UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

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 incorporation or organization)	(IRS Employer Identification No.)

Dresher, Pennsylvania	19025
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code (215) 646-6600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $1 par value per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value, as of March 9, 1999, of the voting stock held by non-affiliates of the registrant was approximately $28,272,522 (Aggregate market value is estimated solely for the purposes of this report and shall not be construed as an admission for the purposes of determining affiliate status.)

At March 9, 1999, there were 5,260,004 of the Company's common shares outstanding (exclusive of 363,564 treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's 1998 annual report to shareholders are incorporated by reference into Part II of this report. Portions of the Company's proxy statement for the 1999 annual meeting of shareholders are incorporated by reference into Part III of this report. Except for the parts of such documents that have been specifically incorporated herein by reference, such documents shall not be deemed "filed" for the purposes of this report.

PART I

ITEM 1. Business

Selas Corporation of America (together with its subsidiaries, unless the context otherwise requires, referred to herein as the "Company", was incorporated in Pennsylvania in 1930. The Company is a diversified firm with international operations and sales that engages in the design, development, engineering and manufacturing of a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, England, France, Germany, Italy, Portugal and Singapore (and a 50% joint venture in Japan), operates directly or through subsidiaries in three business segments.

Under the SelasTM name, the Heat Technology segment designs and manufactures specialized industrial heat technology systems and equipment for steel, glass and other manufacturers worldwide. The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components and molded plastic parts primarily for the hearing instrument manufacturing and other medical equipmnet industries and also for the electronics, telecommunications and computer industries. The Company's Tire Holders, Lifts and Related Products segment manufactures products, primarily based on cable winch designs, for use principally as original equipment by the pick-up truck and minivan segment of the automotive industry.

Financial data relating to industry segments, geographical summary of assets and operations, export sales and major customers are set forth in Note 4 of the Company's consolidated financial statements.

HEAT TECHNOLOGY

The Company specializes in the controlled application of heat to achieve precise process and temperature control. The Company's principal heat technology equipment and systems are large custom-engineered furnaces and smaller standard-engineered systems, burners and combustion control equipment.

CUSTOM-ENGINEERED FURNACES

Products and Industries Served. The Company designs specialized furnaces for use primarily in the steel and glass industries worldwide. The furnaces are engineered to subject a customer's products to carefully controlled heating and cooling processes in order to improve the physical characteristics of those products. Each furnace is custom-engineered by the Company to meet the customer's specific requirements. The Company believes that the SelasTM name, its reputation for quality and its leadership in the design and engineering of direct gas-fired heat processing furnaces are important factors in its business. The Company also offers gas-fired radiant tube and electric heating technology for heat processing furnaces.

The Company's custom-engineered systems for the steel industry include continuous annealing furnaces and continuous galvanizing furnaces. Continuous annealing furnaces are used to heat-treat semi-finished steel sheet and strip to soften it to improve the ductility of the steel, thereby making it suitable for use in the manufacture of automobiles, appliances and other items. Continuous galvanizing furnaces consist of continuous annealing furnaces plus the components used to apply a zinc coating to steel strip to improve its resistance to corrosion.

The Company's furnaces for the glass industry are used for the tempering and bending of glass. The glass tempering process toughens glass plate through a controlled process of heating and cooling. Glass manufacturers use the Company's glass bending furnaces to heat and bend plate glass for automotive and architectural uses.

From time to time, the Company also designs various other specialized furnaces for use by manufacturers in a variety of industries to suit particular process requirements. For example, over the years the Company has engineered large barrel line furnaces used for the continuous heat treatment of steel pipe, tube or bar.

Marketing and Competition. The Company markets its custom-engineered furnaces on a global basis. Marketing personnel are located at the Company's offices in Dresher, Paris, Ratingen, Derbyshire, Milan, Leiria, and at the offices of its 50%-owned affiliate, Nippon Selas Co., Ltd., in Tokyo. Over the years, the Company has installed custom-engineered systems throughout the world, in Europe, North America, South America, Asia, Australia and Africa. In a particular period, a single contract may account for a large percentage of sales, but the Company is not dependent on any custom-engineered systems customer on an ongoing basis.

Company engineering and marketing personnel maintain contact with potential major steel and glass customers to determine their needs for new furnaces, typically for expansion or new technology. The Company's furnaces have long useful lives, and replacement business is not a major factor in sales of custom-engineered systems. The Company has and continues to perform modifications to older existing furnaces to improve production quantities, along with quality of the end product.

The Company also markets its products and services through agents and licensees located in various parts of the world. Typically, the Company's license agreements provide that the licensee will act as the Company's sales agent in a particular territory, is granted a license to utilize the Company's heat processing technology in that territory, and is granted the right to utilize technical services provided by the Company. In exchange, the Company receives certain fees when the licensee sells the Company's products or services in the territory.

Over the years, Japanese steel producers have aligned themselves in semi-exclusive relationships with furnace manufacturers. For a number of years, the Company has licensed direct fired furnace technology to NKK Corporation, the second largest steel producer in Japan.

Furnaces for continuous galvanizing and annealing lines generally utilize either direct fired or radiant tube technology. The Company is the market leader for furnaces based on direct fired technology, and also sells furnaces of the radiant tube design utilized primarily by its competitors. Some of the Company's competitors are larger and have greater financial resources. In recent years, the Company has faced increased competition from competitors supplying smaller, less sophisticated steel lines. These competitors do not generally offer custom engineering on a par with the Company, but have been willing to offer a more standarized and less sophisticated furnace for a lower price.

Operations. The Company's custom-engineered furnace business is conducted principally by its wholly-owned subsidiaries, Selas S.A. (Paris), CFR-CECF Forumi-Ripoche, S.A. (Paris), Selas Waermetechnik GmbH (Ratingen), Selas Italiana, S.r.L. (Milan), Selas U.K. (Derbyshire), and CFR Portugal (Leiria). These subsidiaries currently employ approximately 153 persons, of whom 18 are administrative personnel and 135 are sales, engineering and operations personnel. A small number of engineering and marketing management personnel located at the Company's Dresher, Pennsylvania headquarters facility are also involved from time to time in the custom-engineered furnace business.

On large-scale projects, such as a continuous steel strip annealing or galvanizing line, the customer frequently contracts for the entire line on a turnkey basis with an engineering and construction firm specializing in line terminal equipment, and the Company acts as a subcontractor for the design, engineering, supply of material and installation of the furnace portion of the line, or, alternatively, as a subcontractor only for design and engineering. When the Company provides only design and engineering services, the prime contractor handles the fabrication and erection of the furnace. With the exception of certain proprietary parts, the Company does not manufacture the components used in such systems.

The Company's custom-engineered furnace business is historically cyclical in nature.

On February 26, 1998, the company's wholly-owned subsidiary, Selas S.A., acquired the stock of CFR, a Paris, France firm engaged in the engineered industrial furnace business. This acquisition was made to complement the Company's existing heat processing operations in Europe, particularly the Company's custom-engineered furnace business. CFR engineers and designs batch and continuous furnaces that are used for heat treating both ferrous and non-ferrous metals, and also furnaces used for the hardening and etching of glass and

ceramic tableware. Recently, CFR's principal products have been continuous custom-engineered furnaces for aluminum strip, furnaces for hardening and etching glass and ceramic tableware, along with Bell furnaces for heat treating ferrous metals. CFR was formed by the merger of three French companies, CECF, Fofumi and Ripoche, once the largest industrial furnace company in France. The Company believes that CFR enjoys a good reputation in the French market for engineered industrial furnaces. CFR's sales have primarily been in France, although CFR has some sales in other European countries. CFR's products are not in competition with the Company's existing products in Europe. CFR does have several European competitors for each product offered and some of its competitors are larger and have greater financial resources.

At its facilities in Paris, France and Maisse, France, CFR employs approximately 50 full-time employees of whom 8 are executive and administrative personnel, 27 are sales and engineering personnel, and 15 are fabrication and assembly personnel. Certain information regarding the acquisition of the CFR business is set forth in note 2 to the Company's consolidated financial statements.

STANDARD-ENGINEERED SYSTEMS, BURNERS AND COMBUSTION CONTROL EQUIPMENT

Standard-Engineered Systems. At its Dresher, Pennsylvania facility, the Company engineers and fabricates a variety of smaller furnaces and heat processing equipment. Although these systems are based on standard designs, the Company often adapts or re-engineers them to meet particular customer needs. These smaller systems are generally used by manufacturers in sophisticated applications for the heat treatment of finished and semi-finished parts.

The Company's standard-engineered systems include atmosphere-controlled furnaces for heat treating finished metal parts. Its continuous heat treating systems include not only the hardening and tempering furnaces central to the system, but also the ancillary loading, quenching and washing equipment.

The Company also manufacturers large non-atmosphere-controlled batch-type furnaces in a variety of designs. The Company's carbottom furnaces enable its customers to remove the furnace hearth, running on tracks similar to a railroad car, from the stationary furnace for loading and unloading. With its hood furnaces, the furnace itself can be lifted from the stationary hearth for loading and unloading. Carbottom and hood furnaces are used to heat treat large, usually semi-finished, metal parts of a variety of shapes and sizes. Clamshell furnaces designed by the Company open and close around steel rolls to produce a gradation of metal characteristics due to the differential heating of the steel roll. The Company's standard batch furnaces are supplied to customers with a need for the precise, accurately controlled application of heat to their products.

The Company's standard systems also include automatic brazing and

soldering systems used in the assembly of radiators, air conditioner coils and electrical appliances. The precise application of heat in these systems improves a customer's product quality and uniformity while reducing production costs. The Company also produces the fuel mixing and monitoring systems, burners and product handling equipment necessary for these systems.

The Company also produces custom designed barrel furnaces used primarily to heat treat long metal parts, and also produces specialized glass lehrs for heating glass products.

Burners and Combustion Control Equipment. The Company designs, manufactures and sells an array of original equipment and replacement gas-fired industrial burners for many applications. The Company is a producer of burners used in fluid processing furnaces serving the petrochemical industry. One type of fluid processing burner is capable of minimizing the emission of oxides of nitrogen as combustion products. As many jurisdictions reduce the permissable level of emissions of these compounds, the Company believes that the demand for "low NOx" burners will increase. The Company also produces burners suitable for creating a high temperature furnace environment desirable in steel and glass heat treating furnaces. The Company's burners accommodate a wide variety of fuel types, environmental constraints and customer production requirements.
The Company furnishes many industries with gas combustion control equipment sold both as component parts and as systems that have been custom-engineered to meet a particular customer's needs. This equipment is provided with the Company's original custom-engineered and standard heat treating equipment, as replacement or additional components for existing furnaces being refurbished or upgraded, and as original components for heat treating equipment manufactured by others. The components of the combustion control systems include mixing valves capable of mixing gas and air and controlling the air/gas ratio, pressure and total flow of the mixed gases. The Company also produces its Qual-O-RimeterTM automated monitoring and control device used in conjunction with its mixing valves to maintain precise, uniform heat release and flame shape, despite fluctuations in fuel mix and quality, air temperature and humidity.

Additional combustion control products include Flo-ScopeTM flow meters, which measure the rate of flow of gases, and automatic fire checks and automatic blowouts, which arrest flame and pressure resulting from backfire from the burners into the pipe line.

Marketing and Competition. The Company markets its standard-engineered systems products on a global basis through its sales and marketing personnel located in Dresher, Pennsylvania, and also sells these products through licensees and agents located in various parts of the world. Although the Company competes for orders for such products with many other manufacturers, some of which are larger and have greater financial resources, the Company believes that its reputation and its high standard for quality allow it to compete effectively with other manufacturers.

Operations. At its Dresher facility, the Company employs approximately 60 persons, of whom 18 are executive and administrative personnel, 17 are sales and engineering personnel and 25 are personnel engaged in manufacturing. The hourly personnel are represented by a union, and the current union contract expires May 16, 2001. The Company considers its relations with its employees to be satisfactory.

The principal components used in the Company's heat processing equipment and other products are steel, special castings (including high-alloy materials), electrical and electronic controls and materials handling equipment. These items are available from a wide range of independent suppliers.

Research and Development. The Company conducts research and development activities at its Dresher facility to support its heat processing services and products. The Company's research efforts are designed to

develop new products and technology as well as to improve existing products and technology. The Company also conducts research on behalf of particular customers in connection with customers' unusual process needs. Research and development expenditures for heat processing aggregated $77,000, $120,000, and $56,000 in 1998, 1997 and 1996, respectively.

It is the Company's policy to apply for domestic and foreign patents on those inventions and improvements which it considers significant and which are likely to be incorporated in its products. It owns a number of United States and foreign patents. It is licensed under patents owned by others and has granted licenses to others on a fee basis. The Company believes that, although these patents collectively are valuable, no one patent or group of patents is of material importance to its business as a whole.

PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS

Resistance Technology, Inc. ("RTI"), a wholly-owned subsidiary, manufactures microminiature components and molded plastic parts primarily for the hearing instrument manufacturing industry worldwide. RTI Electronics, Inc. ("RTIE"), formed in 1997, has expanded RTI's microminiature components business through the manufacture of electrical resistors known as thermistors and film capacitors.

Products and Industries Served. RTI is a leading manufacturer and supplier of microminiature electromechanical components to hearing instrument manufacturers. These components consist of volume controls, trimmer potentiometers and switches. RTI also manufactures hybrid amplifiers and integrated circuit components ("hybrid amplifiers"), along with faceplates for in-the-ear and in-the-canal hearing instruments. Components are offered in a variety of sizes, colors and capacities in order to accommodate a hearing manufacturer's individualized specifications. Sales to hearing instrument manufacturers represented approximately 68% of 1998 annual net sales for the Company's precision miniature medical and electronic products business.

Hearing instruments, which fit behind or in a person's ear to amplify and process sound for a hearing impaired person, generally are composed of four basic parts and several supplemental components for control or fitting purposes. The four basic parts are microphones, amplifier circuits, miniature receivers/speakers and batteries. RTI's hybrid amplifiers are a type of amplifier circuit. Supplemental components include volume controls, trimmer potentiometers, which shape sound frequencies to respond to the particular nature of a person's hearing loss, and switches used to turn the instrument on and off and to go from telephone to normal speech modes. Faceplates and an ear shell molded to fit the user's ear often serve as a housing for hearing instruments.

The potential range of applications for RTI's molded plastic parts is broad. RTI has produced intravenous flow restrictors for a medical instruments manufacturer and cellular telephone battery sockets for a telecommunications equipment manufacturer. Sales by RTI to industries other than the hearing instrument industry represented approximately 12% of 1998 annual net sales for the Company's precision miniature medical and electronic products business.

RTI manufactures its components on a short lead-time basis in order to supply "just-in-time" delivery to its customers. Due to the short lead-time, the Company does not include orders from RTI's customers in its published backlog figures.

RTIE is a wholly owned subsidiary of the Company that is under the management direction of RTI. This subsidiary was established in February, 1997, when the Company acquired the assets and certain liabilities of the Rodan Division of Ketema, Inc. RTIE manufactures and sells thermistors and thermistor assemblies, which are solid state devices that produce precise changes in electrical resistance as a TM function of any change in absolute body temperature. RTIE's Surge-Gard product line, an inrush current limiting device used primarily in

computer power supplies, represents approximately 50% of RTIE's sales. The balance of sales represent various industrial, commercial and military sales for thermistor and thermistor assemblies to domestic and international markets.
RTI's principal raw materials are plastics, various metal oxide powders and silver paste, for which there are multiple sources of supply.

In order to enhance its product line offering, RTI has made several strategic acquisitions in 1998. These acquisitions bolster RTI's and RTIE's precision miniature mechanical and electronic products.

On May 27, 1998, RTI Electronics acquired the stock of IMB Electronics Products, Inc., a manufacturer of film capacitors, which are energy storage devices used primarily to resist changes in voltage. The film capacitor business represents a product line addition for the power and computer industries which RTIE serves. Effective January 1, 1999, IMB Electronics Products, Inc. was merged into RTI.

On October 28, 1998, a newly formed subsidiary of RTI, RTI Technologies PTE LTD acquired certain assets and liabilities of Lectret, a manufacturer of microphone capsules. The acquisition expands RTI's product capability in the hearing health market by adding a microphone product line.

Certain information regarding the acquisition of the RTIE, IMB and RTI Technologies PTE LTD businesses is set forth in note 2 to the Company's Consolidated Financial Statements.

Marketing and Competition. RTI sells its hearing instrument components directly to domestic hearing instrument manufacturers through an internal sales force. Sales of molded plastic parts to industries other than hearing instrument manufacturers are made through a combination of independent sales representatives and internal sales force. In recent years, three companies have accounted for a substantial portion of the U.S. hearing instrument sales. In 1998, these three customers accounted for approximately 28% of RTI's net sales.

