

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002

Commission File Number 1-5005

SELAS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

----- Pennsylvania ----- (State or other jurisdiction of Incorporation or organization)	23-1069060 ----- (IRS Employer Identification No.)
1260 Red Fox Road Arden Hills, Minnesota ----- (Address of principal executive offices)	55112 ----- (Zip Code)
Registrant's telephone number, including area code	(651) 604-9770 -----

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act) Yes No

The aggregate market value of the voting common shares held by non-affiliates of the registrant on June 28, 2002 was \$11,518,232. Common shares held by each officer and director and by each person who owns 5% or more of the outstanding common shares have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common shares on March 6, 2003 was 5,124,214.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's 2002 annual report to shareholders are incorporated by reference into Part II of this report. Portions of the Company's proxy statement for the 2003 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 referred herein as 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 St. Paul, Minnesota was organized as a Pennsylvania corporation, and has additional locations in Pennsylvania, Ohio, California, France, Germany, Japan, Portugal and Singapore. The Company operates directly or through subsidiaries in two business segments.

The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiaturized components, systems and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. Under the Selas (TM) name, the Heat Technology segment designs and manufactures specialized industrial heat processing systems for the aluminum and glassware industries worldwide, and replacement parts for steel, aluminum, glass and other manufacturers worldwide.

Financial data relating to industry segments, geographical summary of assets and operations, export sales and major customers are set forth in note 5 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

In the fourth quarter of 2002, the Company initiated its plan to sell the Company's Tire Holders, Lifts and Related Products segment. This segment consists of one wholly-owned subsidiary operating on a stand alone basis that sells tire lift products to automotive customers. The Company has accounted for the plan to dispose of the subsidiary as a discontinued operation and has reclassified the historical financial data. This subsidiary had sales of approximately \$16.8 million, \$15.0 million and \$17.8 million and net income of approximately \$1,173,000, \$679,000 and \$1,369,000 in 2002, 2001 and 2000, respectively. See note 2 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). The sale was completed in December 2002. Selas Italiana, S.r.L, a four person sales office, was excluded from the sale. These subsidiaries formed the Company's large custom-engineered furnaces division primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$13.5 million, \$15.6 million and \$27.3 million of revenue and a loss from discontinued operations of \$8.0

million, \$5.3 million and \$69,000 in 2002, 2001 and 2000, respectively. The Company accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, reclassified the historical financial data of these subsidiaries. See note 2 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual Report on Form 10-K or the Company's other public filings and releases, which are not historical facts, are forward-looking statements (as such term is defined in the Securities Exchange Act of 1934, and the regulations thereunder), which are intended to be covered by the safe harbors created thereby. These statements may include, but are not limited to:

- o statements in Item 1. "Business";
- o statements in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations";

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- o statements in Notes to the Company's Consolidated Financial Statements;
- o statements in "Risk Factors"; and
- o statements in the 2002 annual report to shareholders and letter to shareholders.

Forward-looking statements include, without limitation, statements as to the Company's expected future results of operations and growth, the Company's business strategy, the expected benefits of reduction in employee headcount, the expected sale of the Company's Tire Holders, Lifts and Related Products segment and use of proceeds, the expected increases in operating efficiencies, anticipated trends in the hearing health market related to the Company's Precision Miniature Medical and Electronic Products segment, estimates of goodwill impairments and amortization expense of other intangible assets, the effects of changes in accounting pronouncements and statements as to trends or the Company's or management's beliefs, expectations and opinions. Forward-looking statements are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially from those in the forward-looking statements. In addition to the factors discussed in this annual report to shareholders, certain risks, uncertainties and other factors can cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including, without limitation, the following:

- o the ability to implement the Company's business strategy;
- o the volume and timing of orders received by the Company;
- o foreign currency movements in markets the Company services;
- o changes in global economy and financial markets;
- o changes in the mix of products sold;
- o acceptance of the Company's products;
- o competitive pricing pressures;
- o availability of electronic components for the Company's products;
- o ability to create and market products in a timely manner;
- o ability to pay debt when it comes due;
- o ability to sell businesses marked for sale; and
- o the risks associated with terrorist attacks and threats of attacks.

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.

RISK FACTORS

You should carefully consider the risks described below. If any of the risks actually occur, the Company's business, financial condition or results of future operations could be materially adversely affected. This Annual Report on Form 10-K contains forward-looking statements that involve risk and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company described below and elsewhere in this Annual Report on Form 10-K.

THE COMPANY HAS EXPERIENCED AND EXPECTS TO CONTINUE TO EXPERIENCE FLUCTUATIONS

IN ITS RESULTS OF OPERATIONS, WHICH COULD ADVERSELY AFFECT THE PRICE OF THE COMMON SHARES.

Factors that affect the Company's results of operations include, but are not limited to, the volume and timing of orders received, changes in the global economy and financial markets, changes in the mix of products sold, market acceptance of the Company's and its customer's products, competitive pricing pressures, global currency valuations, the availability of electronic components that the Company purchases from suppliers, the Company's ability to meet increasing demand, the Company's ability to introduce new products on

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a timely basis, the timing of new product announcements and introductions by the Company or its competitors, changing customer requirements, delays in new product qualifications, and the timing and extent of research and development expenses. These factors have caused and may continue to cause the Company to experience material fluctuations in operating results on a quarterly and/or annual basis. These fluctuations could materially adversely affect the Company's business, financial condition and results of operations, which in turn, could keep the price of the Common Shares from increasing.

IF THE COMPANY'S PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS BUSINESS IS UNABLE TO CONTINUE TO DEVELOP NEW HEARING PRODUCTS THAT ARE INEXPENSIVE TO MANUFACTURE, THE COMPANY'S RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED.

The Company may not be able to continue to achieve its historical profit margins in its Precision Miniature Medical and Electronic Products business due to advancements in technology. The ability to continue its profit margins is dependent upon the Company's ability to stay competitive by developing hearing instruments that are technologically advanced and inexpensive to manufacture. As the business expands into other product lines, it may not be able to focus on developing and marketing new hearing instruments.

The Precision Miniature Medical and Electronic Products business has also been affected by unfavorable conditions in the hearing instrument market and the impact of the Asian economic situation. The Company is unable to predict with any certainty when and if these conditions will improve.

THE FINANCIAL RESULTS OF THE COMPANY'S HEAT TECHNOLOGY BUSINESS ARE DEPENDENT UPON THE INVESTMENT IN NEW EQUIPMENT BY ITS CUSTOMERS, WHICH HAVE BEEN VOLATILE, AND HAVE CAUSED AND MAY CONTINUE TO CAUSE THE FINANCIAL RESULTS OF THE COMPANY'S HEAT TECHNOLOGY BUSINESS TO FLUCTUATE.

The Company's Heat Technology business, which has historically contributed substantially to the Company's consolidated results, is affected by, among other things, the capital expenditures of steel, aluminum and glass manufacturers and processors, industries that are 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. This instability may cause the price of our Common Shares to decrease.

THE COMPANY OPERATES IN FRANCE, GERMANY, JAPAN, PORTUGAL AND SINGAPORE, AND VARIOUS FACTORS RELATING TO ITS INTERNATIONAL OPERATIONS COULD AFFECT ITS RESULTS OF OPERATIONS.

The Company operates in France, Germany, Japan, Portugal and Singapore. Approximately 28% of the Company's revenues are derived from these countries. Political or economic instability in these countries could have an adverse impact on the Company's results of operations due to diminished revenues in these countries. The Company's future revenues, costs of operations and profit results could be affected by a number of factors related to the Company's international operations, including changes in foreign currency exchange rates, changes in economic conditions from country to country, changes in a country's political condition, trade protection measures, licensing and other legal requirements and local tax issues. Unanticipated currency fluctuations in the Euro, Japanese Yen, and Singapore Dollar could lead to lower reported consolidated revenues due to the translation of these currencies into U.S. dollars when the Company consolidates its revenues.

