of the Company's heat processing segment for the first quarter of 1995 were \$11 million compared to \$12.6 million for the same period in 1994. The lower sales of \$1.6 million in the current period is due primarily to one large engineered contract in Turkey which generated strong sales in the first half of 1994. This contract is still in progress, but due to the current status of this contract (nearer completion), it is not generating the same revenues it did last year. Sales and earnings of large engineered contracts are recognized on the percentage-of-completion method and generally require more than twelve months to complete. Consolidated backlog at March 31, 1995 for the heat processing business is \$12.4 million compared to \$13.3 million at March 31, 1994. Net sales for the precision electromechanical and plastic components segment were \$5.9 million for the three months ended March 31, 1995 compared to \$5.4 million for the same period in 1994. The improvement of \$.5 million in sales is due to higher unit sales of components and systems to the hearing instrument industry. Net sales for the tire holders, lifts and related products segment increased to \$4.5 million for the first quarter of 1995 from \$4.1 million for the same period in 1994. The increase in sales for the current quarter is due to higher tire lift sales to the automotive manufacturers.

The Company's consolidated gross profit margin as a percentage of sales increased to 25.7% for the first quarter of 1995 from 23.5% for the same period in 1994. The Company's heat processing segment improved to 23.5% in the first quarter of 1995 compared to 20.8% in the same period in 1994. The higher gross profit margin in the first quarter of 1995 is due to the mix of products sold compared to the same period in 1994. Heat processing gross profit margins vary markedly from contract to contract depending on customer specifications and other conditions related to the contract. Gross profit margins for the precision electromechanical and plastic components segment were 33.4% for the first quarter of 1995 compared to 33.5% for the first quarter of 1994. The gross profit margins for the Company's tire holders, lifts and related products segment improved to 20.9% for the first quarter of 1995 compared to 18.7% for the first quarter of 1994. The improvement in gross profit margins is due to higher production levels and improved production efficiencies.

Selling, general and administrative expenses increased 4.7% to \$3,728,000 in the first three months of 1995 compared to \$3,560,000 for the same period in 1994. The increase of \$168,000 is due to expanded sales and administrative programs for the precision electromechanical and plastic components segment which is up \$189,000 in the current quarter over the same period last year.

-12-

SELAS CORPORATION OF AMERICA

PART I - FINANCIAL INFORMATION

ITEM 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations (Continued)

Interest income increased to \$76,000 for the first quarter of 1995 from \$53,000 for the same period of 1994, due primarily to higher interest rates on short-term investments. Interest expense decreased to \$281,000 for the first three months of 1995 compared to \$348,000 for the same period in 1994. The lower interest expense is due primarily to lower long-term debt outstanding in 1995.

Other income (expense) includes gains on foreign exchange of \$15,000 for the first quarter of 1995 and \$80,000 for the same period in 1994. Also included in other income for the first quarter of 1995 is a gain of \$144,000 on the sale of the Company's interest in a joint venture, ISIGLASS, located in Este, Italy to the Finand Group, one of the partners in the joint venture.

Consolidated income taxes for the three months ended March 31, 1995 and 1994 are \$571,000 and \$507,000 which result in effective tax rates of 32.9% and 36.3% respectively. The rate of tax in relation to pre-tax income in 1995 is lower because certain domestic and foreign net operating loss carryforward benefits have been utilized.

Consolidated net income for the first quarter of 1995 was \$1,164,000 compared to \$891,000 for the same period in 1994. All three business segments -- precision electromechanical and plastic components; tire holders, lifts and other related products; and, heat processing -- had higher earnings through improved sales or improved gross profit margins in the first three months of 1995 compared to the same period in 1994. Also impacting the first quarter of 1995 compared to the first quarter of 1994 was the \$144,000 gain on the sale of the Company's interest in the ISIGLASS joint venture.

In 1992, the Company was informed by its largest automotive customer that it will not supply tire lifts for one of its major vehicles for the 1995 model year. The Company will continue to supply this model until the change is made, which is expected by mid-year 1995.

Liquidity and Capital Resources

Consolidated net working capital increased to \$18.5 million for the first quarter of 1995 from \$17.9 million at December 31, 1994. The improvement in net working capital is due to the net earnings of approximately \$1.2 million, partially offset by dividend payments of \$.2 million and long-term debt payments of \$.4 million. The largest changes in the components of working capital were higher receivables of \$5.8 million, higher current liabilities of \$5.5 million and higher inventories of \$.2 million.

The Company believes that its present working capital position, combined with funds expected to be generated from operations and the available borrowing capacity through its revolving credit loan facilities, will be sufficient to meet its anticipated cash requirements for operating needs and capital expenditures for 1995.

-13-

SELAS CORPORATION OF AMERICA

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

- (a) Reports on Form 8-K - There were no reports on Form 8-K filed for the three months ended March 31, 1995.

-14-

SELAS CORPORATION OF AMERICA

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SELAS CORPORATION OF AMERICA
(Registrant)

Date: May 11, 1995

Robert W. Ross
Vice President and Chief
Financial Officer