Internationally, sales representatives employed by Resistance Technology, GmbH ("RT, GmbH"), a German company 80% of whose capital stock is owned by RTI, solicit sales from European hearing instrument manufacturers and facilitate sales with Japanese and Australian hearing instrument markets.

RTI believes that it is the largest supplier worldwide of microminiature electromechanical components to hearing instrument manufacturers and that its full product line and automated manufacturing process allow it to compete effectively with other manufacturers with respect to these products.

In the market of hybrid amplifiers and molded plastic faceplates, RTI's primary competition is from the hearing instrument manufacturers themselves. The hearing instrument manufacturers produce a substantial portion of their internal needs for these components.

RTIE sells its thermistors and film capacitors through a combination of independent sales representatives and internal sales force.

RTIE has many competitors, both domestic and foreign, that sell various thermistor and film capacitors and some of these competitors are larger and have greater financial resources. In addition, RTIE holds a relatively small market share in the world-market of thermistor and film capacitor products.
Operations. RTI currently employs 264 people, of whom 54 are executive and administrative personnel and 210 are sales, engineering and operations personnel at RTI's two facilities near Minneapolis, Minnesota. A small number of sales personnel employed by RT, GmbH are located in Munich, Germany and RTI Technologies employs 43 people at its Singapore location.

ITEM 1. Business - (Continued)

At its facilities in Anaheim, California, RTIE employs 118 full-time employees, of which 17 are salaried and 101 hourly.

As a consumer products manufacturer, RTI is subject to claims for personal injuries allegedly caused by its products. While the Company maintains what it believes to be adequate insurance coverage, it retains a self-insured deductible under its liability insurance policies.

Research and Development. RTI and RTIE conduct research and development activities primarily to improve its existing products and technology. Their research and development expenditures were $1,290,000, $1,154,000 and $1,083,000 in 1998, 1997 and 1996, respectively.

RTI owns a number of United States patents which cover a number of product designs and processes. The Company believes that, although these patents collectively add some value to the Company, no one patent or group of patents is of material importance to its business as a whole.

TIRE HOLDERS, LIFTS AND RELATED PRODUCTS

Deuer Manufacturing, Inc. ("Deuer"), a wholly-owned subsidiary, manufactures tire holders, lifts, and other related products based principally on cable winch designs.

Products and Industries Served. Deuer is a leading supplier of spare tire holders used on light trucks and mini-vans manufactured by the major domestic automotive manufacturers. Deuer's spare tire holder holds the spare tire to the underbody of the vehicle by means of a steel cable running to the underside of the vehicle's frame. One end of the steel cable is attached to a hub placed through the center of the spare tire's rim, and the other end is attached to a hand-operated winch mounted at an accessible location on the vehicle. The spare tire holding system permits the spare tire to be stored in a remote location and to be easily removed without the need to crawl under the vehicle. During 1998, sales of spare tire holders accounted for approximately 89% of Deuer's net sales.

Deuer also produces a variety of hand-operated hoist-pullers, using primarily a cable winch design, sold under the Mini-MuleTM brand name. These products, which retail from $30 to $60, are portable hand winches designed for a variety of uses, such as pulling objects, rigging loads and installing fencing. Deuer furnishes these hoist-pullers in a variety of sizes and capacities. It also manufactures accessories for use with the products, including slings, clamps, blocks and gantries.

Deuer manufactures products on a short lead time basis in order to furnish "just-in-time" delivery to its automotive customers. Because of the substantial variances between manufacturers' estimated and actual requirements, the Company does not include blanket order commitments from automotive manufacturers in its published backlog figures.

ITEM 1. Business - (Continued)

Marketing and Competition. Deuer sells its spare tire holders directly to domestic automotive manufacturers. Deuer's spare tire holders are sold to Chrysler Corporation, General Motors, Toyota, Ford Motor Company, New United Motor Manufacturing, Inc. and Mobile Home Manufactures. The design and quality of Deuer's spare tire holders have been recognized by its major customers. The Company sells its hoist-pullers through a network of distributors as well as directly to some large retail outlets.

Deuer is one of several suppliers of spare tire holders to domestic mini-van and light truck manufacturers. Some of Deuer's competitors are larger and have greater financial resources. The Company believes that price and Deuer's reputation for quality and reliability of delivery are important factors in competition for business from the domestic

automotive manufacturers. A number of other domestic and foreign manufacturers sell hoist-pullers to the retail market, and Deuer's share of this market is relatively small.

Operations. At its Dayton facility, Deuer employs 35 executive and administrative personnel and approximately 148 manufacturing employees. Some of the manufacturing employees are represented by a union, and the current union contract expires in October 2002. Deuer considers its relations with its employees to be satisfactory.

Deuer's principal raw material is coil rolled steel and metal cable which is widely available. Deuer also conducts research and development activities which consist of the development of new products and technology and the modification of existing products. Deuer's research and development expenditures aggregated $239,000, $253,000 and $265,000 in 1998, 1997 and 1996, respectively.

As a consumer products manufacturer, Deuer is subject to claims for personal injuries allegedly caused by its products. While the Company maintains what it believes to be adequate insurance coverage, it retains a self-insured deductible under its liability insurance policies.

ITEM 2. Properties

The Company owns the manufacturing facility in Dresher, Pennsylvania in which its standard-engineered systems, burners and combustion control equipment are produced. The Company's headquarters are located on the same 17 acre site. The 136,000 square foot Dresher facility has more space than is currently needed for the Company's operations and headquarters, and the Company is seeking to lease all or a portion of the excess office and manufacturing space to a suitable tenant. This property is subject to a mortgage. See note 8 of the Company's consolidated financial statements.

RTI leases a 47,000 sq. ft. manufacturing facility in Arden Hills, Minnesota from a partnership consisting of two former officers of RTI and Mark S. Gorder who serves as an officer of RTI and on the Company's Board of Directors. At this facility, RTI manufactures all of its products other than plastic component parts. The lease expires in October, 2003, with two successive 5-year renewal

options. In addition, RTI owns, subject to a mortgage from a third party lender, a 34,000 sq. ft. building in Vadnais Heights, Minnesota at which RTI produces plastic component parts. (See notes 8, 17, and 18 of the Company's consolidated financial statements.)

RTIE leases a building in Anaheim, California, which contains its manufacturing facilities and offices and consists of a total of 50,000 square feet. The lease expires September, 2008.

Deuer owns its 92,000 square foot manufacturing facility located on 6.5 acres in Dayton, Ohio, where it produces its spare tire holders and hoist-pullers. The facility is furnished with a variety of steel fabrication equipment, including punch presses, drill presses, screw machines, grinders, borers, lathes and welders. This property is subject to a mortgage. See note 8 of the Company's consolidated financial statements.

Selas S.A. owns the land and building which houses its engineering, sales and administrative operations in Gennevilliers, France (outside of Paris). The land under the building is owned by Selas S.A. and the property outside of the building is jointly owned by the building owners in the office complex. The building has 22,000 square feet. This property is subject to a mortgage. See note 8 of the Company's consolidated financial statements.

Selas Italiana S.r.L., the Company's Italian subsidiary, Selas Waermetechnik GmbH, the Company's German subsidiary and Selas UK, the

Company's United Kingdom subsidiary, lease facilities in Milan, Italy, Ratingen, Germany, and Derbyshire, UK, respectively. The Milan and Derbyshire facilities are comprised of engineering, sales and administrative offices with the leases expiring in October 2001 and a month to month basis, respectively. The Ratingen facilities are used for sales, administrative and engineering activities and assembly of small furnaces and furnace components, with the lease expiring February, 2000. Resistance Technology, GmbH, leases office space in Munich, Germany, on a year-to-year basis, for its sales personnel. Management expects to be able to extend these leases. RTI Technologies PTE LTD leases a building in Singapore which houses its production facilities and administrative offices. The building contains 6,000 square feet and its lease expires June, 2001.

CFR leases facilities in Paris and Maisse, both in France. The facilities in Paris house engineering, sales and administrative operations and has 10,000 square feet. The Maisse facility is 40,000 square feet and houses CFR's fabrication and assembly operations. The Paris lease expires January, 2000 and the Maisse lease expires February, 2001, each with two three-year optional renewal terms. Management expects to be able to extend these leases. CFR Portugal leases a building in Leiria, Portugal which houses its fabrication facilities and administrative offices.

ITEM 3. Legal Proceedings

The Company is a defendant along with a number of other parties in approximately 147 lawsuits as of December 31, 1998 (215 as of December 31, 1997) 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 the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 - July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company was one of approximately 500 defendants in a class action on behalf of approximately 2,700 present and former employees of a Texas steel mill. The cases were being defended by one or more of the Company's insurance carriers presently known to be "at risk". In October, 1998 the class action suit was settled. The Company's insurance carriers have not asked the Company to contribute to any settlement payments made by them in connection with this settlement.

In 1995, a dispute which was submitted to arbitration, arose under a contract between a customer and a subsidiary of the Company. Substantial claims were asserted against the subsidiary Company under the terms of the contract. The Company recorded revenue of approximately $1,400,000 in 1994 and has an uncollected receivable of $140,000. In June, 1998, the arbitrator found in favor of the customer. The Company has refused to recognize the validity of the arbitration proceedings and decision and believes it is entitled to a new hearing before an international or French tribunal. The Company believes that the disposition of this claim will not materially affect the Company's consolidated financial position

or results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders

None

ITEM 4A. Executive Officers of the Company

The names, ages and offices (as of February 26, 1999) of the Company's officers were as follows:

Name	Age	Office
Stephen F. Ryan	63	Chairman, President and Chief Executive Officer
Christian Bailliart	50	Vice President and Chairman-Director Generale of Selas S.A.
James C. Deuer	70	Vice President and President of Deuer Manufacturing, Inc.
Mark S. Gorder	52	Vice President and President of Resistance Technology, Inc.
Robert W. Ross	50	President Heat Technology Group Vice President and Secretary
Francis A. Toczylowski	48	Vice President and Treasurer

Mr. Ryan joined the Company in May 1988, as President and Chief Executive Officer. In December, 1998, he was elected Chairman of the Board of Directors. Mr. Bailliart joined Selas S.A. in 1974 and in January 1, 1993 was promoted to Vice President of the Company and Chairman-Director Generale of Selas S.A. In 1989 he was promoted to Chairman-Director Generale of Selas S.A. from Vice President,
Treasurer. Mr. Deuer joined the Company as President of Deuer Manufacturing when it was acquired in May, 1986 and was promoted to Vice President of the Company and President of Deuer Manufacturing in December, 1990. From 1965 to 1986 he was President of Deuer Manufacturing. Mr. Gorder joined the Company October 20, 1993 when Resistance Technology, Inc. (RTI) was acquired. Prior to the acquisition, Mr. Gorder was President and one of the founders of RTI, which began operations in 1977. Mr. Gorder was promoted to Vice President of the Company and elected to the Board of Directors in 1996. Mr. Ross joined the Company in October 1990 as Vice President - Treasurer, was appointed Chief Financial Officer January 1, 1994 and elected Secretary February 21, 1995. In December, 1998, he was appointed President of the Heat Technology Group of the Company. From 1981 to 1990 he was with ALPO Pet Foods, a division of Grand Metropolitan PLC, as a Controller from 1981 and as Vice President, Controller from 1988. Mr. Toczylowski joined the Company in 1981 and has held several positions in the accounting and finance area, most recently serving as Corporate Controller. In December, 1998, he was elected Vice President and Treasurer.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common shares are listed on the American Stock Exchange. The high and low sale prices during each quarterly period during the

past two years were as follows:

MARKET AND DIVIDEND INFORMATION

QUARTER	1998 Market Price Range HIGH	1998 Market Price Range LOW	1997 Market Price Range HIGH	1997 Market Price Range LOW
First	12-5/8	9-1/8	13-1/16	10
Second	9-7/8	8-3/4	12-5/8	9-13/16
Third	9	6-7/16	13-1/2	11-1/4
Fourth	8-7/16	6-5/8	13-3/16	8-15/16

At February 8, 1999, the Company had 471 shareholders of record.

	1998	1997	1996
Dividends per share:			
First Quarter	$.045	$.043	$.04
Second Quarter	.045	.045	.04
Third Quarter	.045	.045	.04
Fourth Quarter	.045	.045	.043

The payment of any future dividends is subject to the discretion of the Board of Directors and is dependent on a number of factors, including the Company's capital requirements, financial condition, financial covenants and cash availability.

ITEM 6. Selected Financial Data

Certain selected financial data is incorporated by reference to "Selas Corporation of America Five-Year Summary of Operations", page 4, and "Other Financial Highlights" (excluding graphs), page 5, of the Company's 1998 annual report to shareholders.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis is incorporated by reference to page 6 through 10 of the Company's 1998 annual report to shareholders.

Forward-Looking and Cautionary Statements. Certain statements herein that include forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "estimate", "plan" or "continue" or the negative thereof or other variations thereon are, or could be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These

forward-looking statements are affected by known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ materially from the results, performance and achievements expressed or implied in the Company's forward-looking statements. These risks, uncertainties and factors include competition by competitors with more resources than the Company, foreign currency risks arising from the Company's foreign operations, and the cyclical nature of the market for large heat technology contracts.

The Company's heat technology business, which has contributed substantially to the Company's consolidated results, is affected by, among other things, the capital expenditures of steel and glass manufacturers and processors, industries that are highly cyclical in nature. It is difficult to predict demand for the Company's heat technology products, and the financial results of the Company's heat technology business have fluctuated, and may continue to fluctuate, materially from year to year.

Several of the Company's competitors have been able to offer more

standardized and less technologically advanced heat technology systems and equipment at lower prices. Although the Company believes that it has produced higher quality systems and equipment than these lower priced competitors, in certain instances price competition has had an adverse effect on the Company's sales and margins. There can be no assurance that the Company will be able to maintain or enhance its technical capabilities or compete successfully with its existing and future competitors.

There can be no assurance that the Company will remain a competitive supplier to the automobile and truck industry in view of, among other things, the general trend in recent years in that industry toward a reduction in the number of third-party suppliers and toward more integrated component suppliers.

The Company's precision miniature medical and electronics business has benefitted from its ability to automate and keep costs and prices low. There can be no assurance that the Company will be able to continue to achieve such automation and its historical profit margins particularly as the technology of hearing instruments changes and as the business expands into other product lines.

The Company has international operations, as a result, the Company's performance may be materially affected by foreign economies and currency movements.

The Company cautions that the foregoing list of important factors is not intended to be, and is not, exhaustive. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's consolidated cash flows and earnings are subject to fluctuations due to changes in foreign currency exchange rates. The Company attempts to limit its exposure to changing foreign currency exchange rates through operational and financial market actions. The Company does not hold derivatives for trading purposes.

The Company manufactures and sells its products in a number of locations around the world, resulting in a diversified revenue and cost base that is exposed to fluctuations in European and Asian currencies. This diverse base of foreign currency revenues and costs serves to create a hedge that limits the Company's net exposure to fluctuations in these foreign currencies.

Short-term exposures to changing foreign currency exchange rates are occasionally managed by financial market transactions, principally through the purchase of forward foreign exchange contracts (with maturities of six months or less) to offset the earnings and cash flow impact of the nonfunctional currency denominated receivables and payables relating to select custom engineered heat technology segment contracts. The decision by management to hedge any such transaction is made on a case-by-case basis. Foreign exchange forward contracts are denominated in the same currency as the receivable or payable being covered, and the term and amount of the forward foreign exchange contract substantially mirrors the term and amount of the underlying receivable or payable. The receivables and payables being covered arise from trade and intercompany transactions of and among the Company's foreign subsidiaries. At December 31, 1998 the Company did not have any forward foreign exchange contracts outstanding.

To manage exposure to interest rate movements and to reduce its borrowing costs, the Company's French subsidiary, Selas S.A., has entered into an interest rate swap agreement. Selas S.A. is exposed to changes in interest rates primarily due to its borrowing activities which are related to long term debt used to finance its office building. The swap agreement requires fixed interest payments based on an effective rate of

8.55% for the remaining term through May, 2006. A 100 (10% adverse change) basis point move in interest rates would affect the Company's floating and fixed rate instruments, including short and long-term debt and derivative instruments, by approximately $.1 million at December 31, 1998. The fair value of the Company's variable rate debt is not significantly different from its recorded amount.

Swap and forward foreign exchange contracts are entered into for periods consistent with related underlying exposures. The Company does not enter into contracts for speculative purposes and does not use leveraged instruments.

ITEM 8. Financial Statements and Supplementary Data

The Company's consolidated balance sheets as of December 31, 1998 and 1997, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the three years in the period ended December 31, 1998, and the report of independent auditors thereon and the quarterly results of operations (unaudited) for the two year period ended December 31, 1998 are incorporated by reference to pages 11 to 39 of the Company's 1998 annual report to shareholders.