THE BUSINESS SEGMENTS IN WHICH THE COMPANY OPERATES ARE HIGHLY COMPETITIVE AND

IF THE COMPANY IS UNABLE TO BE COMPETITIVE, ITS FINANCIAL CONDITION COULD BE ADVERSELY AFFECTED.

Several of the Company's competitors have been able to offer more standardized and less technologically advanced hearing instruments and heat

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technology systems and equipment at lower prices. Although the Company believes that it has produced higher quality hearing instruments and heat technology 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.

IF THE COMPANY IS UNABLE TO SELL THE ASSETS IT HAS MARKED AS DISCONTINUED OPERATIONS, ITS RESULTS OF OPERATIONS MAY BE ADVERSELY AFFECTED.

The Company may not be successful in finding a buyer for its wholly owned subsidiary, Deuer Manufacturing in 2003, which is shown as a discontinued operation. There can be no assurance that Deuer Manufacturing 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. If Deuer Manufacturing loses its competitiveness, it may be difficult to sell at a price favorable to the Company or at all. Also, the Company may be unable to sell its facilities in Paris, France or Dresher, Pennsylvania, on terms favorable to the Company. In connection with any sale, we may be required to take additional charges to earnings which could adversely affect the market price of our stock.

THE COMPANY MAY EXPERIENCE DIFFICULTY IN PAYING ITS DEBT WHEN IT COMES DUE, WHICH COULD LIMIT ITS ABILITY TO OBTAIN FINANCING.

The Company's ability to pay the principal and interest on our indebtedness as it comes due will depend upon its current and future performance. The Company's performance is affected by general economic conditions and by financial, competitive, political, business and other factors. Many of these factors are beyond our control. The Company believes that the amended credit facility combined with funds expected to be generated from operations, the available borrowing capacity through its revolving credit loan facilities, the potential sale of certain assets, curtailment of the dividend payment and control of capital spending will be sufficient to meet its anticipated cash requirements for operating needs. If, however, the Company is unable to renew these lines in the future, or do not generate sufficient cash or complete such financings on a timely basis, it may be required to seek additional financing or sell equity on terms which may not be as favorable as it could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity will be possible when needed or that the Company will be able to negotiate acceptable terms. In addition, the Company's access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as its own financial condition.

THE COMPANY'S SUCCESS DEPENDS ON ITS SENIOR MANAGEMENT TEAM AND IF THE COMPANY IS NOT ABLE TO RETAIN THEM, IT COULD HAVE A MATERIALLY ADVERSE EFFECT ON THE COMPANY.

The Company is highly dependent upon the continued services and experience of its senior management team, including Mark S. Gorder, the Company's President, Chief Executive Officer and a director. Mr. Gorder is also the President of the Company's Precision Miniature Medical and Electronics segment. The Company depends on the services of Mr. Gorder and the other members of its senior management team to, among other things, continue the development and implementation of the Company's business strategies and maintain and develop its client relationships.

THE COMPANY IS SUBJECT TO NUMEROUS ASBESTOS-RELATED LAWSUITS, WHICH COULD ADVERSELY AFFECT THE COMPANY'S FINANCIAL POSITION, RESULTS OF OPERATIONS OR LIQUIDITY.

The Company is a defendant along with a number of other parties in approximately 108 lawsuits as of December 31, 2002 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. In addition, the Company expects that claims could continue to be asserted against it. 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. While the Company has requested that the lead carrier substantiate this situation, there can be no assurance that this primary policy and the Company's other insurance policies will cover all costs and any awards associated with the asbestos-related lawsuits. If the Company's insurance policies do not cover the costs and any awards for the asbestos-related lawsuits, the Company will have to use its cash or obtain additional financing to pay the asbestos-related obligations and settlement costs. The ultimate outcome of any legal matter cannot be predicted with certainty. In light of the significant uncertainty associated with asbestos lawsuits, there is no guarantee that these lawsuits will not materially adversely affect the Company's financial position, results of operations or liquidity.

THE COMMON SHARE PRICE HAS BEEN AND IS LIKELY TO CONTINUE TO BE VOLATILE, WHICH MAY MAKE IT DIFFICULT FOR SHAREHOLDERS TO RESELL COMMON SHARES WHEN THEY WANT TO AND AT PRICES THEY FIND ATTRACTIVE.

The trading price of the Company's Common Shares has been and is likely to be highly volatile. The Common Share price could be subject to wide fluctuations in response to a variety of factors, including the following:

- o announcements of fluctuations in the Company's or its competitors' operating results;
- o the timing and announcement of sales or acquisitions of assets by the Company or its competitors;
- o changes in estimates or recommendations by securities analysts;
- o adverse or unfavorable publicity about the Company's services or the Company;
- o the commencement of material litigation, or an unfavorable verdict, against the Company;
- o terrorist attacks, war and threats of attacks and war;
- o additions or departures of key personnel; and
- o sales of Common Shares.

In addition, the stock market in recent years has experienced significant price and volume fluctuations and a significant cumulative decline in recent months. Such volatility and decline have affected many companies irrespective of, or disproportionately to, the operating performance of these companies. These broad fluctuations may materially adversely affect the market price of the Common Shares.

Most of the Company's outstanding shares are available for resale in the public market without restriction. The sale of a large number of these shares could adversely affect the share price and could impair the Company's ability to raise capital through the sale of equity securities or make acquisitions for Common Shares.

TERRORIST ATTACKS, WAR AND THREATS OF ATTACKS AND WAR MAY NEGATIVELY IMPACT OUR RESULTS OF OPERATIONS, REVENUE AND STOCK PRICE.

Terrorist attacks, war and threats of attacks and war may negatively impact our results of operations, revenue and share price. Recent terrorist attacks in the United States, as well as future events occurring in response or in connection to them, including, without limitation, future terrorist attacks against U.S. targets and threats of war or actual conflicts involving the United States or its allies, may impact the Company's operations, including

affecting its ability to operate its subsidiary's abroad. More generally, any of these events could cause consumer confidence and spending to decrease or result

in increased volatility in the economy. They could also result in the deepening of the economic recession in the United States. Any of these occurrences could have a material adverse effect on our operating results, revenue, and may result in the volatility of the market price for the Company's Common Share.

"ANTI-TAKEOVER" PROVISIONS MAY MAKE IT MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE CONTROL OF THE COMPANY, EVEN IF THE CHANGE IN CONTROL WOULD BE BENEFICIAL TO SHAREHOLDERS.

The Company is a Pennsylvania corporation. Anti-takeover provisions in Pennsylvania law and our charter and bylaws could make it more difficult for a third party to acquire control of the Company. These provisions could adversely affect the market price of the Common Shares and could reduce the amount that shareholders might receive if the Company is sold. For example, the Company's charter provides that our board of directors may issue preferred stock without shareholder approval. In addition, the Company's bylaws provide for a classified board, with each board member serving a staggered three-year term. Directors may be removed only with the approval of the holders of at least two-thirds of all of the shares outstanding and entitled to vote.

PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS

Resistance Technology, Inc. ("RTI"), a wholly-owned subsidiary, manufactures microminiature components, systems and molded plastic parts for hearing instrument, medical equipment, electronics, telecommunications and computer industry manufacturers. RTI Electronics, Inc. ("RTIE"), formed in 1997, has expanded RTI's microminiature components business through the manufacture of 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, microphones, 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 66% of 2002 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. RTI manufactures its components on a short lead-time basis in order to supply "just-in-time" delivery to its customers and, consequently, order backlog amounts are not meaningful.

The potential range of applications for RTI's medical components and systems is broad. RTI has produced intravenous flow restrictors, bubble sensors, infusion assemblies, and many other components for use in medical instruments. Sales by RTI to industries other than the hearing instrument

industry represented approximately 19% of 2002 annual net sales for the Company's precision miniature medical and electronic products business.

RTIE manufactures and sells thermistors and thermistor assemblies, which are solid state devices that produce precise changes in electrical resistance as a function of any change in absolute body temperature. RTIE's Surge-Gard(TM) product line, an inrush electric current limiting device used primarily in computer power supplies, represents approximately a third of RTIE's sales. The balance of sales represents various industrial, commercial and military sales for thermistor and thermistor assemblies to domestic and international markets.

RTI's and RTIE's principal raw materials are plastics, polymers, metals, various metal oxide powders and silver paste, for which there are multiple sources of supply.

In order to enhance its product line offering, between 1998 and 2001, RTI made several strategic acquisitions. These acquisitions bolstered RTI's and RTIE's precision miniature mechanical and electronic products. In January, 2001, the Company acquired the shares of Lectret, a Singapore manufacturer of microphone capsules. The acquisitions expanded RTI's product capability in the hearing health market by adding a microphone product line.

Certain information regarding the acquisition of RTI Technologies PTE LTD business is set forth in note 3 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

Marketing and Competition. RTI sells its hearing instrument components directly to domestic hearing instrument manufacturers through an internal sales force. Sales of microphone products and of molded plastic parts to industries other than hearing instrument manufacturers are made mainly through an internal sales force. In recent years, five companies have accounted for a substantial portion of the U.S. hearing instrument sales. In 2002, five customers accounted for approximately 37% of RTI's net sales.

Internationally, sales representatives employed by Resistance Technology, GmbH ("RT, GmbH"), a German company 90% of whose capital is owned by RTI, solicit sales from European hearing instrument manufacturers.

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 within this market.

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.

RTI markets its high performance microphone products to the radio communication and professional audio industries and has several larger competitors who have greater financial resources. RTI holds a small market share in the global market for microphone capsules and other related products.

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. The Precision Miniature Medical and Electronic Products segment has a total of 410 employees. RTI currently employs 239 people, of whom 17

are executive and administrative personnel, 12 sales, and 210 engineering and operations personnel at RTI's two facilities near Minneapolis, Minnesota. At RT, GmbH, the Company employs 3 sales personnel located in Munich, Germany. In Singapore, RTI Tech employs 93 people, of whom 6 are administrative personnel, 3 sales, and 84 engineering and operations personnel. At its facilities in Anaheim, California, RTIE employs 75 full-time employees, of which 4 are administrative, 4 are sales, and 67 are engineering and operations personnel.

As a supplier of parts for consumer and medical products, RTI is subject to claims for personal injuries allegedly caused by its products. The Company maintains what it believes to be adequate insurance coverage.

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 \$848,000, \$1,237,000 and \$899,000 in 2002, 2001 and 2000, 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.

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 smaller standard-engineered systems, burners and combustion control equipment, (continuing operations) and large custom-engineered furnaces (discontinued operations).

CONTINUING OPERATIONS

STANDARD-ENGINEERED SYSTEMS, BURNERS AND COMBUSTION CONTROL EQUIPMENT.

Standard Engineered Systems. The Company engineers and fabricates a variety of small heat treating furnaces and heat processing equipment. This standard equipment and small-furnace business is conducted principally by its wholly-owned subsidiaries in Europe, CFR (Paris), Ermat S.A. (Lyon), Selas Italiana, and CFR Portugal (Leiria). These companies typically engineer and design atmosphere-controlled batch and continuous furnaces that are used for heat treating non-ferrous metals and glassware. Its continuous heat treating systems include not only the hardening and tempering furnaces central to the systems, but also the ancillary loading, quenching and washing equipment.

The Company also manufactures non-atmosphere-controlled batch-type furnaces in a variety of designs. These 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 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 produces the fuel mixing and monitoring systems, burners and product handling equipment necessary for these systems.

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

Burners and Combustion Control Equipment. At its Dresher, Pennsylvania facility and through its subsidiaries in Europe, Selas Waermetechnik

(Ratingen) and Japan, Nippon Selas (Tokyo), 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 permissible 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 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-Rimeter(TM) 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-Scope(TM) 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. The Heat Technology Segment has a total of 162 employees. At its remaining French operations, including Selas SAS, CFR, SEER, and Ermat businesses in France, the Company employs approximately 83 people, of whom 13 are administrative personnel, 11 are fabrication and 59 are sales, engineering and operations personnel. Its CFR Portugal subsidiary in Portugal employs 19 people, of whom 2 are administrative personnel, 12 are fabrication and 5 are sales, engineering and operations personnel. Its Selas Italiana subsidiary in Italy employs 4 people, of whom 2 are administrative personnel and 2 are sales, engineering and operations personnel. Its Selas SAS subsidiary in France employs 8 people of whom 5 are administrative personnel and 3 are sales, engineering and operations personnel. Its Selas Waermetechnik subsidiary in Germany employs 6 people, of whom 1 is administrative personnel, 2 are fabrication and 3 are sales, engineering and operations personnel

At its Dresher facility, the Company has 39 employees; 5 are executive and administrative personnel, 12 are sales and engineering personnel and 22 are personnel engaged in manufacturing. The hourly personnel are represented by a union, and the current union contract expires May, 2004. The Company considers its relations with its employees to be satisfactory.

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In April, 2001, the Company sold a minority interest of Nippon Selas to three directors of Nippon Selas. Its Tokyo facility employs 11 people; 3 administrative and 8 sales and engineering.

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 \$66,000, \$33,000 and \$31,000 in 2002, 2001 and 2000, 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.

DISCONTINUED OPERATIONS

LARGE CUSTOM-ENGINEERED FURNACES

The Company designed specialized furnaces for use primarily in the steel industries worldwide. The furnaces were 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 customer's specific requirements. The business was historically cyclical in nature. The Company completed the sale of most of this business in December 2002. See note 2 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

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. In December 2002, the Company initiated a plan to sell Deuer and it is reflected as a discontinued operation in the financial statements. See footnote 2 of the Company's consolidated financial statements.

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 2002, sales of spare tire holders accounted for over 95% of Deuer's net sales. Deuer manufactures products on a short lead time basis in order to furnish "just-in-time" delivery to its automotive customers. Due to substantial variances between manufacturers' estimated and actual requirements, the Company's order backlog amounts are not considered meaningful.

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Deuer also produces a variety of hand-operated hoist-pullers, using primarily a cable winch design, sold under the Mini-Mule(TM) 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.

Marketing and Competition. Deuer sells its spare tire holders directly to domestic automotive manufacturers. Deuer's spare tire holders are sold to DaimlerChrysler, General Motors, NUMMI, Toyota, Ssangyong Musso 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 a total of 169 people; 31 executive and administrative personnel and approximately 138 manufacturing employees. Some of the manufacturing employees are represented by a union, and the current union contract expires in October, 2006. 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 \$260,000, \$252,000 and \$252,000 in 2002, 2001 and 2000, respectively.

As a consumer products manufacturer, Deuer is subject to claims for personal injuries allegedly caused by its products. The Company maintains what it believes to be adequate insurance coverage.