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

PART III

The information called for by Items 10, 11, 12 and 13 (except the information concerning executive officers included in Item 4A) is incorporated by reference to the Company's definitive proxy statement relating to its 1999 Annual Meeting of Shareholders which the Company filed on March 18, 1999. However, the portions of such proxy statement constituting the report of the Compensation Committee of the Board of Directors and the graph showing performance of the Company's common shares and certain share indices shall not be deemed to be incorporated herein or filed for purposes of the Securities Exchange Act of 1934.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as a part of this report:

1. Financial Statements - The Company's consolidated financial statements, as described below, are incorporated by reference to pages 11 through 39 of the Company's 1998 annual report to shareholders.

   Consolidated Balance Sheets at December 31, 1998 and 1997.

   Consolidated Statements of Operations for the years ended December

31, 1998, 1997 and 1996.

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

Financial statements for 50% or less owned companies which are accounted for by the equity method have been omitted because they do not, considered individually or in the aggregate, constitute significant subsidiaries.

2. Financial Statement Schedules

	Page
Report of Independent Auditors on the Consolidated Financial Statement Schedules	24
Schedule I - Condensed Financial Information of Registrant (Parent only)	25,26,27,28
Schedule II - Valuation and Qualifying Accounts	29,30

All other schedules are omitted because they are not applicable, or because the required information is included in the consolidated financial statements or notes thereto.

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K - (Continued)

3. Exhibits

3A. The Company's Articles of Incorporation as amended May 18, 1984 and April 25, 1991. Exhibit 3A to the Company's report on Form 10-K for the year ended December 31, 1984 and Exhibit 3A1 to the Company's report on Form 10-K for the year ended December 31, 1991 are hereby incorporated herein by reference.

3B. The Company's By-Laws as amended. Exhibit 3B to the Company's Report on Form 10-K for the year ended December 31, 1995 is hereby incorporated by reference.

4A. Amended and Restated Credit Agreement dated July 31, 1998 among the Company, Deuer Manufacturing, Inc., Resistance Technology, Inc., RTI Export, Inc. and RTI Electronics, Inc. Exhibit 4A to the Company's report on Form 10-Q for the nine months ended September 30, 1998 is hereby incorporated by reference.

4B. Amended and Restated Revolving Credit Note, dated July 31, 1998, of the Company in favor of First Union National Bank. Exhibit 4B to the Company's report on Form 10-Q for the nine months ended September 30, 1998 is hereby incorporated by reference.

4H. Guaranty dated February, 1998 of the Company in favor of First Union/First Fidelity, N.A. Pennsylvania. Exhibit 4H to the Company's report on Form 10-K for the year ended December 31, 1997 is hereby incorporated by reference.

10A. Form of termination agreement between the Company and Messrs. Ryan, Deuer, Gorder, Ross and Toczylowski.

10B. 1985 Stock Option Plan, as amended. Exhibit 10C to the Company's Registration Statement on Form S-2 filed on June 15, 1990 (No. 33-35443) is hereby incorporated herein by reference.

10C. Form of Stock Option Agreements granted under the 1985 Stock Option Plan. Exhibit 10D to the Company's Registration Statement on Form S-2 filed on June 15, 1990 (No. 33-35443) is hereby incorporated herein by reference.

10D. Form of Amendments to Stock Option Agreements granted under the 1985 Stock Option Plan. Exhibit 10D to the Company's Registration Statement on Form S-2 filed on June 15, 1990 (No. 33-35443) is hereby incorporated herein by reference.

10E. Amended and Restated 1994 Stock Option Plan. Exhibit 10E to the Company's report on Form 10-K for the year ended December 31, 1997 is hereby incorporated by reference.

10F. Form of Stock Option Agreements granted under the Amended and Restated 1994 Stock Option Plan. Exhibit 10F to the Company's report on Form 10-K for the year ended December 31, 1995 is hereby incorporated by reference.

10G. Agreement between Selas S.A., a wholly-owned subsidiary, and Europarc Gennevilliers dated May 16, 1991 relating to the purchase of land and building to house its operations in France, accompanied by an English translation. Exhibit 10G to the Company's report on Form 10-K for the year ended December 31, 1995 is hereby incorporated by reference.

10H. Supplemental Retirement Plan (amended and restated effective January 1, 1995). Exhibit 10I to the Company's report on Form 10-K for the year ended December 31, 1995 is hereby incorporated by reference.

10I. Management Employment Agreement dated October 20, 1993 between Resistance Technology, Inc. and Mark S. Gorder. Exhibit 10J to the Company's report on Form 10-K for the year ended December 31, 1995 is hereby incorporated by reference.

10J. Amended and Restated Office/Warehouse Lease, between Resistance Technology, Inc. and Arden Partners I, L.L.P. (of which Mark S. Gorder is one of the principal owners) dated November 1, 1996. Exhibit 10J to the Company's report on Form 10-K for the year ended December 31, 1996 is hereby incorporated by reference.

10K. Non-Employee Directors' Stock Option Plan and Form of Stock Option Agreements under such Plan. Exhibit 10K to the Company's Registration Statement on Form S-8 filed on October 30, 1998 is hereby incorporated herein by reference.

13. "Selas Corporation of America Five-Year Summary of Operations" contained on page of the Company's 1998 annual report to shareholders; "Other Financial Highlights" (excluding graphs) contained on page 5 of the Company's 1998 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 6-10 of the Company's 1998 annual report to shareholders; and the Company's consolidated financial statements, including the "Notes to Consolidated Financial Statements" and the "Report of Independent Auditors" contained on pages 11-35 of the Company's 1998 annual report to shareholders.

21. List of significant subsidiaries of the Company.

23. Consent of Independent Auditors.

24. Powers of Attorney.

99. Portions of the Company's definitive proxy statement for its 1999 Annual Meeting of Shareholders responsive to Items 10, 11, 12 and 13 in Part III hereof, which was filed on March 20, 1999, are hereby incorporated herein by reference. However, the portions of such proxy statement constituting the report of the Compensation Committee of the Board of Directors and the graph showing performance of the Company's common shares and certain share indices shall not be deemed to be incorporated herein or filed for purposes of the Securities Exchange Act of 1934.

(b) Reports on Form 8-K - There were no reports on Form 8-K filed during the three months ended December 31, 1998.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Shareholders
Selas Corporation of America:

Under date of February 19, 1999, we reported on the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, as contained in the 1998 annual report to shareholders. These consolidated financial statements and our reports thereon are incorporated by reference in the annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in the accompanying index (Item 14). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects, the information set forth herein.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 19, 1999

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Balance Sheets
December 31, 1998 and 1997

ASSETS	1998	1997
Current assets:		
Cash and cash equivalents	$ 70,837	$ 478,119
Accounts receivable (including $5,862,697 and $5,266,063 due from subsidiaries in 1998 and 1997, respectively, eliminated in consolidation), less allowance for doubtful accounts of $10,000 in both years	8,892,207	11,292,250
Inventories, at cost	3,509,970	3,775,592
Prepaid expenses and other current assets	1,592,723	1,993,501
Total current assets	14,065,737	17,539,462
Investment in wholly-owned subsidiaries	53,697,350	50,887,202
Property and equipment, at cost	5,897,016	5,871,795
Less: accumulated depreciation	(4,713,782)	(4,532,232)
	1,183,234	1,339,563
Other assets and investment in unconsolidated affiliate	2,394,617	1,072,562
Total Assets	$71,340,938	$70,838,789

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Balance Sheets
December 31, 1998 and 1997

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1997
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 4,441,554	$ 2,350,000
Accounts payable (including $13,503,551 and $13,237,300 due to subsidiaries in 1998 and 1997, respectively, eliminated in consolidation)	14,531,749	15,721,628
Accrued expenses	2,806,974	4,088,328
Total current liabilities	21,780,277	22,159,956
Long-term debt	2,170,024	4,520,024
Other postretirement benefit obligations	3,535,050	3,471,378

Deferred income taxes	227,347	230,945
Pension plan obligation	--	56,973
Contingencies and commitments		
Shareholders' equity		
Common stock	5,615,081	5,589,324
Retained earnings and other equity	38,395,096	35,192,126
Less: 363,564 common shares held in treasury, at cost	(381,937)	(381,937)
Total shareholders' equity	43,628,240	40,399,513
Total Liabilities and Shareholders' Equity	$71,340,938	$70,838,789

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Statements of Operations
Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Sales, net	$13,431,912	$24,187,052	$20,792,859
Add back: license fees and corporate charges paid by subsidiaries, eliminated in consolidation	805,796	618,366	1,512,699
	14,237,708	24,805,418	22,305,558
Costs and expenses:			
Cost of goods sold	9,582,358	19,344,767	16,504,848
Selling, general and administrative expenses	3,761,810	4,458,784	3,894,184
Rent and depreciation	360,801	375,156	398,207
	13,704,969	24,178,707	20,797,239
Income before income taxes and equity in net income of subsidiaries	532,739	626,711	1,508,319
Provision for income taxes (benefits)	(753,789)	45,295	560,111
Income before equity in net income of subsidiaries	1,286,528	581,416	948,208
Equity in net income of subsidiaries	2,322,994	3,805,793	3,181,987

Net income	$ 3,609,522	$ 4,387,209	$ 4,130,195
	===========	===========	===========

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of the Registrant
Statements of Cash Flows
Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
OPERATING ACTIVITIES			
Net income	$ 3,609,522	$ 4,387,209	$ 4,130,195
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	259,716	251,733	227,377
Other adjustments	(3,050,628)	(4,405,561)	(3,507,200)
Net changes in operating assets and liabilities	57,727	2,507,566	3,665,156
Net cash provided by operating activities	876,337	2,740,947	4,515,528
INVESTING ACTIVITIES			
Dividend from unconsolidated affiliate	--	--	16,742
Acquisition of subsidiary company	--	(5,152,840)	--
Purchase of property, plant and equipment	(93,415)	(259,787)	(257,767)
Net cash (used) by investing activities	(93,415)	(5,412,627)	(241,025)
FINANCING ACTIVITIES			
Proceeds from borrowings used to acquire subsidiary	--	3,500,000	--
Proceeds from exercise of stock options	10,196	155,519	--
Proceeds from short term borrowings	2,091,554	--	--
Payment of dividends	(941,954)	(929,685)	(847,712)
Repayment of long term debt	(2,350,000)	(2,521,645)	(1,859,448)
Net cash provided (used) by financing activities	(1,190,204)	204,189	(2,707,160)
Increase (decrease) in cash and cash equivalents	(407,282)	(2,467,491)	1,567,343
Cash and cash equivalents, beginning of year	478,119	2,945,610	1,378,267
Cash and cash equivalents, end of year	$ 70,837	$ 478,119	$ 2,945,610
	===========	===========	===========

See accompanying notes to the consolidated financial statements.

SCHEDULE II

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts
Years Ended December 31, 1998, 1997 and 1996

Column A	Column B	Column C Additions	
Classification	Balance at Beginning of Period	Charged to Costs and Expenses	Other
Year ended December 31, 1998:			
Reserves deducted in the balance sheet from the asset to which they apply:			
Allowance for doubtful accounts	$ 681,356	$1,324,093	$ 106,973a
Deferred tax asset valuation allowance	$1,696,824	$ (76,662)(d)	$ --
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$2,705,293	$ 355,013	$ 51,393 a
Year ended December 31, 1997:			
Reserve deducted in the balance sheet from the asset to which they apply:			
Allowance for doubtful accounts	$ 787,121	$ 15,833	$(93,153)a
Deferred tax asset valuation allowance	$2,315,437	$ (618,613)	$ --
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$1,725,690	$1,287,940	$(118,806)a
Year ended December 31, 1996:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	$ 792,249	$ 196,952	$(35,428)a
Deferred tax asset valuation allowance	$2,685,305	$ (369,868)	$ --
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$ 844,787	$1,000,677	$(19,130)a

(Continued)

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts
Years Ended December 31, 1998, 1997 and 1996

Column A	Column D	Column E

Classification	Deductions		Balance at End of Period
Year ended December 31, 1998:			
Reserves deducted in the balance sheet from the asset to which they apply:			
Allowance for doubtful accounts	$ 118,689	(b)	$1,993,733
Deferred tax asset valuation allowance	--		$1,620,162
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$ 816,810	(c)	$2,294,889
Year ended December 31, 1997:			
Reserve deducted in the balance sheet from the asset to which they apply:			
Allowance for doubtful accounts	$ 28,445	(b)	$ 681,356
Deferred tax asset valuation allowance	--		$1,696,824
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$ 189,531	(c)	$2,705,293
Year ended December 31, 1996:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	$ 166,652	(b)	$ 787,121
Deferred tax asset valuation allowance	$ --		$2,315,437
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$ 100,644	(c)	$1,725,690

(a) Represents difference between translation rates of foreign currency at beginning and end of year and average rate during year.
(b) Uncollectible accounts charged off.
(c) "After job" costs charged to reserve.
(d) Valuation allowance adjustment. See note 11 to the consolidated financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By:
Francis A. Toczylowski
Vice President and
Treasurer

Dated: March 23, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons (including a majority of members of the Board of Directors) on behalf of the registrant and in the capacities and on the dates indicated.

*By:	/s/ Stephen F. Ryan
Stephen F. Ryan	Stephen F. Ryan
Attorney-In-Fact	Chairman, President, Chief Executive Officer and Director
March 23, 1999	March 23, 1999

*	
John H. Austin, Jr.	Francis A. Toczylowski
Director	Vice President and Treasurer
March 23, 1999	March 23, 1999

*
Frederick L. Bissinger
Director
March 23, 1999

*
Roy C. Carriker
Director
March 23, 1999

*
Mark S. Gorder
Director
March 23, 1999

*
Michael J. McKenna
Director
March 23, 1999

*
Ralph R. Whitney, Jr.
Director
March 23, 1999

EXHIBIT INDEX

EXHIBITS:

10A. Form of termination agreement between the Company and Messrs. Ryan, Deuer, Gorder, Ross and Toczylowski.

13. "Selas Corporation of America Five-Year Summary of Operations" contained on page 4 of the Company's 1998 annual report to shareholders; "Other Financial Highlights" (excluding graphs) contained on page 5 of the company's 1998 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 6-10 of the Company's 1997 annual report to shareholders; and the Company's consolidated financial statements, including the "Notes to Consolidated Financial Statements" and the "Report of Independent Auditors" contained on pages 11-39 of the Company's 1998 annual report to shareholders.

21. List of significant subsidiaries of the Company.

23. Consent of Independent Auditors.

24. Powers of Attorney.

March 26, 1999

Securities and Exchange Commission
Judiciary Plaza

450 Fifth Street, N.W.
Washington, D.C. 20549

Reference: Selas Corporation of America;
Commission File #1-5005

Gentlemen:

The Company's 1998 Annual Report on Form 10-K has been filed electronically, via Edgar.

The financial statements for the year ended December 31, 1998 do not reflect any changes in accounting principles or practices, or the method of applying any such principles or practices from the preceding year.

Very truly yours,

Francis A. Toczylowski
Vice President and Treasurer

RWR:jc

Enclosures

cc: American Stock Exchange
Attention: Mr. Thomas Mason
86 Trinity Place
New York, NY 10006
(Three copies, one with Exhibits)
Via Certified Mail

EXHIBIT 10A

1999 EXTENSION AGREEMENT

AGREEMENT dated as of January 1, 1999 between ("Executive") and Selas Corporation of America ("Selas").

BACKGROUND

Executive and Selas are parties to an Agreement re: Termination Following Change of Control or Asset Sale, the term of which, as previously extended, expires December 31, 1998 (as previously amended, the "Agreement"), which, as an inducement to Executive to continue his active participation in the business of Selas or an affiliate of Selas, provides for certain payments to the Executive under the circumstances and pursuant to the terms therein set forth. Capitalized terms used herein have such meanings as are ascribed thereto in the Agreement.

Executive and Selas desire to confirm in writing their understanding that the term of the Agreement, insofar as the term thereof is a function of the period during which a Change of Control or Asset Sale may occur, is extended from December 31, 1998 until December 31, 1999.

NOW, THEREFORE, in consideration of the agreements herein contained and contained in the Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Clause (i) in paragraph 5 of the Agreement is hereby amended by changing the date "December 31, 1998" to "December 31, 1999."

2. The Agreement, as amended hereby, is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, Selas and Executive have executed this Agreement as of the date first above written.

SELAS CORPORATION OF AMERICA

BY:
Name:
Title:

Name:

EXHIBIT 13

SELAS CORPORATION OF AMERICA
is a diversified firm with international operations and sales that engages in the design, development, engineering and manufacturing of a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, England, France, Germany, Italy, Portugal, and Singapore (and a 50% joint venture in Japan), operates directly or through subsidiaries in three business segments.