AVAILABLE INFORMATION

The Company files annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. You may read and copy any reports, statements and other information that the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C., 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company's filings are also available on the SEC's Internet site as part of the EDGAR database (<http://www.sec.gov>).

ITEM 2. Properties

CONTINUING OPERATIONS

RTI leases its headquarters, 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 the Company and 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, 2011.

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The Company owns the manufacturing facility in Dresher, Pennsylvania in which its standard-engineered systems, burners and combustion control equipment are produced on a 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 sell the building and lease office and manufacturing space in the surrounding area. This property is subject to a mortgage from a third party lender. See note 9 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

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 9, 17 and 18 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

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.

Selas Waermettechnik GmbH, the Company's German subsidiary, leases facilities in Ratingen, Germany which are used for sales, administrative and engineering activities and assembly of small furnaces and furnace components. The lease expires October, 2008. Resistance Technology, GmbH, leases office space in Munich, Germany for its sales personnel and the lease expires in July, 2007.

CFR leases facilities in Paris and Maise, France. The facility in Paris house engineering, sales and administrative operations and has 10,000 square feet. The Maise facility is 40,000 square feet and houses CFR's fabrication and assembly operations. The Paris lease expires January, 2006 and the Maise lease expires March, 2004, each with three-year optional renewal terms. Ermat leases a building in Lyon, France with sales and administrative facilities which expires June, 2007. CFR Portugal leases a building in Leiria, Portugal which houses its fabrication facilities and administrative offices. The lease expires in December 2006. Selas Italiana S.r.L., the Company's Italian subsidiary leases a facility in Milan, Italy. The Milan facility is a sales office, whose lease expires in February, 2007.

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, 2004, with a three-year renewal option. Nippon Selas leases office space in Tokyo, Japan for its sales and administrative facilities on a month-to-month lease.

DISCONTINUED OPERATIONS

Selas (SAS) owns the land and building which houses its engineering, sales and

administrative operations in Gennevilliers, France (outside of Paris). The building was not part of the sale of the custom-engineered large furnace business and is currently listed for sale. The land under the building is owned by Selas (SAS) 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 and is subject to a mortgage. See note 9 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

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. This facility is included in the assets being held for sale. 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 2 to the Company's consolidated financial statements included in the 2002 annual report to shareholders.

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ITEM 3. Legal Proceedings

The Company is a defendant along with a number of other parties in approximately 108 lawsuits as of December 31, 2002 (approximately 87 lawsuits as of December 31, 2001) 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 believes 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 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.

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

None

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ITEM 4A. Executive Officers of the Company

The names, ages and offices (as of March 6, 2003) of the Company's executive officers were as follows:

Name	Age	Office
----	---	-----

Mark S. Gorder	56	President, Chief Executive Officer and Director of the Company; President of Resistance Technology, Inc.
Christian Bailliart	54	Vice President of the Company and Chairman-Director Generale of Selas (SAS)
James C. Deuer	74	Vice President of the Company and President of Deuer Manufacturing, Inc.
Robert F. Gallagher	47	Chief Financial Officer, Treasurer and Secretary of the Company
Gerald H. Broecker	51	Vice President of Administration of the Company

Mr. Gorder joined the Company in October 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 April 1996. In December 2000, he was elected President and Chief Operating Officer and in April 2001, Mr. Gorder assumed the role of Chief Executive Officer.

Mr. Bailliart joined Selas (SAS) in 1974 and in 1989 he was promoted to Chairman-Director Generale of Selas (SAS) from Vice President, Treasurer. On January 1, 1993, he was elected Vice President of the Company.

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. Gallagher joined the Company in August 2002. From October 2000 until June 2002, he was Chief Financial Officer for Visionics Corporation (which merged with Identix Corporation in June 2002). From October 1989 until June 2000 he was employed by TSI Incorporated (which was acquired and taken private in June 2000), most recently as Chief Financial Officer. Both Visionics Corporation and TSI Incorporated were publicly-held.

Mr. Broecker joined RTI in 1982 and last held the position of Vice President of Strategic Business Services for RTI prior to his promotion to Vice President of the Company in December 2002.

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 under the ticker symbol "SLS". The high and low sale prices during each quarterly period during the past two years were as follows:

MARKET AND DIVIDEND INFORMATION

	2002		2001	
	High	Low	High	Low
Quarter				
First	\$2.350	\$1.650	\$4.000	\$3.100
Second	2.880	2.150	4.750	3.300
Third. . . .	2.690	2.030	4.500	2.850
Fourth	2.350	1.500	3.600	2.000

At March 17, 2003 the Company had 402 shareholders of record of common shares.

The following table provides information regarding cash dividends declared by the Company during each quarter for past two fiscal years:

	2002 ----	2001 ----
Dividends per share:		
First Quarter	\$ --	\$.045
Second Quarter	--	.045
Third Quarter	--	.045
Fourth Quarter..	--	--

The Company ceased paying quarterly dividends in the fourth quarter of 2001 and has no intention of paying dividends in the foreseeable future. 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. Terms of the Company's banking agreements prohibit the payment of dividends without prior bank approval.

The following table details information regarding the Company's existing equity compensation plans as of December 31, 2002:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
-----	-----	-----	-----
Equity compensation plans approved by security holders.....	604,050	\$5.90	1,295,950
Equity compensation plans not approved by security holders (1)....	107,500	\$3.13	142,500
Total.....	711,550	\$5.48	1,438,450

(1) Represents shares issuable under the Non-Employee Directors Stock Option Plan, pursuant to which directors who are not employees of the Corporation or any of its subsidiaries receive an automatic one-time grant of an option to acquire 5,000 shares of common stock upon their initial election or appointment to the Board of Directors. The Plan also permits discretionary grants. The exercise price of the option is the fair market value of the stock on the date of grant. Options become exercisable in equal one-third annual installments beginning one year from the date of grant, except that the vesting schedule for discretionary grants is determined by the Compensation Committee.

ITEM 6. Selected Financial Data

Certain selected financial data is incorporated by reference to "Selas Corporation of America Five-Year Summary of Operations", page 6, and "Other Financial Highlights", page 7, of the Company's 2002 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 8 through 21 of the Company's 2002 annual report to shareholders.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Qualitative and qualitative disclosure about market risk is incorporated by reference to page 22 of the Company's 2002 annual report to shareholders.

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

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 2003 Annual Meeting of shareholders, which the Company will file in March 2003. However, the portions of such proxy statement constituting the reports of the Audit Committee and Compensation Committees 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.

Item 14. Controls and Procedures

QUARTERLY EVALUATION OF THE COMPANY'S DISCLOSURE CONTROLS AND INTERNAL CONTROLS.

Within the 90 days prior to the date of this Annual Report on Form 10-K, the Company evaluated the effectiveness of the design and operation of its "disclosure controls and procedures" ("Disclosure Controls"). This evaluation ("Controls Evaluation") was done under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

The Company's management, including the CEO and CFO, does not expect that its Disclosure Controls or its "internal controls and procedures for financial reporting" ("Internal Controls") will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CONCLUSIONS.

Based upon the Controls Evaluation, the CEO and CFO have concluded that, subject to the limitations noted above, the Disclosure Controls are effective to timely alert management to material information relating to the Company during the period when its periodic reports are being prepared.

In accordance with SEC requirements, the CEO and CFO note that, since the date of the Controls Evaluation to the date of this Annual Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

ITEM 15. 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 23 through 59 of the Company's 2002 annual report to shareholders.

Consolidated Balance Sheets at December 31, 2002 and 2001.

Consolidated Statements of Operations for the years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. Financial Statement Schedules

Page

Schedule II - Valuation and Qualifying Accounts

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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.

3. Exhibits

- 2.1 Asset and Share Purchase Agreement dated as of October 11, 2002 among the Company, Selas S.A.S, Andritz A.G. and Andritz Acquisition S.A.S. Schedules and attachments are listed under section 1.2 of the agreement and will be provided to the Commission upon request. Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on December 17, 2002 is incorporated herein by reference.

- 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 incorporated 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, 2000 is 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 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 incorporated by reference.

- 4C. Amendment to Amended and Restated Credit Agreement dated June 30, 1999 among the Company, Deuer Manufacturing, Inc., Resistance Technology, Inc., RTI Export, Inc. and RTI Electronics, Inc. The Exhibit to the Company's report on Form 10-Q for the six months ended June 30, 1999 is incorporated

by reference.

- 4D. 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 1997 is hereby incorporated by reference.
- 4E. Second Amendment to Amended and Restated Credit Agreement, dated as of July 7, 2000. Exhibit 4C to the Company's report on Form 10-Q for the period ended September 30, 2000 is incorporated by reference.
- 4F. Third Amendment to Amended and Restated Credit Agreement, dated as of January 19, 2001. Exhibit 4F to the Company's report on Form 10-K/A filed October 29, 2001 for the year ended December 31, 2000 is incorporated by reference.
- 4G. Waiver and Amendment Agreement dated November 20, 2001 among the Company, certain of its subsidiaries, and First Union National Bank. Exhibit 4G to the Company's report on Form 10-K for the year ended December 31, 2001 is incorporated by reference.
- 4H. Second Waiver and Amendment Agreement dated April 15, 2002 among the Company, certain of its subsidiaries, and First Union National Bank. Document 1 to the Company's report on Form 8K/A filed April 19, 2002 is incorporated by reference.
- 4I. First Amendment to Second Waiver and Amendment Agreement dated June 24, 2002 among the Company, certain of its subsidiaries, and Wachovia Bank, formerly First Union National Bank.
- 4J. Second Amendment to Second Waiver and Amendment Agreement dated July 30, 2002 among the Company, certain of its subsidiaries, and Wachovia Bank.
- 4K. Third Amendment to Second Waiver and Amendment Agreement dated November 14, 2002 among the Company, certain of its subsidiaries, and Wachovia Bank.
- 4L. Third Waiver and Amendment Agreement dated March 14, 2003 among the Company, certain of its subsidiaries, and Wachovia Bank.
- 10A. 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 incorporated by reference.
- 10B. Form of 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 incorporated by reference.
- 10C. 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 incorporated by reference.
- 10D. 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 incorporated by reference.
- 10E. 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 incorporated by reference.
- 10F. 2001 Stock Option Plan. Exhibit 10G to the Company's report on Form 10-K for the year ended December 31, 2001 is incorporated by reference.
- 10G. Supplemental Retirement Plan (amended and restated effective January 1, 1995). Exhibit 10H. to the Company's report on Form 10-K for the year ended December 31, 1995 is incorporated by reference.
- 10H. Employment Agreement dated June 19, 2001 among the Company, Resistance Technology, Inc. and Mark S. Gorder. Exhibit 102 to the Company's report on Form 10-Q for the period ended June 30, 2001 is incorporated by reference.
- 10I. Amended and Restated Agreement on Termination Following Change of Control

or Asset Sale, dated June 19, 2001, between the Company and Mark S. Gorder. Exhibit 10.1 to the Company's report on Form 10-Q for the period ended June 30, 2001 is 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 incorporated by reference.
- 10K. Amended and Restated Non-Employee Directors' Stock Option Plan. Exhibit 10L to the Company's report on Form 10-K for the year ended December 31, 2001 is incorporated by reference.
- 10L. Retirement Agreement, Consulting Agreement and General Release, dated August 30, 2000, between the Company and Stephen F. Ryan. Exhibit 10 to the Company's report on Form 10-Q for the period ended September 30, 2000 is incorporated by reference.
- 10M. Separation Agreement dated November 30, 2001 between the Company and Robert W. Ross. Exhibit 10N to the Company's report on Form 10-K for the year ended December 31, 2001 is incorporated by reference.
- 13. "Selas Corporation of America Five-Year Summary of Operations" contained on Page 6 of the Company's 2002 annual report to shareholders; "Other Financial Highlights" contained on page 7 of the Company's 2002 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 8-22 of the Company's 2002 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 23-59 of the Company's 2002 annual report to shareholders.

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- 21. List of significant subsidiaries of the Company.
- 23. Consent of Independent Auditors
- 99.1 Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 99.2 Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- (b) Reports on Form 8-K - Current Report on Form 8-K filed with the SEC on December 17, 2002 to announce that the Company completed its agreement with Andritz AG to sell certain of the operating assets and liabilities of its large custom engineered furnace business (Item 2 and Item 7).

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REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Shareholders
Selas Corporation of America:

Under date of March 17, 2003, we reported on the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 2002 and 2001

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, 2002, as contained in the 2002 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 2002. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule listed in the accompanying index (Item 15). This financial schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, 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.

As discussed in note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002 and Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001.

/s/ KPMG LLP
Philadelphia, Pennsylvania
March 17, 2003

SCHEDULE II

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 2002, 2001 AND 2000

Column A ----- Classification -----	Column B ----- Balance at Beginning Of Period -----	Column C ----- Additions ----- Charged to Costs and Expenses ----- Other -----	
Year ended December 31, 2002:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	\$ 445,577	\$ 522,652	\$ 184,828 (a)
Deferred tax asset valuation Allowance	\$ 1,105,870	\$ 2,252,142	
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	\$ 878,952	\$ 765,858	\$ 83,617 (a)
Year ended December 31, 2001:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	\$ 439,546	\$ 254,252	\$ (18,976) (a)
Deferred tax asset valuation Allowance	\$ 1,085,716	\$ 20,154	
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	\$ 506,102	\$ 558,963	\$ (16,207) (a)
Year ended December 31, 2000:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	\$ 412,375	\$ 125,516	\$ (20,144) (a)

Deferred tax asset valuation Allowance	\$ 1,101,378	\$ (15,662)	
	=====	=====	
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	\$ 534,646	\$ 109,977	\$ (19,272) (a)
	=====	=====	=====

a) Represents difference between translation rates of foreign currency at beginning and end of year and average rate during year.

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SCHEDULE II

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 2002, 2001 AND 2000

Column A ----- Classification -----	Column D ----- Deductions -----	Column E ----- Balance at End of Period -----
Year ended December 31, 2002:		
Reserve deducted in the balance sheet from the asset to which it applies:		
Allowance for doubtful accounts	\$ 43,827 (b)	\$ 1,109,230
	=====	=====
Deferred tax asset valuation allowance		\$ 3,358,012
		=====
Reserve not shown elsewhere:		
Reserve for estimated future costs of service and guarantees	\$ 540,066 (c)	\$ 1,188,361
	=====	=====
Year ended December 31, 2001:		
Reserve deducted in the balance sheet from the asset to which it applies:		
Allowance for doubtful accounts	\$ 229,245 (b)	\$ 445,577
	=====	=====
Deferred tax asset valuation allowance		\$ 1,105,870
		=====
Reserve not shown elsewhere:		
Reserve for estimated future costs of service and guarantees	\$ 169,906 (c)	\$ 878,952
	=====	=====
Year ended December 31, 2000:		
Reserve deducted in the balance sheet from the asset to which it applies:		
Allowance for doubtful accounts	\$ 78,201 (b)	\$ 439,546
	=====	=====
Deferred tax asset valuation allowance		\$ 1,085,716
		=====
Reserve not shown elsewhere:		
Reserve for estimated future costs of service and guarantees	\$ 119,249 (c)	\$ 506,102
	=====	=====

(b) Uncollectible accounts charged off.