Under the Selas TMname, the Heat Technology segment designs and manufactures specialized industrial heat technology systems and equipment for steel, glass and other manufacturers worldwide. The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. The Company's Tire Holders, Lifts and Related Products segment manufactures products, primarily based on cable winch designs, for use principally as original equipment by the pick-up truck and minivan segment of the automotive industry.

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31	1998	1997
Net sales	$ 99,555,000	$111,165,000
Operating income	$ 4,858,000	$ 7,171,000
Net income	$ 3,610,000	$ 4,387,000
Earnings per share:		
Basic	$.69	$.84
Diluted	$.68	$.82
Working capital	$ 17,211,000	$ 18,642,000
Total assets	$ 87,781,000	$ 81,795,000
Total shareholders' equity . . .	$ 43,628,000	$ 40,399,000

MARKET AND DIVIDEND INFORMATION

	1998 Market Price Range		1997 Market Price Range	
QUARTER	HIGH	LOW	HIGH	LOW
First	12-5/8	9-1/8	13-1/16	10
Second	9-7/8	8-3/4	12-5/8	9-13/16
Third	9	6-7/16	13-1/2	11-1/4
Fourth	8-7/16	6-5/8	13-3/16	8-15/16

At February 8, 1999, the Company had 471 shareholders of record.

	1998	1997	1996
Dividends per share:			
First Quarter	$.045	$.043	$.04
Second Quarter	.045	.045	.04
Third Quarter	.045	.045	.04
Fourth Quarter	.045	.045	.043

The payment of any future dividends is subject to the discretion of the Board of Directors and is dependent on a number of factors, including the

Company's capital requirements, financial condition, financial covenants and cash availability.

Selas is an equal opportunity employer.

THE COMMON STOCK OF SELAS CORPORATION OF AMERICA IS LISTED ON THE AMERICAN STOCK EXCHANGE UNDER THE SYMBOL SLS.

SELAS CORPORATION OF AMERICA
FIVE-YEAR SUMMARY OF OPERATIONS
(In thousands, except for per share data)

Years Ended December 31	1998 (a)	1997 (b)	1996
Sales, net	$ 99,555	$ 111,165	$ 103,426
Cost of sales	76,832	87,704	80,870
Selling, general and administrative expenses	17,864	16,289	15,034
Interest expense	1,139	1,040	1,212
Interest (income)	(145)	(237)	(298)
Other (income) expense, net	(85)	8	83
Income before income taxes	3,950	6,361	6,525
Income taxes	340	1,974	2,395
Net income	$ 3,610	$ 4,387	$ 4,130
Earnings per share:			
Basic	$.69	$.84	$.80
Diluted	$.68	$.82	$.78
Comprehensive income (c)	$ 3,996	$ 3,520	$ 3,833
Weighted average number of shares outstanding during year			
Basic	5,233,016	5,213,124	5,190,075
Diluted	5,310,354	5,354,978	5,271,959

Continued

SELAS CORPORATION OF AMERICA
FIVE-YEAR SUMMARY OF OPERATIONS
(In thousands, except for per share data)

Years Ended December 31	1995	1994
Sales, net	$ 71,215	$ 73,663
Cost of sales	52,060	52,813
Selling, general and administrative expenses	14,397	14,727
Interest expense	1,336	1,282
Interest (income)	(340)	(303)

Other (income) expense, net	36	165
Income before income taxes	3,726	4,979
Income taxes	1,426	1,875
Net income	$ 2,300	$ 3,104
Earnings per share:		
Basic	$.44	$.60
Diluted	$.44	$.60
Comprehensive income (c)	$ 2,322	$ 4,176
Weighted average number of shares outstanding during year		
Basic	5,189,048	5,179,246
Diluted	5,202,411	5,215,736

(a) On February 28, 1998, the Company acquired the stock of CFR, a Paris, France based company.

On May 27, 1998, a subsidiary of the Company acquired the stock of IMB Electronic Products, Inc.

On October 28, 1998, a newly formed subsidiary of the Company, RTI Technologies PTE LTD acquired certain assets and liabilities of Lectret.

(b) On February 21, 1997, the Company acquired the assets of RTI Electronics, Inc.

(c) In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." See note 1 to the consolidated financial statements.

OTHER FINANCIAL HIGHLIGHTS

Years Ended December 31 (In thousands, except for per share data)	1998 (a)	1997 (b)	1996
Working capital	$17,211	$18,642	$19,822
Total assets	$87,781	$81,795	$91,162
Long-term debt	$ 6,266	$ 7,015	$ 6,837
Long-term benefit obligations	$ 4,096	$ 4,081	$ 4,310
Shareholders' equity:			
Capital stock and additional paid-in capital	$17,556	$17,382	$17,214
Retained earnings	25,798	23,130	19,673
Accumulated other comprehensive income	656	269	1,136
Treasury stock	(382)	(382)	(382)
Total shareholders' equity	$43,628	$40,399	$37,641
Depreciation and amortization	$ 3,809	$ 3,469	$ 2,826
Dividends per share	$.18	$.178	$.163

Continued

OTHER FINANCIAL HIGHLIGHTS

Years Ended December 31 (In thousands, except for per share data)	1995	1994
Working capital	$15,751	$17,935
Total assets	$67,960	$70,120
Long-term debt	$ 9,100	$11,136
Long-term benefit obligations	$ 4,409	$ 4,431
Shareholders' equity:		
Capital stock and additional paid-in capital	$17,214	$17,182
Retained earnings	16,390	14,886
Accumulated other comprehensive income	1,434	1,412
Treasury stock	(382)	(382)
Total shareholders' equity	$34,656	$33,098
Depreciation and amortization	$ 2,771	$ 2,732
Dividends per share	$.154	$.137

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1998 COMPARED WITH 1997

Consolidated net sales decreased 10.4% to $99.5 million in 1998 from $111.2 million in 1997. Net sales from the heat technology segment decreased to $46.4 million in 1998 compared to $63 million in 1997. The decline in sales in 1998 is attributable in part to lower sales backlog of large custom engineered contracts as of the beginning of 1998 compared to the beginning of 1997. The February, 1998 acquisition of CFR generated sales of $14.5 million for the year which partially offset some of the decrease for the period. Sales and earnings of large custom engineered contracts are recognized on the percentage of completion method and generally require more than twelve months to complete. The Company is not dependent on any one heat technology customer on an ongoing basis. Backlog for the heat technology segment was $24.8 million as of December 31, 1998 compared to $12.2 million at December 31, 1997.

The Company's precision miniature medical and electronic products segment net sales increased to $37 million in 1998 from $33.3 million in 1997. The increase in sales is partially attributable to the acquisition of IMB Electronic Products, Inc. (IMB) in May, 1998 and RTI Technologies PTE LTD (RTIT) in October, 1998. Also impacting this segment's increased revenue were higher sales of hybrid electromechanical systems and plastic component sales to its hearing health customers, which were partially offset by lower sales in the electronic products segment due to the Asian economic situation.

Net sales for the tire holders, lifts and related products segment increased to $16.1 million in 1998 compared to sales of $14.9 million in 1997. The increase in revenue is primarily due to higher unit sales of tire lifts to the domestic automotive industry.

The Company's gross profit margin as a percentage-of-sales increased slightly to 22.8% in 1998 from 21.1% in 1997. Gross profit margins for the heat technology segment increased to 18.7% for 1998 compared to 14.7% in 1997. Heat technology gross profit margins vary markedly from contract to contract, depending on customer specifications and other conditions related to the contract. The gross profit margins in 1998 and 1997 were impacted by several contracts that had higher than expected costs. Heat

technology reserves for guarantee obligations and estimated future costs of services decreased to $2.3 million in 1998 from $2.7 million in 1997 due to the completion of several contracts during the year. Guarantee obligations and estimated future service costs on these contracts extend for up to one year from completion.

Gross profit margins for the precision miniature medical and electronic products segment declined to 29.3% in 1998 from 35.1% in 1997. The lower gross profit margins are partially attributable to the acquisition of IMB in May, 1998 and RTIT in October, 1998 as their products, while profitable, do not achieve the historical gross profit margins of this business segment. To a lesser degree, the gross profit margins are impacted by the mix of sales between 1998 and 1997 as electromechanical systems and plastic component parts have varying profit margins. Further affecting the gross profit margins of the electronic products line is the severe price competition from competitors and the Asian economic situation.
Gross profit margins for the tire holders, lifts and related products segment improved to 19.8% in 1998 from 17% in 1997. The improvement in 1998 is due to efficiencies from higher production through the increased sale of tire lifts.

Selling, general and administrative expenses increased 9.7% to $17.9 million as compared to 1997 expenses of $16.3 million. Approximately $1.5 million of the increase is due to the acquisitions of CFR and IMB during the year.

Research and development costs amounted to $1.6 million in 1998 compared to $1.5 million in 1997. Interest expense increased in 1998 to $1.1 million compared to $1 million in 1997, due to increased borrowings partially offset by lower average interest rates. Interest income decreased to $.1 million in 1998 compared to $.2 million in 1997, due to lower average funds available for investment in 1998.

Other (income) expense included gains on foreign currency transactions of $176,000 and $14,000 in 1998 and 1997, respectively.

The effective tax rate in 1998 and 1997 on income before income taxes was 8.6% and 31%, respectively. The lower rate in 1998 is due principally to the reduction of the valuation allowance on deferred tax assets.

In the second quarter of 1998, the Company reduced the valuation allowance applied against deferred tax benefits associated with domestic postretirement benefit obligations by $724,512 and against certain domestic employee pension plan obligations by $33,694. The reduction in the valuation allowance was based on several factors including: recent acquisitions, past earnings history and trends, reasonable and prudent tax planning strategies, and the expiration dates of carryforwards.

Realization of future tax benefits related to deferred tax assets is dependent on many factors, including acquisitions, past earnings history and trends, reasonable and prudent tax planning strategies, the expiration dates of carryforwards, the Company's ability to generate taxable income within the foreign subsidiary's net operating loss period and the timing of the reversal of the postretirement benefit and pension plan obligations in the future. Management has considered these factors in reaching its conclusion as to the adequacy of the valuation allowance for financial reporting purposes. The Company continually reviews the adequacy of the valuation allowance and recognizes benefits only as reassessment indicates that it is more likely than not benefits will be realized.

Consolidated net income of $3.6 million in 1998 decreased 17.7% from $4.4 million in 1997. The Company's heat technology segment had lower earnings of $1.1 million in 1998 compared to $1.8 million in 1997 due to lower sales and several contracts that had higher costs. The precision miniature medical and electronic products segment's income decreased to $1.6 million in 1998 from $2.1 million in 1997, as a result of the

change in the product mix of sales and increased competition. The Company's tire holders, lifts and related products segment increased its net income in 1998 to $.9 million compared to $.5 million in 1997 as a result of its increased tire lift production and sales. Net income was also impacted by the reduction of the valuation allowance applied against deferred tax benefits of $.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated net working capital decreased to $17.2 million at December 31, 1998 from $18.6 million at December 31, 1997. The lower working capital was due in part to the 1998 acquisitions of CFR, IMB and RTIT, repayment of long-term debt obligations, payment of dividends and capital expenditures, partially offset by the earnings for the year. The major changes in the components of working capital were an increase in inventories of $2.6 million offset by an increase in short-term borrowings of $4.3 million, both due to the 1998 acquisitions. Other changes are a decrease in accounts receivable and a decrease in accrued expenses and customer advances, which are primarily due to the level of activity in the heat technology segment. The change in deferred taxes is the result of the reduction of the valuation allowance and the

recognition of tax benefits connected with foreign net operating losses.

The Company's long-term debt at December 31, 1998 was $6.3 million. The decrease in long-term debt is due to repayments during the year. The increase in notes payable is the result of the acquisitions of CFR, IMB and RTIT during 1998. Under the terms of Selas' credit facility, there are covenants that may restrict the payment of future dividends. The credit facility required the Company to maintain consolidated tangible capital funds of approximately $23.7 milion through December 31, 1998 consisting of shareholders' equity, plus subordinated debt, less intangible assets increased annually by 60% of net income and 60% of the aggregate amount of contributions to capital. At December 31, 1998, the Company exceeded the amount required to satisfy this covenant in the credit facility by $3 million.

The Company's French subsidiary, Selas S.A., has an interest rate swap agreement for the purpose of managing interest rate expense. The total notional amount of $2.1 million will decrease consistent with the terms of the related long-term debt agreement. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May, 2006. Additional interest incurred during 1998 and 1997 in connection with the swap arrangement amounted to $81,512 and $95,584, respectively.

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.

A significant portion of the heat technology segment sales are denominated in foreign currencies, primarily the French franc. Generally, the income statement effect of changes in foreign currencies is partially or wholly offset by the European subsidiaries' ability to make corresponding price changes in the local currency. The impact of fluctuations in foreign currencies did not have a material effect on the financial results of the Company in 1998, 1997 or 1996.

The Company is a defendant along with a number of other parties in approximately 147 lawsuits as of December 31, 1998 (215 as of December 31, 1997) 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 the Company.
The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 - July 1, 1975 has been exhausted and

that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier

substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company was one of approximately 500 defendants in a class action on behalf of approximately 2,700 present and former employees of a Texas steel mill. The cases were being defended by one or more of the Company's insurance carriers presently known to be "at risk". In October, 1998, the class action suit was settled. The Company's insurance carriers have not asked the Company to contribute to any settlement payments made by them in connection with this settlement.

The Company is aware of the issues associated with the Year 2000 problem. The "Year 2000" matter relates to whether computer hardware, software and equipment will properly recognize date sensitive information referring to the Year 2000. Potential computer system and equipment failures arising from years beginning with "20" rather than "19" are a known risk.

The Company currently has a program underway to remediate by the second quarter of 1999 all of the Company's significant computer systems that are not Year 2000 compliant. The program is divided into three major components: (1) identification of all information technology systems ("IT Systems") and non-information technology systems ("Non-IT Systems") that are not Year 2000 compliant; (2) repair or replacement of the identified non-compliant systems; and (3) testing of the repaired or replaced systems. Approximately 25% of the IT Systems the Company uses are in-house developed. Commercially developed software, the majority of which is periodically upgraded through existing maintenance contracts, accounts for the balance. Part (1) and (2) of the Company's Year 2000 program are substantially complete. Review of accounting and financial reporting systems is finished, and the Company is continuing to review Non-IT Systems that have embedded microprocessors in various types of equipment. Part (2), repairing and replacing, has been completed for both in-house and commercially developed IT Systems. Part (3), testing, is underway and the Company has targeted the end of the second quarter of 1999 as a completion date.

The Company has been inquiring of certain key suppliers and business partners about their Year 2000 readiness. While no assurances can be given that key suppliers and business partners will remedy their own Year 2000 issues, the Company to date has not identified any material impact on its ability to continue normal business operations with suppliers or other third parties who fail to address the Year 2000 issue.

Actual costs associated with implementation of the Company's Year 2000 program are not expected to be material to the Company's operations and financial condition. Costs of $200,000 to $250,000, primarily for software and outside services, have been or are expected to be incurred and expensed. As of December 31, 1998, approximately $150,000 of costs have been expended.

The Company will continue to monitor and evaluate the impact of the Year 2000 issue on its operations. Until the Company has completed the final testing part of its program, the risks from potential Year 2000 failures cannot be fully assessed. Due to this situation, the Company cannot now begin final contingency plans. These plans will be developed as

potential Year 2000 failures are identified in the final testing stages. Nevertheless, if remediation is not accomplished successfully in a timely fashion and successful contingency plans are not implemented, the Company believes the Year 2000 issue could have a material adverse effect on the Company.

On January 1, 1999, eleven of fifteen member countries of the European Union established fixed conversion rates between their existing currencies ("legacy currencies") and one common currency -- the Euro. The Euro trades on currency exchanges and may be used in business transactions. The conversion to the Euro will eliminate currency exchange risk between the member countries. Beginning in January 2002, new Euro-denominated bills and coins will be issued, and legacy currencies will be withdrawn from circulation. The Company has recognized this situation and is currently in the process of developing a plan to address any issue being raised by the currency conversion. Possible issues include, but are not limited to, the need to adapt computer and financial systems to recognize Euro-denominated transactions, as well as the impact of one common European currency on pricing. The Company anticipates that any unaddressed issues will be resolved during 1999.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement standardizes the accounting for derivative instruments, including derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. The statement is effective for fiscal years beginning after June 15, 1999. Management has not yet determined the impact that the adoption of this statement may have on earnings, financial condition or liquidity of the Company. The Company plans to adopt SFAS No. 133 as permitted by this accounting standard by January 1, 2000.

In March 1998, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position (SOP) 98-1 "Accounting For the Costs of Computer Software Developed or Obtained for Internal Use." The SOP is effective for financial statements for fiscal years beginning after December 15, 1998.

In April 1998, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." This SOP provides guidance on the financial reporting of start-up costs and organization costs. The SOP requires costs related to start-up activities and organization costs be expensed as incurred. The statement is effective for financial statements for fiscal years beginning after December 15, 1998.