(c) "After job" costs charged to reserve.

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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: /s/ Robert F. Gallagher

Robert F. Gallagher
Chief Financial Officer,
Treasurer and Secretary

Dated: March 20, 2003

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.

/s/ Mark S. Gorder

Mark S. Gorder
President and Chief Executive
Officer and Director (principal executive officer)
March 20, 2003

/s/ Robert F. Gallagher

Robert F. Gallagher
Chief Financial Officer
Treasurer and Secretary
(principal accounting and financial officer)
March 20, 2003

/s/Frederick L. Bissinger

Frederick L. Bissinger
Director
March 20, 2003

/s/Nicholas A. Giordano

Nicholas A. Giordano
Director
March 20, 2003

/s/Robert N. Masucci

Robert N. Masucci
Director
March 20, 2003

/s/ Michael J. McKenna

Michael J. McKenna
Director
March 20, 2003

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CERTIFICATION

I, Mark S. Gorder, Chief Executive Officer of Selas Corporation of America, certify that:

1.I have reviewed this annual report on Form 10-K of Selas Corporation of America;

2.Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements

were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 20, 2003

/s/ Mark S. Gorder

Chief Executive Officer

CERTIFICATION

I, Robert F. Gallagher, Chief Financial Officer of Selas Corporation of America, certify that:

1. I have reviewed this annual report on Form 10-K of Selas Corporation of America;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4.The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 20, 2003

/s/Robert F. Gallagher

Chief Financial Officer

EXHIBIT INDEX

EXHIBITS:

- 4I. First Amendment to Second Waiver and Amendment Agreement dated June 24, 2002 among the Company, certain of its subsidiaries, and Wachovia Bank, formerly First Union National Bank.
- 4J. Second Amendment to Second Waiver and Amendment Agreement dated July 30, 2002 among the Company, certain of its subsidiaries, and Wachovia Bank.
- 4K. Third Amendment to Second Waiver and Amendment Agreement dated November 14, 2002 among the Company, certain of its subsidiaries, and Wachovia Bank.
- 4L. Third Waiver and Amendment Agreement dated March 14, 2003 among the Company, certain of its subsidiaries, and Wachovia Bank.
- 13. "Selas Corporation of America Five-Year Summary of Operations" contained on Page 6 of the Company's 2002 annual report to shareholders; "Other Financial Highlights" contained on page 7 of the Company's 2002 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 8-22 of the Company's 2002 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 23-59 of the Company's 2002 annual report to shareholders.

- 21. List of significant subsidiaries of the Company.
- 23. Consent of Independent Auditors.
- 99.1 Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 99.2 Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

FIRST AMENDMENT TO

SECOND WAIVER AND AMENDMENT AGREEMENT

This First Amendment to Second Waiver and Amendment Agreement (the "Amendment") dated as of June 24, 2002 is made and entered into by and among Wachovia Bank, National Association, formerly known as First Union National Bank, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the "Bank"), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the "Borrower"), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France ("Selas SAS"), CFR-CECF Fofumi Ripoche, a corporation organized under the laws of France ("CFR"); and together with Selas SAS, the "European Subsidiaries"), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 ("Deuer"), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 ("RTI"), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 ("RTIE"), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 ("RTI Electronics"; and together with Deuer, RTI and RTIE, the "Guarantors").

BACKGROUND

A. The Bank, the Borrower and the Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the "Term Loans") and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the "Revolving Credit").

B. The Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the "Borrower Surety Agreements"): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "Deuer Surety Agreement"), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTI Surety Agreement"), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTIE Surety Agreement"), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the "RTI Electronics Surety Agreement").

C. The Term Loans are evidenced by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars

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(\$900,000) ("Term Note D"), (ii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) ("Term Note E"), and (iii) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) ("Term Note F"; and together with Term Note D and Term Note E, the "Term Notes"). The Revolving Credit facility is evidenced by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) between the Borrower and the Bank (the "Revolving Credit Note"). The Term Notes, the Revolving Credit Note and the Supplemental Credit Facility Note (as hereinafter defined) are collectively referred to hereinafter as the "Notes".

D. First Union National Bank, London Branch ("London Branch") and Selas SAS, a subsidiary of the Borrower, entered into that certain Agreement dated as of February 2, 2001, amended and restated in its entirety pursuant to that certain Amended and Restated Facility Agreement dated as of April 15, 2002 (the "Selas SAS Facility Agreement") pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an "on demand" basis, expiring on April 30, 2001 (the "Selas SAS Facility") for the purposes of providing: discretionary advance payment guarantees on behalf of Selas SAS (the "APG Facility"); and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the "Overdraft Facility"). The London Branch and Selas SAS also entered into certain term loan agreements (collectively, the "Selas SAS Term Loan Agreements"), as follows: an agreement dated February 26, 1998, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000) (as amended, the "Selas SAS 1998 Term Loan Agreement"); and an agreement dated January 2000, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30) (as amended, the "Selas SAS 2000 Term Loan Agreement").

E. The Borrower and Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (the "Selas SAS Surety Agreements"): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the "Borrower Guaranty"), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the "Deuer Guaranty"), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the "RTI Guaranty"), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the "RTIE Guaranty"), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the "RTI Electronics Guaranty").

F. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrower's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery,

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equipment, general intangibles, and (b) all of Borrower's rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the "Borrower Security Agreement"); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the "Borrower Pledge Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the "Pennsylvania Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Borrower Mortgage and Security Agreement").

G. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuer's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the "Deuer Security Agreement"); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the "Ohio Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July 21, 1995,

February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Deuer Mortgage and Security Agreement").

H. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the "RTI Security Agreement"); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property pursuant to that certain Patent and Trademark Security dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the "RTI Patent and Trademark Security Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the "Minnesota Property") pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 and April 15, 2002 (as amended, the "RTI Mortgage and Security Agreement").

I. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts,

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contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the "RTIE Security Agreement").

J. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronic's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the "RTI Electronics Security Agreement").

K. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Waiver and Amendment Agreement dated as of November 20, 2001, as amended by that certain First Amendment to Waiver and Amendment Agreement dated as of February 28, 2002 and that certain Second Amendment to Waiver and Amendment Agreement dated as of March 20, 2002 (as amended, the "First Waiver Agreement"), pursuant to which the Bank agreed to waive certain Financial Covenant Defaults (as defined therein) and provide a new credit facility pursuant to which the Bank's London Branch agreed to issue certain advance payment guarantees. In consideration of issuing certain advance payment guarantees of their behalf, each European Subsidiaries executed a General Counter Indemnity in favor of the Bank (collectively, the "General Counter Indemnities").

L. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Second Waiver and Amendment Agreement dated as of April 15, 2002 (the "Second Waiver Agreement"), pursuant to which the Bank agreed to provide the Borrower with a new supplemental credit facility evidenced by that certain Supplemental Credit Facility Note dated as of April 15, 2002 in the original principal amount of Five Million Dollars (\$5,000,000) (the "Supplemental Credit Facility Note"). In connection therewith, Selas SAS guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, CFR, and/or one or more Guarantors (the "Selas SAS Guaranty"), and CFR guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, Selas SAS, and/or one or more Guarantors (the "CFR Guaranty").

M. The First Waiver Agreement, the Second Waiver Agreement, the Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the General Counter Indemnities, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower

Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all

amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the "Loan Documents".