The Company plans to adopt these SOP's in connection with the preparation of the December 31, 1999 consolidated financial statements as permitted by SOP 98-1 and 98-5. The adoption of these standards is not expected to have a material impact on consolidated results, financial conditions, or long-term liquidity.

1997 COMPARED WITH 1996

Consolidated sales increased 7.5% to $111.2 million in 1997 from $103.4 million in 1996. Net sales from the heat technology segment were $63 million in 1997 compared to $62.8 million in 1996. The slight increase in sales for 1997 is attributed to the high level of backlog at December 31, 1996, coupled with additional bookings in 1997. The turmoil in the Asian markets also had an impact on sales and bookings in 1997 as several highly expected orders were delayed and put on hold by our customers. Approximately 10.6% of 1997 revenue is related to contracts or sales to customers in Asia. Due to the nature of the Company's large custom-engineered contracts, one contract may account for a large percentage of sales in a particular period; however, the Company is not dependent on any one heat technology customer on an ongoing basis. Backlog for the

heat technology segment was down to $12.2 million at December 31, 1997 compared to $55.5 million at December 31, 1996. In February, 1998 this business segment received orders for several projects in excess of $17 million.

The Company's precision miniature medical and electronic products segment sales increased to $33.3 million in 1997 from $27.4 million in 1996. The majority of the increase in sales for 1997 is attributed to the February, 1997 acquisition of RTI Electronics which had sales of $5.7 million in 1997. There was also a mix in products sold to the hearing aid industry as plastic component part sales were slightly below the 1996 level and microminiature system sales were higher in 1997.

Net sales for the tire holders, lifts and related products segment increased to $14.9 million in 1997 from $13.2 million in 1996. The increase in sales is primarily due to higher tire lift sales to domestic automotive manufacturers, and, to a lesser degree, to overseas automotive manufacturers.

The Company's gross profit margin as a percentage-of-sales decreased to 21.1% in 1997 from 21.8% in 1996. Gross profit margins for the heat technology segment decreased to 14.7% in 1997 from 16% in 1996. Heat technology gross profit margins vary markedly from contract to contract, depending on customer specifications and other conditions related to the contract. The gross profit margins were impacted by two contracts in 1997 and one contract in 1996 that had losses that impacted the segment's overall gross profit margins. Heat technology reserves for guarantee obligations and estimated future costs of services increased to $2.7 million in 1997 from $1.7 million in 1996 due to several large custom-engineered contracts in process, recently completed, or near completion in 1997 compared to 1996. Guarantee obligations and estimated future service costs on these contracts extend for up to one year from completion.

Gross profit for the precision miniature medical and electronic products segment decreased to 35.1% in 1997 from 39% in 1996. The lower gross profit margins in 1997 are attributable to the acquisition of RTI Electronics in February, 1997 as its products, while profitable, do not achieve the historical gross profit margins of this business segment. Also impacting the lower 1997 gross profit margins, but to a lesser degree, is the mix of sales between 1997 and 1996 as microminiature systems and plastic component parts have varying profit margins.

Gross profit margins for the tire holders, lifts and related products segment improved to 17% in 1997 from 13.6% in 1996. The improvement in 1997 is due to efficiencies from higher production through the increased sales of tire lifts.

Selling, general and administrative (SG&A) expenses increased 8.3% to $16.3 million in 1997, up from $15 million in 1996. Approximately $.4 million of the increase is due to costs related to the proposed acquisition of MRL Industries, Inc., which acquisition has since been terminated, and the SG&A costs of RTI Electronics which account for the balance of the increase in 1997 or approximately $.9 million.

Research and development costs amounted to $1.5 million in 1997 compared to $1.4 million in 1996.

Interest expense decreased in 1997 to $1 million compared to $1.2 million in 1996, due to lower average borrowings in 1997. Interest income decreased to $.2 million in 1997 compared to $.3 million in 1996, due to lower average funds available for investment in 1997.

Other (income) expense included a gain on foreign currency transactions

of $14,000 in 1997 compared to a loss of $8,000 in 1996.

The effective tax rate in 1997 and 1996 on income before income taxes was 31% and 36.7%, respectively. The lower rate in 1997 is due to the benefit of utilizing net foreign operating loss carryforwards, coupled with lower effective state taxes in 1997.

Consolidated net income of $4.4 million in 1997 was up 6.2% from $4.1 million in 1996. The largest increase was in the Company's tire holders, lifts and related products segment which increased to $.5 million in 1997 compared to $.1 million in 1996. The precision miniature medical and electronic products increased its net income in 1997 to $2.1 million from $2.0 million in 1996. The Company's heat technology segment was impacted by additional costs of $.4 million relating to the proposed acquisition of MRL Industries, Inc. which resulted in lower earnings in 1997 of $1.8 million compared to $2 million in 1996.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Certain statements herein that include forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "estimate", "plan" or "continue" or the negative thereof or other variations thereon are, or could be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are affected by known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ materially from the results, performance and achievements expressed or implied in the Company's forward-looking statements. These risks, uncertainties and factors include competition by competitors with more resources than the Company, foreign currency risks arising from the Company's foreign operations, and the cyclical nature of the market for large heat technology contracts. Reference is made to the Company's 1998 Annual Report on Form 10-K regarding other important factors that could cause the actual results, performance or achievement of the Company to differ materially from those contained in or implied by any forward-looking statement made by or on behalf of the Company, including forward-looking statements contained herein.

SELAS CORPORATION OF AMERICA
CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31	1998	1997	1996
Sales, net	$ 99,554,554	$111,164,563	$103,426,075
Operating costs and expenses			
Cost of sales	76,832,570	87,703,693	80,870,331
Selling, general and administrative expenses	17,863,587	16,289,388	15,033,728
Operating income	4,858,397	7,171,482	7,522,016
Interest expense	1,139,274	1,039,524	1,212,194
Interest (income).	(145,047)	(237,592	(297,806)
Other (income) expense, net	(85,677)	8,385	82,475
Income before income taxes	3,949,847	6,361,165	6,525,153
Income taxes	340,325	1,973,956	2,394,958
Net income	$ 3,609,522	$ 4,387,209	4,130,195
Earnings per share			
Basic	$.69	$.84	$.80
Diluted	$.68	$.82	$.78

Comprehensive income . . .	$ 3,996,304	$ 3,519,950	$3,833,014
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See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	1998	1997
Current assets		
Cash, including cash equivalents of $313,000 in 1998 and $2,579,000 in 1997	$ 2,784,284	$ 3,034,903
Accounts and notes receivable, (including unbilled receivables of $3,898,000 in 1998 and $6,574,000 in 1997) less allowance for doubtful accounts of $1,994,000 in 1998 and $681,000 in 1997	30,494,933	30,931,625
Inventories	12,628,623	9,999,140
Deferred income taxes	3,603,701	2,840,423
Other current assets	1,332,135	919,608
Total current assets	50,843,676	47,725,699
Investment in unconsolidated affiliate . . .	538,913	472,689
Property, plant and equipment		
Land	1,077,522	1,041,869
Buildings	12,129,811	10,839,950
Machinery and equipment	25,788,736	22,720,633
	38,996,069	34,602,452
Less: Accumulated depreciation	20,038,177	17,284,665
Net property, plant and equipment. .	18,957,892	17,317,787
Deferred pension cost	--	56,973
Excess of cost over net assets of acquired subsidiaries, less accumulated amortization of $2,452,000 and $1,696,000	16,813,073	15,502,201
Other assets, less amortization	627,009	719,715
	$87,780,563	$81,795,064
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See accompanying notes to the consolidated financial statements.

December 31, 1998 and 1997

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1997
Current liabilities		
Notes payable	$ 4,701,279	$ 975,804
Current maturities of long-term debt . .	3,178,241	2,618,463
Accounts payable	15,410,642	14,336,607
Federal, state and foreign income taxes .	838,634	693,240
Customers' advance payments on contracts	697,270	902,592
Guarantee obligations and estimated future costs of service	2,294,889	2,705,293
Other accrued liabilities	6,512,016	6,851,846
Total current liabilities	33,632,971	29,083,845
Long-term debt	6,265,720	7,015,080
Pension plan obligation	--	56,973
Other postretirement benefit obligations	4,096,057	4,024,217
Deferred income taxes	157,575	1,215,436
Contingencies and commitments		
Shareholders' equity		
Common shares, $1 par; 10,000,000 shares authorized; 5,615,081 and 5,589,324 shares issued, respectively	5,615,081	5,589,324
Additional paid-in capital	11,941,498	11,792,878
Retained earnings	25,797,823	23,130,255
Accumulated other comprehensive income	655,775	268,993
	44,010,177	40,781,450
Less: 363,564 common shares held in treasury, at cost	381,937	381,937
Total shareholders' equity . . .	43,628,240	40,399,513
	$87,780,563	$81,795,064
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See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	1998
Cash flows from operating activities:	
Net income	$ 3,609,522
Adjustments to reconcile net income to net cash provided byoperating activities:	
Depreciation and amortization	3,809,245
Equity in (income) loss of unconsolidated affiliate	(2,924)
(Gain) loss on sale of property and equipment	999
Deferred taxes	(2,013,714)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable .	2,036,197

(Increase) in inventories	(609,863)
(Increase) decrease in other assets	47,134
Increase (decrease) in accounts payable . .	280,579
Increase (decrease) in accrued expenses . .	(2,513,121)
Increase (decrease) in customer advances .	(1,108,010)
Increase (decrease) in other liabilities .	115,049
Net cash provided by operating activities	3,651,093
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,554,540)
Proceeds from sale of equity in affiliate	--
Proceeds from sales of property and equipment. . .	18,837
Dividend from unconsolidated affiliate	--
Acquisition of subsidiary companies, net of cash acquired	(2,776,230)
Net cash (used) by investing activities .	(6,311,933)
Cash flows from financing activities:	
Proceeds from short-term borrowings	4,095,199
Repayments of short-term borrowings	--
Proceeds from borrowings used to acquire subsidiaries	2,542,373
Proceeds from long-term debt	--
Repayments of long-term debt	(3,483,296)
Proceeds from exercise of stock options	10,196
Payment of dividends	(941,954)
Net cash provided (used) by financing activities	2,222,518
Effect of exchange rate changes on cash	187,703
Increase (decrease) in cash and cash equivalents . . .	(250,619)
Cash and cash equivalents beginning of year.	3,034,903
Cash and cash equivalents end of year.	$ 2,784,284
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See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	1997
Cash flows from operating activities:	
Net income	$ 4,387,209
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,468,498
Equity in (income) loss of unconsolidated affiliate	4,715
(Gain) loss on sale of property and equipment .	3,965
Deferred taxes	(683,615)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable .	5,900,924
(Increase) in inventories	(1,296,090)
(Increase) decrease in other assets	(651,087)
Increase (decrease) in accounts payable . .	(2,788,173)
Increase (decrease) in accrued expenses . .	(1,334,874)
Increase (decrease) in customer advances .	(3,373,838)
Increase (decrease) in other liabilities .	(29,709)
Net cash provided by operating activities	3,607,925
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,662,783)
Proceeds from sale of equity in affiliate	--
Proceeds from sales of property and equipment.	12,052
Dividend from unconsolidated affiliate	--
Acquisition of subsidiary companies, net of cash	

acquired	(5,151,620)
Net cash (used) by investing activities	(8,802,351)
Cash flows from financing activities:	
Proceeds from short-term borrowings	1,000,725
Repayments of short-term borrowings	(513,448)
Proceeds from borrowings used to acquire subsidiaries	3,500,000
Proceeds from long-term debt	176,793
Repayments of long-term debt	(2,846,487)
Proceeds from exercise of stock options	155,518
Payment of dividends	(929,684)
Net cash provided (used) by financing activities	543,417
Effect of exchange rate changes on cash	(657,908)
Increase (decrease) in cash and cash equivalents	(5,308,917)
Cash and cash equivalents beginning of year	8,343,820
Cash and cash equivalents end of year	$ 3,034,903

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	1996
Cash flows from operating activities:	
Net income	$ 4,130,195
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,826,038
Equity in (income) loss of unconsolidated affiliate	115,880
(Gain) loss on sale of property and equipment	(1,163)
Deferred taxes	(718,935)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(19,912,666)
(Increase) in inventories	(677,400)
(Increase) decrease in other assets	788,452
Increase (decrease) in accounts payable	15,103,964
Increase (decrease) in accrued expenses	7,635,111
Increase (decrease) in customer advances	2,553,785
Increase (decrease) in other liabilities	(53,122)
Net cash provided by operating activities	11,790,139
Cash flows from investing activities:	
Purchases of property, plant and equipment	(2,859,166)
Proceeds from sale of equity in affiliate	575,826
Proceeds from sales of property and equipment	35,827
Dividend from unconsolidated affiliate	16,742
Acquisition of subsidiary companies, net of cash acquired	--
Net cash (used) by investing activities	(2,230,771)
Cash flows from financing activities:	
Proceeds from short-term borrowings	--
Repayments of short-term borrowings	(2,012,413)
Proceeds from borrowings used to acquire subsidiaries	--
Proceeds from long-term debt	--
Repayments of long-term debt	(2,102,684)
Proceeds from exercise of stock options	--
Payment of dividends	(847,712)

Net cash provided (used) by financing activities	(4,962,809)
Effect of exchange rate changes on cash	(165,103)
Increase (decrease) in cash and cash equivalents . .	4,431,456
Cash and cash equivalents beginning of year.	3,912,364
Cash and cash equivalents end of year.	$ 8,343,820

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 1998, 1997 and 1996

	Common Stock		Additional
	Number of Shares	Amount	Paid-In Capital
Balance, January 1, 1996	5,553,639	$5,553,639	$11,660,792
Net income			
Translation (loss)			
Change in minimum pension liability			
Cash dividends paid ($.163 per share)			
Comprehensive income			
Balance, December 31, 1996	5,553,639	5,553,639	11,660,792
Net income			
Translation (loss)			
Exercise of 35,685 stock options	35,685	35,685	132,086
Cash dividends paid ($.178 per share)			
Comprehensive income			
Balance, December 31, 1997	5,589,324	5,589,324	11,792,878
Net income			
Translation gain			
Exercise of 2,200 stock options	2,200	2,200	8,505
Issuance of 23,557 shares for acquisition	23,557	23,557	140,115
Cash dividends paid ($.18 per share)			
Comprehensive income			
Balance, December 31, 1998	5,615,081	$5,615,081	$11,941,498

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 1998, 1997 and 1996

	Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income
Balance, January 1, 1996	$16,390,247	$1,433,433	
Net income	4,130,195		$ 4,130,195
Translation (loss)		(303,691)	(303,691)
Change in minimum pension			

liability		6,510	6,510
Cash dividends paid ($.163 per share)	(847,712)		
Comprehensive income			$ 3,833,014
Balance, December 31, 1996	19,672,730	1,136,252	
Net income	4,387,209		$ 4,387,209
Translation (loss)		(867,259)	(867,259)
Exercise of 35,685 stock options			
Cash dividends paid ($.178 per share)	(929,684)		
Comprehensive income			$ 3,519,950
Balance, December 31, 1997	23,130,255	268,993	
Net income	3,609,522		$ 3,609,522
Translation gain		386,782	386,782
Exercise of 2,200 stock options			
Issuance of 23,557 shares for acquisition			
Cash dividends paid ($.18 per share)	(941,954)		
Comprehensive income			$ 3,996,304
Balance, December 31, 1998	$25,797,823	$ 655,775	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 1998, 1997 and 1996

	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 1996	$(381,937)	$34,656,174
Net income		4,130,195
Translation (loss)		(303,691)
Change in minimum pension liability		6,510
Cash dividends paid ($.163 per share)		(847,712)
Comprehensive income		
Balance, December 31, 1996	(381,937)	37,641,476
Net income		4,387,209
Translation (loss)		(867,259)
Exercise of 35,685 stock options		167,771
Cash dividends paid ($.178 per share)		(929,684)
Comprehensive income		
Balance, December 31, 1997	(381,937)	40,399,513
Net income		3,609,522
Translation gain		386,782
Exercise of 2,200 stock options		10,705
Issuance of 23,557 shares for acquisition		163,672
Cash dividends paid ($.18 per share)		(941,954)
Comprehensive income		

Balance, December 31, 1998	$(381,937)	$43,628,240
	==========	===========

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Selas Corporation of America is a diversified firm with international operations and sales that engages in the design, development, engineering and manufacturing of a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, England, France, Germany, Italy, Portugal and Singapore (and a 50% joint venture in Japan), operates directly or through subsidiaries in three business segments.

Under the Selas TM name, the Heat Technology segment designs and manufactures specialized industrial heat technology systems and equipment for steel, glass and other manufacturers worldwide. The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. The Company's Tire Holders, Lifts and Related Products segment manufactures products, primarily based on cable winch designs, for use principally as original equipment by the pick-up truck and minivan segment of the automotive industry.

CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions have been eliminated in consolidation.

AFFILIATED COMPANY - The Company accounts for its investment in a 50% interest in Nippon Selas Co. Ltd., Tokyo, Japan on the equity method.

CASH EQUIVALENTS - The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

INVENTORIES - Inventories, other than inventoried costs relating to long-term contracts, are stated at the lower of cost or market. The cost of the inventories was determined by the average cost and first in, first out method. Inventoried costs relating to long-term contracts are stated at the production and engineering cost, including overhead as well as actual costs incurred from sub-contractors, which are not in excess of estimated realizable value.

REVENUE RECOGNITION - As long-term contracts progress, the Company records sales and cost of sales based on the percentage-of-completion method, whereby the sales value is determined by multiplying the total contract amount by the percent of costs incurred to estimated total costs. Such contract costs and expenses incurred on a progress basis at the time the sales value is recorded are charged to cost of sales. General and administrative costs are expensed as incurred. The Company provides currently for anticipated and known contract losses. Guarantee obligations and estimated future contract costs of services on large custom-engineered contracts are based on past experience of similar projects. Due to the nature of large custom-engineered contracts, the guarantee obligations and estimated future costs will vary significantly

from contract to contract. Revisions in cost estimates during the progress of the work under the contracts have the effect of including in the current accounting period adjustments necessary to reflect the results indicated by the revised estimates of final cost. Sales of manufactured products not sold under long-term contracts are recorded upon shipment to the customer.

License fees under agreements not requiring substantial services are recognized at time of effectiveness of the license agreement.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost. Depreciation is computed by straight line and accelerated methods using estimated useful lives of 5 to 50 years for buildings and improvements, and 3 to 12 years for machinery and equipment. Improvements are capitalized and expenditures for maintenance, repairs and minor renewals are charged to expense when incurred. At the time assets are retired or sold, the costs and accumulated depreciation are eliminated and the resulting gain or loss, if any, is reflected in the consolidated statement of operations.

EXCESS OF COST OVER NET ASSETS OF ACQUIRED SUBSIDIARIES - Goodwill represents the excess of purchase price over fair value of net assets acquired and is amortized on a straight-line basis over the expected periods to be benefited, which currently is between fifteen and forty years.

Patents and other intangible assets are valued at the lower of amortized cost or fair market value and are amortized on a straight-line basis over the expected periods to be benefited, which currently is 5 to 20 years.

The Company assesses the recoverability of intangible assets by determining whether the amortization of the balance over its remaining life can be recovered through projected undiscounted future cash flows of the business for which the intangible assets arose. The amount of the impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds or fair value of the asset, where appropriate. The assessment of the recoverability of intangible assets will be impacted if estimated future operating cash flows are not achieved.

INCOME TAXES - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

DERIVATIVE FINANCIAL INSTRUMENTS - The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are used to manage well-defined interest rate and foreign currency risks. The differential to be paid or

received on interest rate swap agreements is accrued as interest rates change and recognized as an adjustment to interest expense. The gains and losses on foreign currency exchange contracts are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items.

EMPLOYEE BENEFIT OBLIGATIONS - The Company provides health care insurance for certain domestic retirees and employees. The Company also provides retirement related benefits for certain foreign employees. The Company measures the costs of its obligation based on its best estimate. The net periodic costs are recognized as employees render the services necessary to earn the postretirement benefit.

Deferred pension costs are actuarially determined and are amortized on a straight-line basis over the expected periods to be benefited, which currently is 15 years.

In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." SFAS 132 revises the employers' disclosure about pensions and other postretirement benefit plans, however, it does

not change the measurement or recognition of those plans. Prior year disclosures have been restated.

RESEARCH AND DEVELOPMENT COSTS - Research and development costs, including supporting services, amounted to $1,606,000 in 1998, $1,527,000 in 1997 and $1,404,000 in 1996. Such costs are charged to expense when incurred.

EARNINGS PER SHARE - Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share reflects the potential dilution of securities that could share in the earnings.

USE OF ESTIMATES - Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the recording of reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

COMPREHENSIVE INCOME - In 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS 130 establishes the standards for the reporting of comprehensive income and its components. Comprehensive income consists of net income, minimum pension liability adjustment and foreign currency translation adjustments and is presented in the Consolidated Statement of Shareholders' Equity. The adoption of SFAS 130 had no impact on total shareholders' equity. Prior year financial statements have been reclassified to conform to SFAS 130 requirements.

SEGMENT DISCLOSURES - In 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers. Prior year financial statements have been reclassified to conform to SFAS 131 requirements.

2. ACQUISITIONS

On February 28, 1998, the Company acquired the stock of CFR, a firm in the engineered industrial furnace business. The principal market served by CFR is engineered batch and continuous furnaces for heat treating both ferrous and non-ferrous metals, along with supplying furnaces for the hardening and etching of glass and ceramic tableware. CFR had sales for the year ended December 31, 1997 of 107.5 million French francs (FF) or approximately $18.3 million. The purchase price was 15 million FF or approximately $2.5 million which was paid for by additional bank borrowings of 15 million FF at a fixed rate of 5.65% for 5 years. The acquisition was accounted for as a purchase and the excess of the fair value of the assets (goodwill) is being amortized on a straight line basis over 20 years.

On May 27, 1998, a subsidiary of the Company acquired the stock of IMB Electronic Products, Inc., (IMB) a manufacturer of film capacitors, which are energy storage devices used primarily to resist changes in voltage. IMB had sales for the fiscal year ending November 30, 1997 of $2,953,000. The purchase price of $1.3 million was funded through the domestic line of credit. The acquisition was accounted for as a purchase and the excess of the fair value of the assets (goodwill) is being amortized on a straight line basis over 20 years.

On October 28, 1998, a newly formed subsidiary of the Company, RTI Technologies PTE LTD, acquired certain assets and liabilities of Lectret, a manufacturer of microphone capsules. The purchase price of $1.1 million was financed through the domestic line of credit. The acquisition was accounted for as a purchase and the excess of the fair value of the assets (goodwill) is being amortized on a straight line basis over 15 years.

On February 21, 1997, the Company acquired the assets and assumed certain liabilities of Rodan Division of Ketema, Inc., a manufacturer of thermistors and thermistor assemblies used primarily as an electric current limiting device to protect computer installations. The purchase price was $4.75 million in cash and, additionally, up to a maximum of 85,000 shares of the Company's common stock tied to the operation's

earnings for the twelve months ended February 28, 1998. During 1998, the Company issued 23,557 shares of the Company's common stock with a value of $163,672 as additional consideration related to the acquisition. The number of shares was tied to the operation's earnings for the twelve months ended February 28, 1998. Goodwill was increased by the value of the common stock issued. This acquisition was accounted for as a purchase and the excess of the fair value of the assets (goodwill) is being amortized on a straight line basis over 15 years. In financing the acquisition, the Company increased its bank borrowings by $3.5 million.

The following table presents the unaudited proforma results of operations as if the acquisition of CFR, IMB, RTIT and the Rodan Division of Ketema, Inc. had occurred at the beginning of each respective period presented after giving effect to certain adjustments, including amortization of goodwill, increased interest expense on acquisition debt and related income tax effects. These proforma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made as of those dates or results which may occur in the future.

2. ACQUISITIONS - (Continued)

	Years Ended December 31	
	1998	1997
Net sales	$103,636,000	$132,465,000
Net income	$ 3,872,000	$ 5,449,000
Earnings per share:		
Basic	$.74	$1.05
Diluted	$.73	$1.02

3. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

	Years Ended December 31		
	1998	1997	1996
Interest received	$ 156,968	$ 218,061	$ 283,353
Interest paid	$1,078,324	$ 913,312	$1,010,092
Income taxes paid	$2,011,520	$2,311,305	$2,179,053

During 1998, the Company issued 23,557 shares of the Company's common stock with a value of $163,672 as additional consideration related to the 1997 acquisition of the Rodan Division of Ketema, Inc. The number of shares was tied to the operation's earnings for the twelve months ended February 28, 1998.

4. BUSINESS SEGMENT INFORMATION

During 1998, the Company has adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. The Company has three operating segments. The Company is engaged in providing engineered heat technology equipment and services to industries throughout the world, the manufacture of precision miniature medical and electronic products and the manufacture of spare tire holders and lifts for U.S. manufacturers of original equipment for light trucks and vans. The results of operations and assets of these segments for the years ended December 31, 1998, 1997 and 1996 are prepared on the same basis as the consolidated financial statements.

The Company's reportable segments reflect separately managed, strategic business units that provide different products and services, and for which financial information is separately prepared and monitored. The accounting policies for each segment are described in the Company's summary of significant accounting policies. See note 1 for further information.

Interest expense has been allocated to the segments based on the specific loan balance outstanding during the year. The corporate component of operating income represents corporate selling, general and administrative expenses.

For the year ended December 31, 1998	Segments	
	Heat Technology	Tire Holders, Lifts and Related Products
Sales	$46,404,713	$16,155,730
Operating costs and expenses	45,246,138	14,782,644
General corporate expenses, net	--	--
Operating income	1,158,575	1,373,086
Interest expense	628,362	313
Interest (income)	(122,948)	--
(Earnings) of affiliate	(2,924)	--
Other (income) expense, net	(69,325)	(27,409)
Income before income taxes (benefits)	725,410	1,400,182
Income taxes (benefits)	(914,422)	523,799
Income taxes (benefits) general corporate expenses, net	--	--
Net income	$ 1,639,832	$ 876,383
Depreciation and amortization	$ 636,323	$ 221,320
Property, plant and equipment additions	$ 298,274	$ 157,928
Total assets	$44,106,733	$ 6,481,758

Continued

4. BUSINESS SEGMENT INFORMATION (Continued)

For the year ended December 31, 1998	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales	$36,994,111	$99,554,554
Operating costs and expenses	33,858,895	93,887,677
General corporate expenses, net	--	808,480
Operating income	3,135,216	4,858,397
Interest expense	510,599	1,139,274
Interest (income)	(22,099)	(145,047)
(Earnings) of affiliate	--	(2,924)
Other (income) expense, net	13,981	(82,753)

Income before income taxes (benefits)	2,632,735	3,949,847
Income taxes (benefits)	1,054,340	663,717
Income taxes (benefits) general corporate expenses, net	--	(323,392)
Net income	$ 1,578,395	$ 3,609,522
Depreciation and amortization	$ 2,951,602	$ 3,809,245
Property, plant and equipment additions	$ 3,098,338	$ 3,554,540
Total assets	$37,192,072	$87,780,563

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1997

	Segments	
	Heat Technology	Tire Holders, Lifts and Related Products
Sales, net	$62,971,797	$14,938,301
Operating costs and expenses	59,311,804	14,114,362
General corporate expenses, net	--	--
Operating income	3,659,993	823,939
Interest expense	396,578	1,174
Interest (income)	(236,353)	--
Losses of affiliate	4,715	--
Other (income) expense, net	113,357	(35,500)
Income before income taxes (benefits)	3,381,696	858,265
Income taxes	939,902	318,601
Income taxes (benefits) general corporate expenses, net	--	--
Net income	$ 2,441,794	$ 539,664
Depreciation and amortization	$ 511,014	$ 241,708
Property, plant and equipment additions	$ 370,235	$ 342,649
Total assets	$42,487,156	$ 5,922,281

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1997	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales, net	$33,254,465	$111,164,563
Operating costs and expenses	29,407,506	102,833,672
General corporate expenses, net	--	1,159,409
Operating income	3,846,959	7,171,482
Interest expense	641,772	1,039,524
Interest (income)	(1,239)	(237,592)
Losses of affiliate	--	4,715
Other (income) expense, net	(74,187)	3,670
Income before income taxes (benefits)	3,280,613	6,361,165
Income taxes	1,179,217	2,437,720
Income taxes (benefits) general corporate expenses, net	--	(463,764)
Net income	$ 2,101,396	$ 4,387,209
Depreciation and amortization	$ 2,715,776	$ 3,468,498
Property, plant and equipment additions	$ 2,949,899	$ 3,662,783
Total assets	$33,385,627	$ 81,795,064

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1996	Segments	
	Heat Technology	Tire Holders Lifts and Related Products
Sales	$ 62,801,105	$ 13,208,814
Operating costs and expenses	58,696,391	13,104,340
General corporate expenses, net	--	--
Operating income	4,104,714	104,474
Interest expense	646,656	729
Interest (income)	(296,995)	--
Losses of affiliate	115,880	--
Other (income) expense, net	20,003	(34,396)

Income before income taxes (benefits)	3,619,170	138,141
Income taxes	1,326,613	42,094
Income taxes (benefits) general corporate expenses, net	--	--
Net income	$ 2,292,557	$ 96,047
Depreciation and amortization	$ 487,422	$ 318,039
Property, plant and equipment additions	$ 504,384	$ 109,940
Total assets	$ 59,138,027	$ 5,212,886

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1996	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales	$ 27,416,156	$103,426,075
Operating costs and expenses	23,563,515	95,364,246
General corporate expenses, net	--	539,813
Operating income	3,852,641	7,522,016
Interest expense	564,809	1,212,194
Interest (income)	(811)	(297,806)
Losses of affiliate	--	115,880
Other (income) expense, net	(19,012)	(33,405)
Income before income taxes (benefits)	3,307,655	6,525,153
Income taxes	1,242,176	2,610,883
Income taxes (benefits) general corporate expenses, net	--	(215,925)
Net income	$ 2,065,479	$ 4,130,195
Depreciation and amortization	$ 2,020,577	$ 2,826,038
Property, plant and equipment additions	$ 2,244,842	$ 2,859,166
Total assets	$ 26,811,359	$ 91,162,272

4. BUSINESS SEGMENT INFORMATION - (Continued)

The geographical distribution of identifiable assets and net sales to geographical areas for the years ended December 31, 1998, 1997, and 1996 are set forth below:

Identifiable Assets

	1998	1997	1996
United States	$58,806,813	$58,660,565	$ 53,007,230
France	31,224,448	25,311,908	40,459,744
Other	2,815,754	3,432,986	3,855,373
Eliminations	(5,066,452)	(5,610,395)	(6,160,075)
Consolidated	$87,780,563	$81,795,064	$ 91,162,272

Net Sales to Geographical Areas

	1998	1997	1996
United States	$46,037,182	$ 55,833,866	$ 46,843,283
Austria	1,336,418	21,033,610	22,210,245
France	9,911,425	571,618	131,870
Germany	8,660,921	2,132,966	2,687,857
All other countries	33,608,608	31,592,503	31,552,820
Consolidated	$99,554,554	$111,164,563	$103,426,075

Due to the nature of the Company's heat technology products, one contract may account for a large percentage of sales in a particular period; however, the Company is not dependent on any one heat technology customer on an ongoing basis.

Geographic net sales are allocated based on the location of the customer. All other countries include primarily net sales to the United Kingdom, Saudi Arabia and Mexico.

Consolidated net sales in 1998 do not result from sales to any one individual customer in excess of 10% of total sales. Consolidated net sales in 1998 include approximately $21,176,000 attributable to the steel industry.

Consolidated net sales in 1997 include approximately $34,719,000 or 31% from contracts with two customers executed by the Company's heat technology group. Approximately $51,780,000 of consolidated net sales were attributable to customers in the steel industry.

Consolidated net sales in 1996 include approximately $22,132,000 or 21% from contracts with one customer executed by the Company's wholly-owned European subsidiary, Selas S.A. Approximately $45,258,000 of consolidated net sales were attributable to customers in the steel industry.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1998 and 1997. FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments", defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

	1998	
	Carrying Amount	Fair Value

Financial assets		
Cash, including cash equivalents	$ 2,784,284	$ 2,784,284
Accounts and notes receivables	30,494,933	30,494,933
Financial liabilities		
Notes payable	4,701,279	4,701,279
Trade accounts payables.	15,410,642	15,410,642
Customer advance payments on contracts	697,270	697,270
Other accrued liabilities	6,512,016	6,512,016
Long-term debt. . . .	9,443,961	9,184,268

	1997	
	Carrying Amount	Fair Value
Financial assets		
Cash, including cash equivalents	$ 3,034,903	$ 3,034,903
Accounts and notes receivables	30,931,625	30,931,625
Financial liabilities		
Notes payable	975,804	975,804
Trade accounts payables.	14,336,607	14,336,607
Customer advance payments on contracts	902,592	902,592
Other accrued liabilities	6,851,846	6,851,846
Long-term debt. . . .	9,633,543	9,419,381

5. FAIR VALUE OF FINANCIAL INSTRUMENTS - (CONTINUED)

The carrying amounts shown in the table are included in the statement of financial position under the indicated captions.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, including cash equivalents, short-term accounts and notes receivables, other current assets, notes payable to banks, trade accounts payables, and other accrued expenses: The carrying amounts approximate fair value because of the short maturity of those instruments.

Long-term debt: The fair value of the Company's long-term debt is estimated by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's bankers.

See note 9 regarding the fair value of derivative financial instruments.

The estimated fair value of financial instruments has been determined based on available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company might realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

6. INVENTORIES

Inventories consist of the following:

December 31	Raw materials	Work-in-process	Finished products and components	Total
1998				
Domestic . .	$3,226,583	$ 2,514,280	$4,657,729	$10,398,592
Foreign . .	192,308	1,772,286	265,437	2,230,031
Total . .	$3,418,891	$ 4,286,566	$4,923,166	$12,628,623
1997				
Domestic . .	$2,936,574	$2,036,831	$3,971,429	$ 8,944,834
Foreign . .	117,970	685,133	251,203	1,054,306
Total . .	$3,054,544	$2,721,964	$4,222,632	$ 9,999,140

7. LONG-TERM CONTRACTS AND RECEIVABLES

Accounts and notes receivable at December 31, 1998 and 1997 include the following elements from long-term contracts:

	1998	1997
Amounts billed	$ 8,443,357	$14,236,348
Retainage, due upon completion	398,664	715,924
Unbilled receivables	3,897,965	6,574,392
Total	$12,739,986	$21,526,664

The balances billed but not paid by customers, pursuant to retainage provisions included in long-term contracts, will be due upon completion of the contracts and acceptance by the customer. The retainage balances at December 31, 1998 are anticipated to be collected in 1999.

The unbilled receivables are comprised principally of amounts of revenue recognized on contracts (on the percentage-of-completion method) for which billings had not been presented to the customers because the amounts were not billable under the contract terms at the balance sheet date. In accordance with the contract terms the unbilled receivables at December 31, 1998 will be billed in 1999.

Inventories include costs relating to long-term sales contracts of $203,132 and $187,666 at December 31, 1998 and 1997, respectively.

At December 31, 1998 and 1997, the Company had $1,793,489 and $1,799,128, respectively, of trade accounts receivable due from major U.S. automotive manufacturers. At December 31, 1998 and 1997, the Company had $4,218,009 and $2,685,219, respectively, of trade accounts receivable due from hearing aid manufacturers. The Company also had $11,886,926 and $19,803,826 at December 31, 1998 and 1997, respectively, in currently billed and unbilled receivables from long-term contracts for customers in the steel industry in North America and Europe.

8. NOTES PAYABLE AND LONG-TERM DEBT

NOTES PAYABLE

Notes payable at December 31, 1998 and 1997 are summarized below:

	1998	1997
Notes payable:		
Short term borrowings, European banks	$2,609,725	$ 975,804
Short term borrowings, Domestic banks	2,091,554	--
Total notes payable	$4,701,279	$ 975,804

Consolidated European subsidiaries have working capital credit arrangements with European banks aggregating $13,220,000. Of this amount, $3,682,000 may be used to borrow funds for working capital or guarantee customer advance payments on contracts. The remaining $9,538,000 may be used only for guaranteeing customer advance payments, of which $2,898,000 was utilized at December 31, 1998 at interest rates ranging from .5% to .75%. At December 31, 1998 the Company's European subsidiaries had borrowings of $2,609,725, which bear interest at annual rates ranging from 5.35% to 7.71%. These credit arrangements have no expiration dates and are guaranteed by the Company.

The maximum amounts of short-term borrowings and bank guarantees at any month end were $7,447,000 in 1998, $15,002,000 in 1997 and $21,954,000 in 1996. The average short-term borrowings and bank guarantees outstanding during 1998, 1997 and 1996 amounted to $4,865,000, $8,498,000 and $10,636,000, respectively. The average short-term interest rates in 1998, 1997 and 1996 for outstanding borrowings were 6%, 9% and 11%, respectively.
The Company and its domestic subsidiaries entered into revolving credit loan facilities under which borrowings or letters of credit aggregating $4,000,000 could be outstanding at any one time. On October 28, 1998, $1,100,000 of available funds were used by a subsidiary to purchase certain assets and liabilities of Lectret. These borrowings bear a 60 day London Interbank Offered Rate (LIBOR) plus 1.25% variable rate. At December 31, 1998, the rate was 6.4696%. At December 31, 1998, the balance on this portion of the outstanding credit line was $1,100,000. On May 27, 1998, $1,278,000 of available funds were used by a subsidiary to purchase the stock of IMB Electronic Products, Inc. At December 31, 1998, $991,554 of the original $1,278,000 borrowing was outstanding on the line which bears interest at 6.31%. Borrowings under the facility, excluding the $1,100,000 portion, bear interest at a rate of 1.25% above LIBOR and a commitment fee of 1/4% per annum is payable on the unborrowed portion of the line. The credit facility expires on August 1, 2000.

The maximum amounts of short term borrowings at any month end 1998 were $2,589,000. The average short term borrowings outstanding during 1998 were $1,497,000. The average short term interest rate in 1998 was 7%.

8. NOTES PAYABLE AND LONG-TERM DEBT - (Continued)

LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1997 is summarized below:

	1998	1997
Long-term debt:		
Term loans, Domestic banks	$ 4,520,024	$ 6,870,024
Term loans, European banks	3,926,376	1,697,171
Mortgage notes	906,584	917,606
Other borrowings	90,977	148,742
	9,443,961	9,633,543
Less: current maturities	3,178,241	2,618,463
	$ 6,265,720	$ 7,015,080

On February 20, 1997, the Company amended its existing domestic term loan agreement with a commercial bank to increase its borrowings by $3.5 million to purchase the assets of the Rodan Division of Ketema through its wholly-owned subsidiary, RTI Electronics. See note 2 regarding the acquisition. Under the terms of the amended agreement, principal amounts are repayable over the next five years on a monthly basis with aggregate principal payments of $700,000 per year. Borrowings under this amended agreement bear interest at a rate of 1.5% above LIBOR (7.06% at December 31, 1998) payable monthly. The previous borrowings under the amended agreement were unchanged as principal amounts are repayable over the next two years on a monthly basis with aggregate principal payments of $1,650,000 per year. Additional payments of principal are required depending upon the annual earnings of the Company's domestic operations

and as a result of this requirement, the Company will have an additional principal payment of approximately $226,000 in 1999. No additional payment was required in 1998. At December 31, 1998, these borrowings under the credit agreement bore interest, payable monthly, at a fixed interest rate of 6-3/4%. The credit agreement is subject to a prepayment penalty of 3%, to the extent the loan is paid off with additional borrowings.

The credit agreement and revolving credit loan facilities are secured by the Company's domestic assets, except RTI's land and building which are pledged under a separate agreement, and the Company's domestic subsidiaries' stock. The agreements contain restrictive covenants regarding the payment of cash dividends, maintenance of working capital, net worth, and shareholders' equity, along with the maintenance of certain financial ratios. The Company and its domestic subsidiaries are required to maintain consolidated tangible capital funds of approximately $23.7 million through December 31, 1998 consisting of shareholders' equity, plus subordinated debt, less intangible assets, increased annually after December 31, 1998 by 60% of net income and contributions to capital. At December 31, 1998, the Company exceeded the amount required to satisfy this covenant in the loan agreement by $3 million.

The Company's French subsidiary, Selas S.A., financed its premises outside of Paris with bank borrowings maturing August 31, 2006 with required quarterly installments of principal of $53,571 (FF 300,000). The loan carries interest payable quarterly at the Paris Interbank Offered Rate (PIBOR) plus .7% (3.95% at December 31, 1998). The loan balances as of December 31, 1998 and 1997 were $1,607,143 (FF 9,000,000) and $1,697,171 (FF 10,200,000), respectively. This loan can be prepaid, subject to a premium of 3% of the amount prepaid. The debt is secured by the land and building of Selas S.A.

The Company assumed a mortgage at the date of acquisition of RTI which is payable in monthly installments of $9,285, including interest, through July 1, 2019. The mortgage has an interest rate of 11% and is secured by the land and building of RTI. Prepayment of the mortgage is permitted; however, it is subject to a penalty which is tied to the current interest rates and the length of the loan. The lender has the right to call the loan at any time after July 1, 1999 on ninety days written notice to the Company. The mortgage note has been classified as long-term debt in accordance with its normal terms since the Company has the ability and intent to maintain this obligation for longer than one year.

On February 28, 1998 the Company's French subsidiary entered into a loan to borrow $2,678,571 (FF 15,000,000) to purchase the assets of CFR. See note 2 regarding the acquisition. Under the terms of the agreement, principal amounts are repayable over the next five years on a quarterly basis of $133,929 (FF 750,000). The loan carries interest at a fixed rate of 5.65%. At December 31, 1998 the loan balance was $2,276,786 (FF 12,750,000).

The aggregate maturities of long-term debt for the five years ending December 31, 2003 and thereafter are as follows:

Years ending December 31	Aggregate Maturity
1999	$ 3,178,241
2000	3,042,784
2001	1,453,954
2002	870,621
2003	352,169
2004 and thereafter	546,192
	$ 9,443,961

9. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements are used to reduce the potential impact of increases in interest rates on floating-rate long-term debt. At December 31, 1998, the Company's French subsidiary was a party to one interest

rate swap agreement. The interest rate swap agreement is with major European financial institutions having a total notional amount of $2.1 million at December 31, 1998. The notional amount will decrease consistent with the terms of the related long-term debt agreement. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May, 2006. The subsidiary continually monitors its position and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties. Additional interest incurred during 1998, 1997 and 1996 in connection with the swap agreement amounted to $81,512, $95,584 and $101,738, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS - (Continued)

The fair value of the interest rate swap agreement was $1.9 million at December 31, 1998. The fair value of this financial instrument (used for hedging purposes) represents the aggregate replacement cost based on financial institution quotes. The Company is exposed to market risks from changes in interest rates and fluctuations in foreign exchange rates.

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities at December 31, 1998 and 1997 are as follows:

	1998	1997
Salaries, wages and commissions . . .	$ 2,652,296	$ 2,825,558
Taxes, including payroll withholdings and VAT, excluding income taxes . .	1,696,040	2,217,951
Accrued pension costs	611,794	669,193
Accrued professional fees	748,464	541,967
Accrued insurance	306,585	218,392
Other	496,837	378,785
	$ 6,512,016	$ 6,851,846
	===========	===========

11. DOMESTIC AND FOREIGN INCOME TAXES

Domestic and foreign income taxes (benefits) are comprised as follows:

	Years Ended December 31		
	1998	1997	1996
Current			
Federal	$ 1,296,209	$ 2,222,160	$ 2,168,819
State	246,035	197,799	454,367
Foreign	811,795	237,612	490,707
	2,354,039	2,657,571	3,113,893
Deferred			
Federal	(476,590)	(543,436)	(552,526)
State	(220,237)	(130,176)	(61,116)
Foreign	(1,316,887)	(10,003)	(105,293)
	(2,013,714)	(683,615)	(718,935)
Income taxes	$ 340,325	$ 1,973,956	$ 2,394,958
	===========	===========	===========

Income (loss) before income taxes is as follows:

	1998	1997	1996
Foreign	$ (758,980)	$ 938,388	$ 1,015,187
Domestic	4,708,827	5,422,777	5,509,966
	$ 3,949,847	$ 6,361,165	$ 6,525,153
	===========	===========	===========

11. DOMESTIC AND FOREIGN INCOME TAXES - (Continued)

The following is a reconciliation of the statutory federal income tax rate to the effective tax rate based on income (loss):

	Years Ended December 31		
	1998	1997	1996
Tax provision at statutory rate	34.0%	34.0%	34.0%
Net foreign operating loss carryforwards	(1.3)	(1.5)	0.3
Effect of foreign tax rates	(5.0)	--	1.8
Change in domestic valuation allowance	(19.2)	--	--
Goodwill amortization	3.2	1.8	1.7
State taxes net of federal benefit	0.4	0.7	4.0
Tax benefits related to export sales	(3.6)	(3.2)	(2.7)
Other	0.1	(0.8)	(2.4)
Domestic and foreign income tax rate	8.6%	31.0%	36.7%

The significant components of deferred income taxes (benefits) for the years ended December 31, 1998, 1997 and 1996 are as follows:

	Years Ended December 31		
	1998	1997	1996
Deferred income tax (benefit)	$(1,894,475)	$ (38,853)	$(342,743)
(Decrease) in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(76,664)	(618,613)	(369,868)
Other	(42,575)	(26,149)	(6,324)
	$(2,013,714)	$(683,615)	$(718,935)

11. DOMESTIC AND FOREIGN INCOME TAXES - (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 are presented below:

Deferred tax assets:	1998	1997
Postretirement benefit obligations	$1,353,770	$1,274,049
Net operating loss carryforwards	2,613,379	849,669
State income taxes	432,762	463,220
Guarantee obligations and estimated future costs of service accruals	749,147	895,034
Employee pension plan obligations	208,011	208,155
Compensated absences, principally due to accrual for financial reporting purposes	285,780	290,209
Other	1,021,777	836,411
Total gross deferred tax assets	6,664,626	4,816,747
Less: valuation allowance	1,620,162	1,696,824
Net deferred tax assets	5,044,464	3,119,923
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation and capitalized interest	1,389,500	1,219,890

Other	208,838	275,046
Total gross deferred tax liabilities	1,598,338	1,494,936
Net deferred tax assets	$3,446,126	$1,624,987
	==========	==========

Domestic and foreign deferred taxes are comprised as follows:

December 31, 1998	Federal	State
Current deferred asset	$1,573,791	$ 78,192
Non-current deferred asset (liability)	66,841	279,298
Net deferred tax asset	$1,640,632	$ 357,490
	==========	==========

December 31, 1998	Foreign	Total
Current deferred asset	$1,951,718	$3,603,701
Non-current deferred asset (liability)	(503,714)	(157,575)
Net deferred tax asset	$1,448,004	$3,446,126
	==========	==========

11. DOMESTIC AND FOREIGN INCOME TAXES - (Continued)

December 31, 1997	Federal	State
Current deferred asset	$1,847,390	$ 400,228
Non-current deferred (liability)	(729,294)	(67,029)
Net deferred tax asset	$1,118,096	$ 333,199
	==========	==========

December 31, 1997	Foreign	Total
Current deferred asset	$ 592,805	$2,840,423
Non-current deferred (liability)	(419,113)	(1,215,436)
Net deferred tax asset	$ 173,692	$1,624,987
	==========	==========

At December 31, 1998, the Company had $646,038 of income tax receivable included in accounts and notes receivable.

The valuation allowance for deferred tax assets as of January 1, 1998 was $1,696,824. The net change in the total valuation allowance for the year ended December 31, 1998 was a decrease of $76,662. In the second quarter, the Company reduced the valuation allowance applied against deferred tax benefits associated with domestic postretirement benefit obligations by $724,512 and against certain domestic employee pension plan obligations by $33,694. The reduction in the valuation allowance was based on several factors including: recent acquisitions, past earnings history and trends, reasonable and prudent tax planning strategies, and the expiration dates of carryforwards. The Company has determined that it is more likely than not that the $758,206 of deferred tax assets will be realized. The offsetting valuation allowance increase of approximately $681,544 is maintained against deferred tax assets which the Company has determined are not more than likely to be realized.

Subsequently recognized tax benefits, if any, relating to the valuation allowance for deferred tax assets will be reported in the consolidated statement of operations.

11. DOMESTIC AND FOREIGN INCOME TAXES - (Continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, along with reasonable and prudent tax planning strategies and the expiration dates of carryforwards, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 1998.

At December 31, 1998 the Company has net operating loss carryforwards for foreign income tax purposes of $6,493,683 of which $314,136 expire in 2001, $449,441 expire in 2002, $2,294,311 expire in 2003 and $3,435,795 have no expiration date and are available to offset future foreign taxable income.
No provision has been made for United States income tax which may be payable on undistributed income of the Company's foreign subsidiaries since it is the Company's intention to reinvest the unremitted earnings. Furthermore, based on current federal income tax laws, the federal income tax on future dividends will be offset by foreign tax credits in certain instances. At December 31, 1998, the Company has not recognized a deferred tax liability of approximately $1,690,000 on undistributed retained earnings of such subsidiaries of $4,970,000.

12. EMPLOYEE BENEFIT PLANS

During 1998, the Company has adopted SFAS No. 132, "Employers' Disclosure about Pension and Other Postretirement Benefits." SFAS 132 revises the employers disclosure about pensions and other postretirement benefit plans, however, it does not change the measurement or recognition of the plans. Prior year disclosures have been restated.