N. The Bank, the Borrower, the Guarantors, and the European Subsidiaries, pursuant to the terms hereof, wish to amend the Second Waiver Agreement to provide for: (i) the limiting of the Selas SAS Guaranty and the CFR Guaranty; (ii) the extinguishment of any additional availability for Advance Payment Guarantees under the First Waiver Agreement; and (iii) the issuance of an advance payment guaranty to Voest Alpine Stahl GmbH ("Voest") under the Second Waiver Agreement, as amended hereby.

NOW, THEREFORE, incorporating the Background by reference herein and for other good and valuable consideration, the Bank, the Borrower, the Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - DEFINED TERMS

1.1 DEFINED TERMS. Terms used herein which are capitalized but not defined shall have the meanings ascribed to such terms in the Loan Documents, as amended hereby.

ARTICLE II - - AMENDMENTS

2.1 AMENDMENT TO SECTION 1.1.1 OF THE SECOND WAIVER AGREEMENT. Section 1.1.1 of the Second Waiver Agreement is hereby amended and restated in its entirety to read as follows:

2.1.1 The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that, as of the effective date of this Second Waiver Agreement, after giving effect to the amendments described herein: (i) except as specifically provided in Section 1.1.5 hereof, they are jointly and severally indebted and liable to the Bank in respect of the outstanding principal amount of the Notes, together with accrued and unpaid interest thereon, and all other Obligations; (ii) the Notes mature and are due and payable in full on the respective maturity dates set forth below next to each such Note; and (iii) the outstanding principal amount of each Note as of April 8, 2002, is set forth below next to each such Note:

Promissory Notes	Maturity Date	Outstanding Principal Amount
-----	-----	-----
Term Note D	07/01/2004	\$ 652,500.00 (US Dollar)
Term Note E	02/01/2006	\$1,533,333.38 (US Dollar)
Term Note F	02/01/2006	S\$1,452,789.00 (Singapore Dollars)

Revolving Credit Note 01/31/2003 \$3,731,137.09 (US Dollars)

2.2 AMENDMENT TO SECTION 1.1.2 OF THE SECOND WAIVER AGREEMENT. Section 1.1.2 of the Second Waiver Agreement is hereby amended and restated in its entirety to read as follows:

2.2.1 The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that, as of the effective date of this Second Waiver

Agreement, after giving effect to the amendments described herein: (i) except as specifically provided in Section 1.1.5 hereof, they are jointly and severally indebted and liable to the Bank in respect of the Selas SAS Term Loan Agreements, the Overdraft Facility and all other amounts outstanding under the Selas SAS Facility Agreement, together with accrued and unpaid interest thereon, and all other Guaranteed Obligations (as such term is defined in the Selas SAS Surety Agreements); (ii) the Selas SAS Term Loan Agreements mature and are due and payable in full, together with all interest accrued thereon, on the respective maturity dates set forth below; (iii) the Overdraft Facility and all other amounts outstanding under the Selas SAS Facility Agreement are on an "on demand" basis and the Bank may make demand therefor at any time and for any reason in its sole and absolute discretion; and (iv) as of April 8, 2002, the outstanding principal amounts owing to the Bank in respect of the Selas SAS Term Loan Agreements and the Overdraft Facility are set forth below next to each such agreement or facility:

- (i) The Selas SAS 1998 Term Loan Agreement, in the outstanding principal amount of 457,347.06 (Euros), which matures on the Selas SAS 1998 Term Loan Maturity Date (as defined in the Credit Agreement, as amended hereby);
- (ii) The Selas SAS 2000 Term Loan Agreement, in the outstanding principal amount of E1,051,895.02 (Euros), which matures on the Selas SAS 2000 Term Loan Maturity Date (as defined in the Credit Agreement, as amended hereby); and
- (iii) The Overdraft Facility, in the outstanding principal amount of E5,976,854.11 (Euros), which matures on the Supplemental Credit Facility Maturity Date (as defined in the Credit Agreement, as amended hereby).

2.3 AMENDMENT TO SECTION 1.1.3 OF THE SECOND WAIVER AGREEMENT. Section 1.1.3 of the Second Waiver Agreement is hereby amended and restated in its entirety to read as follows:

2.3.1 The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that as of the effective date of this Second Waiver Agreement, except as specifically provided in Section 1.1.5 hereof, they are jointly

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and severally indebted and liable to the Bank in respect of the following outstanding advance payment guarantees that were issued under the Waiver Agreement:

- (i) Advance Payment Guaranty in the amount of E2,199,000 (Euros) to Voest Alpine Stahl GmbH on behalf of Selas SAS expiring not later than February 28, 2003;
- (ii) Advance Payment Guaranty in the amount of Norwegian Kroners 1,305,000 to Sor-Norge Aluminum AS on behalf of CFR expiring not later than August 31, 2002; and
- (iii) Advance Payment Guaranty in the amount of E25,192.20 (Euros) to Vallourec Precision Etirage on behalf of CFR expiring not later than November 30, 2002.

2.4 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.3(a) of the Credit Agreement, and replacing such Subsection 2.1.3(a) in its entirety, with the following:

(a) The European Subsidiaries shall have assigned and transferred to the Bank duly perfected, valid, first-priority security interests in and liens on all now owned and hereafter acquired accounts receivable and all other rights to payment of money of the European Subsidiaries, and the proceeds thereof, pursuant to such agreements and documents which shall be in form and substance acceptable in all respects to the Bank and its counsel in their sole and absolute discretion. Such documentation shall include, without limitation, representations and warranties of the European

Subsidiaries that the billed accounts receivable (excluding all unbilled and bill-and-hold accounts receivable): have a net realizable value at all times of not less than Six Million Euros (E6,000,000), are valid obligations of the account debtors thereof, are not subject to any defenses, counterclaims or reduction, and are fully collectible. Notwithstanding the foregoing, the Bank acknowledges and agrees that the security interest in and lien upon such European Subsidiaries' accounts receivable shall not be perfected or enforceable against such account debtors thereof absent notification to the account debtors as may be given pursuant to Section 2.1.6(b) hereof. The European Subsidiaries shall have provided an opinion of their counsel as to the validity and enforceability of such security interests and liens, the Selas SAS Guaranty, the CFR Guaranty, and all other documents executed by the European Subsidiaries in connection herewith, acceptable to the Bank and its counsel in their sole and absolute discretion.

2.5 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.6(b) of the Credit Agreement and replacing such Subsection 2.1.6(b) in its entirety with the following:

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(a) Each European Subsidiary hereby agrees to assign all of its accounts receivable and rights to payment of money, now existing and hereafter arising, to the Bank as such accounts receivable or other rights to payment of money arise or are created. Upon an Event of Default, the European Subsidiaries hereby authorize the Bank to notify each account debtor and person owing money to each European Subsidiary to remit payment on the account or contract directly to the Bank.

2.6 NEW SECTION 1.1.5 OF THE SECOND WAIVER AGREEMENT. New Section 1.1.5 is added to the Second Waiver Agreement as follows:

2.6.1 Notwithstanding anything contained herein or any other Loan Document, no European Subsidiary shall be liable for any obligation to the extent that such obligation: (a) is not attributable to loans, credit, borrowings, overdrafts or advance payment guarantees made to or for the benefit of such European Subsidiary, or (b) does not directly or indirectly benefit such European Subsidiary (whether by advances from the Lender, Borrower, Guarantors, or otherwise).

2.7 NEW SECTION 1.9 OF THE SECOND WAIVER AGREEMENT. New Section 1.9 is added to the Second Waiver Agreement as follows:

2.8 Extinguishment of APG Availability Under Waiver and Amendment Agreement. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that any remaining availability for the issuance of Advance Payment Guarantees pursuant to Section 4.1 of the Waiver Agreement is hereby extinguished and terminated.