The Company has two defined benefit pension plans. One covers salaried employees and the other plan covers union employees. The following table sets forth the plans' funded status and amounts recognized in the Company's statements of financial position at December 31, 1998 and 1997:

	December 31	
	1998	1997
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	$ 4,854,807	$ 4,548,693
Service cost (excluding administrative expenses)	190,634	156,396
Interest cost	327,160	319,109
Actuarial (gain)/loss	246,923	148,333
Benefit paid	(321,217)	(317,724)
Projected benefit obligation at December 31	5,298,307	4,854,807
Change in Fair Value of Plan Assets		
Fair value of plan assets at January 1	4,125,563	3,646,712
Actual return on plan assets	804,213	640,938

Employer contribution	289,627	202,012
Expenses	(33,749)	(46,375)
Benefits paid	(321,217)	(317,724)
Fair value of plan assets at December 31	4,864,437	4,125,563
Funded status	(433,870)	(729,244)
Unrecognized net actuarial (gain)/loss	(304,525)	(75,125)
Unrecognized net obligation	110,245	165,366
Unrecognized prior service cost	16,356	26,783
(Accrued) pension cost after adjustment of minimum liability at December 31	$ (611,794)	$ (612,220)
Amounts recognized in the statement of financial position consist of:		
Accrued benefit liability	$ (611,794)	$ (669,193)
Intangible asset	--	56,973
Net amount recognized	$ (611,794)	$ (612,220)

As of December 31, 1997, the Company has recognized the additional minimum liability of $56,973 and an intangible asset of $56,973.

12. EMPLOYEE BENEFIT PLANS- (Continued)

Net periodic pension cost for these plans for the years 1998, 1997 and 1996 included the following components:

	Years Ended December 31		
	1998	1997	1996
Service cost - benefits earned during the period	$ 220,141	$ 182,973	$ 187,955
Interest cost on projected benefit obligation	327,160	319,109	306,788
Expected return on assets	(323,648)	(285,980)	(257,206)
Amortization of net obligation	55,121	55,121	55,121
Amortization of prior service cost	10,427	10,427	10,427
Net periodic pension cost	$ 289,201	$ 281,650	$ 303,085

The discount rate used to determine the projected benefit obligation for both the salaried and union plans was 6.5% for 1998, 7% for 1997 and 7.25% for 1996.

The projected benefit obligation was determined by using an assumed rate of increase in compensation levels of 5% for 1998, 1997 and 1996 for the salaried plan. The expected long-term rate of return on assets for both plans was 8%.

The Company's French subsidiary, Selas S.A., is obligated to contribute to an employee profit sharing plan under which annual contributions are determined on the basis of a prescribed formula using capitalization, salaries and certain revenues. Amounts are paid into a bank trust fund the year following the contribution calculation. Profit sharing expense for 1998, 1997 and 1996 was $0, $0 and $96,970, respectively.

The Company has defined contribution plans for most of its domestic employees not covered by collective bargaining agreements. Under these plans, eligible employees may contribute amounts through payroll deductions supplemented by employer contributions for investment in

various investments specified in the plans. The Company contribution to these plans for 1998, 1997 and 1996 was $377,447, $362,292 and $288,556, respectively.

12. EMPLOYEE BENEFIT PLANS- (Continued)

The Company provides postretirement medical benefits to certain domestic full-time employees who meet minimum age and service requirements. The Company's policy is to pay the cost of these postretirement benefits when required on a cash basis. The Company also has provided certain foreign employees with retirement related benefits.

The following table presents the amounts recognized in the Company's consolidated balance sheet at December 31, 1998 and 1997 for postretirement medical benefits:

Accumulated postretirement medical benefit obligation:

	December 31	
Change in Projected Benefit Obligation	1998	1997
Projected benefit obligation at January 1	$ 2,801,051	$ 2,783,518
Service cost (excluding administrative expenses)	30,611	27,707
Interest cost	187,324	192,610
Actuarial (gain)/loss	71,387	50,031
Benefits paid	(223,272)	(252,815)
Projected benefit obligation at December 31	2,867,101	2,801,051
Change in Fair Value of Plan Assets		
Employer contribution	223,272	252,815
Benefits paid	(223,272)	(252,815)
Fair value of plan assets at December 31	--	--
Funded status	2,867,101	2,801,051
Unrecognized net actuarial gain	403,329	489,686
Accrued postretirement benefit cost	$ 3,270,430	$ 3,290,737

Accrued postretirement medical benefit costs are classified as other postretirement benefit obligations as of December 31, 1998 and 1997.

12. EMPLOYEE BENEFIT PLANS - (Continued)

Net periodic postretirement medical benefit costs for 1998, 1997 and 1996 include the following components:

	Years Ended December 31		
	1998	1997	1996
Service cost	$ 30,611	$ 27,707	$ 25,834
Interest cost	187,324	192,610	194,081
Amortization of unrecognized gain	(14,970)	(18,702)	(18,171)
Net periodic postretirement medical benefit cost	$202,965	$201,615	$201,744

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed

for 1998; the rate was assumed to decrease gradually to 6% by the year 2006 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement medical benefit obligation as of December 31, 1998 by $280,621 and the aggregate of the service and interest cost components of net periodic postretirement medical benefit cost for the year ended December 31, 1998 by $18,879.

The weighted-average discount rate used in determining the accumulated postretirement medical benefit obligation at December 31, 1998 and 1997 was 6.5% and 7.25%, respectively.

The Company provides retirement related benefits to a former employee, and to certain foreign subsidiary employees in accordance with industry-wide collective labor agreements. The liabilities established for these benefits at December 31, 1998 and 1997 were $825,627 and $733,480, respectively, and are classified as other postretirement benefit obligations as of December 31, 1998 and 1997.

13. CURRENCY TRANSLATION ADJUSTMENTS

All assets and liabilities of foreign operations are translated into U.S. dollars at prevailing rates of exchange in effect at the balance sheet date. Revenues and expenses are translated using average rates of exchange for the year. The functional currency of the Company's foreign operations is the currency of the country in which the entity resides; such currencies are the French franc, German mark, Italian lira, British pound, Singapore dollar and Japanese yen. Adjustments resulting from the process of translating the financial statements of foreign subsidiaries into U.S. dollars are reported as a separate component of shareholders' equity, net of tax where appropriate. Gains and losses arising from foreign currency transactions are reflected in the consolidated statements of operations as incurred. Foreign currency transaction gains (losses) included in the statement of operations for 1998, 1997 and 1996 were $175,609, $13,819 and $(8,200), respectively.

14. COMMON STOCK AND STOCK OPTIONS

On April 22, 1997, the Board of Directors declared a three-for-two split of the Company's stock, pursuant to which 1,737,510 shares were issued. Shareholders of record on June 10, 1997 received one additional share for each two common shares held. The effect of this transaction was to reduce additional paid-in capital by $1,737,510 with a corresponding increase in common stock which has been retroactively recorded. All common share data in these financial statements and notes have been adjusted to reflect this transaction.

Under the Company's 1985 and 1994 Stock Option Plans, options to an aggregate of 900,000 shares of common stock may be granted to certain officers and key employees and in 1998 the Board of Directors established a 1998 Stock Option Plan to issue up to 75,000 shares to certain non-employee Directors, both at no less than 100% of the fair market value at the date of grant. All options are exercisable until the earlier of termination pursuant to the plans or ten years from date of grant.

At December 31, 1998, there were 114,200 additional shares available for grant under the 1994 plan and 50,000 additional shares available for grant under the 1998 plan. The per share weighted-average fair values of stock options granted during 1998 ranged from $3.07 to $4.25 on the date of grants using the Black Scholes option-pricing model with the following weighted-average assumptions: 1998 - expected dividend yield 1.9%; risk free interest rates ranged from 4.39% to 5.71%; expected life of 6 years and expected volatility of the stock over the life of the options which is based on the past 9 years of the stock's activity.

The Company applies APB Opinion No. 25 in accounting for its Plans, and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock

options under SFAS No. 123, the Company's net income would have been reduced to the proforma amount indicated below:

	1998	1997	1996
Net income as reported	$3,609,522	$4,387,209	$4,130,195
Net income proforma	$3,297,704	$4,346,245	$4,092,615
Basic earnings per share as reported	$.69	$.84	$.80
Basic earnings per share proforma	$.63	$.83	$.79

Options of 225,000 were granted in 1998. No options were granted in 1997 or 1996. Proforma net income reflects options granted in 1998 and 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the proforma net income amounts presented above because compensation cost is reflected over the options vesting periods of 2 to 5 years and compensation cost for options granted prior to January 1, 1995 is not considered.

14. COMMON STOCK AND STOCK OPTIONS- (Continued)

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted-average Exercise Price
Outstanding at January 1, 1996	441,488	$ 7.11
Options forfeited	(22,500)	9.33
Outstanding at December 31, 1996	418,988	$ 6.99
Options exercised	(35,700)	4.35
Outstanding at December 31, 1997	383,288	$ 7.24
Options granted	225,000	9.61
Options exercised	(2,200)	4.63
Options forfeited	(2,200)	6.10
Outstanding at December 31, 1998	603,888	$ 8.14

At December 31, 1998, the range of exercise prices were $3.77-$11.42 and weighted-average remaining contractual life of outstanding options was 4.7 years.

At December 31, 1998 and 1997, the number of options exercisable was 330,568 and 279,158, respectively and the weighted average price of these options were $7.58 and $7.73, respectively.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a tabulation of unaudited quarterly results of operations.

1998	First Quarter	Second Quarter (1)
Net sales	$21,867,000	$25,222,000
Gross profit	$ 5,256,000	$ 6,487,000
Net income	$ 559,000	$ 1,766,000
Earnings per share		
Basic	$.11	$.34

Diluted	$.10	$.33

1998	Third Quarter	Fourth Quarter
Net sales	$25,203,000	$27,263,000
Gross profit	$ 5,783,000	$ 5,196,000
Net income	$ 918,000	$ 367,000
Earnings per share		
Basic	$.18	$.07
Diluted	$.17	$.07

(1) In the second quarter, the Company reduced the valuation allowance applied against deferred tax benefits associated with domestic postretirement benefit and employee pension plan obligations by $758,000.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) (Continued)

1997	First Quarter	Second Quarter
Net sales	$30,905,000	$27,101,000
Gross profit	$ 6,445,000	$ 6,483,000
Net income	$ 1,162,000	$ 1,379,000
Earnings per share		
Basic	$.22	$.26
Diluted	$.22	$.26

1997	Third Quarter	Fourth Quarter
Net sales	$28,328,000	$24,830,000
Gross profit	$ 5,475,000	$ 5,058,000
Net income	$ 1,139,000	$ 707,000
Earnings per share		
Basic	$.22	$.14

Diluted	$.21	$.13

16. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1998 Income Numerator	1998 Shares Denominator	1998 Per Share Amount
Basic Earnings Per Share			
Income available to common shareholders	$3,609,522	5,233,016	$0.69
Effect of Dilutive Securities			
Stock options		77,338	
Earnings contingency		--	
Diluted Earnings Per Share			
Income available to common shareholders plus assumed conversions	$3,609,522	5,310,354	$0.68

For additional disclosures regarding the earnings contingency and stock options, see notes 2 and 14, respectively.

16. EARNINGS PER SHARE(Continued)

The following table sets forth the computation of basic and diluted earnings per share:

	1997 Income Numerator	1997 Shares Denominator	1997 Per Share Amount
Basic Earnings Per Share			
Income available to common shareholders	$4,387,209	5,213,124	$0.84

	Income Numerator	Shares Denominator	Per Share Amount
Effect of Dilutive Securities			
Stock options		141,063	
Earnings contingency		791	
Diluted Earnings Per Share			
Income available to common shareholders plus assumed conversions	$4,387,209	5,354,978	$0.82

For additional disclosures regarding the earnings contingency and stock options, see notes 2 and 14, respectively.

16. EARNINGS PER SHARE (Continued)

The following table sets forth the computation of basic and diluted earnings per share:

	1996		
	Income Numerator	Shares Denominator	Per Share Amount
Basic Earnings Per Share			
Income available to common shareholders	$4,130,195	5,190,075	$0.80
Effect of Dilutive Securities			
Stock options		81,884	
Earnings contingency		--	
Diluted Earnings Per Share			
Income available to common shareholders plus assumed conversions	$4,130,195	5,271,959	$0.78

For additional disclosures regarding the earnings contingency and stock options, see notes 2 and 14, respectively.

17. CONTINGENCIES AND COMMITMENTS

The Company is a defendant along with a number of other parties in approximately 147 lawsuits as of December 31, 1998 (215 as of December 31, 1997) 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 the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 - July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

The Company was one of approximately 500 defendants in a class action on behalf of approximately 2,700 present and former employees of a Texas steel mill. The cases were being defended by one or more of the Company's insurance carriers presently known to be "at risk". In October, 1998 the class action suit was settled. The Company's insurance carriers have not asked the Company to contribute to any settlement payments made by them in connection with this settlement.

In 1995, a dispute which was submitted to arbitration, arose under a contract between a customer and a subsidiary of the Company. Substantial claims were asserted against the subsidiary Company under the terms of the contract. The Company recorded revenue of approximately $1,400,000 in 1994 and has an uncollected receivable of $140,000. In June, 1998, the arbitrator found in favor of the customer. The Company has refused to recognize the validity of the arbitration proceedings and decision and believes it is entitled to a new hearing before an international or French tribunal. The Company believes that the disposition of this claim will not materially affect the Company's consolidated financial position or results of operations.

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 and claims will not materially affect the Company's consolidated financial position, liquidity, or results of operations.

17. CONTINGENCIES AND COMMITMENTS - (Continued)

Total rent expense for 1998, 1997 and 1996 under leases pertaining primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more, aggregated $1,020,000, $873,000 and $904,000, respectively. Remaining rentals payable under such leases are as follows: 1999 - $1,015,000; 2000 - $962,000; 2001 - $903,000; 2002 - $773,000; 2003 - $643,000.

18. RELATED-PARTY TRANSACTIONS

One of the Company's subsidiaries leases office and factory space from a

partnership consisting of three present or former officers of the subsidiary. The subsidiary is required to pay all real estate taxes and operating expenses. In the opinion of management, the terms of the lease agreement are comparable to those which could be obtained from unaffiliated third parties. The total rent expense incurred under the lease was approximately $330,000 for 1998 and 1997 and $373,000 for 1996. Annual lease commitments approximate $330,000 through December, 1999.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Selas Corporation of America:

We have audited the accompanying consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Selas Corporation of America and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
February 19, 1999

EXHIBIT 21

Significant Subsidiaries of
Selas Corporation of America

SUBSIDIARY PLACE OF INCORPORATION

CFR-CECF Forumi-Ripoche, S.A.	France
CFR Portugal	Portugal
Deuer Manufacturing, Inc.	Ohio
Resistance Technology GmbH Vertrieb von Elecktronikteilen	Germany
Resistance Technology, Inc.	Minnesota
RTI Electronics, Inc.	Delaware
RTI Technologies PTE LTD	Singapore
SEER	France
Selas S.A.	France
Selas Italiana, S.A.	Italy
Selas Engineering UK Ltd.	England
Selas Waermetechnik, GmbH	Germany

EXHIBIT 23

SELAS CORPORATION OF AMERICA

Exhibit 23

Consent of Independent Auditors

The Board of Directors
Selas Corporation of America:

We consent to the incorporation by reference in the Registration Statements No. 33-33712 on Form S-3, No. 33-35802 on Form S-8, No. 333-16377 on Form S-8, and No. 333-66433 on Form S-8 of Selas Corporation of America and subsidiaries of our reports dated February 19, 1999 relating to the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, shareholders' equity, and cash flows and related financial statement schedules for each of the years in the three-year period ended December 31, 1998, which reports are included in or incorporated by reference in the December 31, 1998 annual report on Form 10-K of Selas Corporation of America.

KPMG LLP

Philadelphia, Pennsylvania
March 26, 1999

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned does hereby consent and appoint Stephen F. Ryan and Francis A. Toczylowski, or either of them, his attorney to do any and all acts, including the execution of documents, which said attorneys, or either of them, may deem necessary or advisable to enable Selas Corporation of America (the "Company") to comply with the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission, in connection with the filing under said Act of an annual report of the Company on Form 10-K for the year ended December 31, 1998, including the power and authority to sign in the name and on behalf of the undersigned, in any and all capacities in which the signature of the undersigned would be appropriate, such annual report and any and all amendments thereto and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this 23rd day of March, 1999.

/s/ John H. Austin Jr.
John H. Austin, Jr.

/s/ Frederick L. Bissinger
Frederick L. Bissinger

/s/ Roy C. Carriker
Roy C. Carriker

/s/ Mark S. Gorder
Mark S. Gorder

/s/ Michael J. McKenna
Michael J. McKenna

/s/ Ralph R. Whitney, Jr.
Ralph R. Whitney, Jr.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF SELAS CORPORATION OF AMERICA FOR THE YEAR
ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
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This schedule contains summary financial information extracted from the financial statements of Selas Corporation of America for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.
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