2.9 NEW SECTION 1.10 OF THE SECOND WAIVER AGREEMENT. New Section 1.10 is added to the Second Waiver Agreement as follows:

2.10 Second Advance Payment Guaranty to Voest. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that, the London Branch will issue, on or after June 21, 2002, an advance payment guaranty in the amount of E1,466,000 Euros to Voest Alpine Stahl GmbH ("Voest") on behalf of Selas SAS, subject in all events to the terms, conditions and covenants contained in Section 2.1.3(b), (c) and (d) of the Credit Agreement, as amended hereby, and the prior satisfaction of the following conditions:

(a) Selas SAS shall provide the Bank with a valid, enforceable mortgage lien in the amount of Two Million Eight Hundred Thousand Euros (E2,800,000.00), subordinate only to that certain mortgage held by Societe General in an amount not to exceed Seven Hundred and Thirty-One Thousand Seven Hundred and Fifty-Five Euros (E731,755.00), on its building and real property located at Place des Barbanniers, 3/5 Place du Village, 92362 Gennevilliers, France, and such mortgage shall be in place and duly recorded against such property no later than July 30, 2002;

(b) The Borrower and the European Subsidiaries shall execute the documentation required to effectuate the assignment of the European Subsidiaries'

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accounts receivable and other rights to payment of money to the Bank as set forth in Section 2.1.3(a) of the Credit Agreement, and such assignment shall be made no later than July 30, 2002;

(c) The Borrower shall pay, on demand, all reasonable costs and expenses, including fees and expenses of counsel for the Bank, in connection with the negotiation and documentation of this Amendment and the documents described or referenced herein, including those documents described in subsections (a) and (b) of this Section 1.10; and

(d) The Bank, the Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge that the amount available under the Supplemental Credit Facility is insufficient by itself to cover the advance payment guaranty contemplated by this Section 1.10. In order to provide the needed additional availability, the Bank Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that the Bank may obtain additional availability through restricting the availability under the domestic Revolving Credit Commitment. The decision to restrict availability under the Revolving Credit Commitment shall be made solely by, and in the absolute discretion of, the Bank and, once made, shall be binding upon the Borrower, the U.S. Guarantors and the European Subsidiaries. Upon satisfaction of the conditions contained in Sections 1.10(a), 1.10(b) and 2.1.3 hereof, the Bank shall release restricted availability under the Revolving Credit Commitment to the extent that additional availability is provided by the Supplemental Credit Facility.

2.11 NEW SECTION 6.9 OF THE SECOND WAIVER AGREEMENT. New Section 6.9 is added to the Second Waiver Agreement as follows:

2.12 Failure of Conditions. The Borrower or any European Subsidiary shall fail to meet any one of the conditions contained in Sections 1.10(a) and (b) hereof, or there shall exist a default under any one of the documents required by such sections.

ARTICLE III - REAFFIRMATION

The Borrower, the Guarantors and the European Subsidiaries (i) acknowledge and consent to the terms and conditions set forth in this Amendment, (ii) hereby ratify, affirm and reaffirm in all respects each and all of the Loan Documents, including, without limitation, all terms, conditions, representations and covenants and General Release contained therein, all of which shall be effective as of the date hereof, and (iii) acknowledge the continued existence, validity and enforceability of the Loan Documents, and acknowledge and agree that the Bank holds a perfected security interest in the Collateral to secure the Borrower's Obligations and agree that the terms, conditions, representations and covenants contained in the Security Agreement are binding upon each of them.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Amendment, the Borrower, the Guarantors and the

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European Subsidiaries make the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Amendment:

4.1 NO VIOLATION OF APPLICABLE LAWS. The execution, delivery and performance by the Borrower, the Guarantors and the European Subsidiaries of

this Amendment are within their corporate powers, have been duly authorized by all necessary action taken by their duly authorized officers and, if necessary, by making appropriate filings with any governmental agency or unit and are the legal, binding, valid and enforceable obligations of the Borrower, the Guarantors and the European Subsidiaries; and do not (i) contravene, or constitute (with or without the giving of notice or lapse of time or both) a violation of any provision of applicable law, a violation of the organizational documents of the Borrower, the Guarantors and the European Subsidiaries or a default under any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower, the Guarantors and the European Subsidiaries, (ii) result in the creation or imposition of any lien on any of their assets (other than liens in favor of the Bank) or (iii) give cause for the acceleration of any obligations of the Borrower, the Guarantors or the European Subsidiaries to any other creditor.

4.2 DUE AUTHORIZATION. Each person executing this Amendment on behalf of the Borrower, the Guarantors and/or the European Subsidiaries is duly authorized by such respective entity to execute same.

4.3 ENFORCEABILITY. This Amendment will be, the legal, valid and binding obligation of the Borrower, the Guarantors and the European Subsidiaries, enforceable against them in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting creditors' rights generally.

4.4 COMPLIANCE WITH APPLICABLE LAWS. The Borrower is in compliance in all material respects with all laws (including all applicable environmental laws), regulations, and requirements applicable to its business and has not received, and has no knowledge of, any order or notice of any governmental investigation or of any violation or claim of violation of any law, regulation or other governmental requirement which would have a material adverse effect upon its business operations or financial condition.

4.5 REPRESENTATION AND WARRANTIES. All representations and warranties made by the Borrower in the Loan Documents are true and correct as of the date of this Amendment as if such representations and warranties have been made on the date hereof.

ARTICLE V - CONDITIONS TO CLOSING

CONDITIONS PRECEDENT TO ENFORCEABILITY OF THIS AMENDMENT. This Amendment shall be deemed effective only after the occurrence of the following events:

5.1 EXECUTION OF AMENDMENT. The Borrower's, Guarantors' and European Subsidiaries' execution and delivery to the Bank of this Amendment;

5.2 OTHER DOCUMENTS. The Borrower, the Guarantors, and/or the European Subsidiaries shall deliver, in form and substance reasonably satisfactory to the Bank: (i) Certifications of Authority and Corporate Resolutions for each of the Borrower, the Guarantors,

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and the European Subsidiaries, certified by their respective Secretaries, authorizing and approving this Amendment, and the documents and payments specified herein; (ii) Opinions of counsel for each of the Borrower and the Guarantors, satisfactory to the Bank in all respects; and

5.3 FEES AND COSTS. The Borrower's payment to the Bank of an amount sufficient to cover all of the Bank's reasonable costs and expenses to date, including, without limitation, the Bank's reasonable costs and expenses incurred in connection with the preparation and negotiation of this Amendment (including the fees and expenses of the Bank's counsel) through the date of this Amendment.

ARTICLE VI - MISCELLANEOUS

6.1 CONTINUING EFFECT. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby ratified and confirmed.

6.2 NO WAIVER. Except as expressly provided in the First Waiver Agreement, the Bank has not waived and does not waive any defaults or Events of Default, now or hereafter existing, whether known or unknown; and the Bank hereby reserves and preserves any and all rights and remedies available to it under the Loan Documents with respect to any such defaults or Events of Default.

6.3 COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Amendment. This Amendment shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

6.4 GOVERNING LAW. This Amendment shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania.

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6.5 INTEGRATION. This Amendment contains the entire agreement between the parties hereto with respect to the subject matter hereof and may not be modified or changed in any way except in writing signed by all parties.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers on the date first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION

BY: _____
NAME:
TITLE:

SELAS CORPORATION OF AMERICA

BY: _____
NAME:
TITLE:

SELAS SAS

BY: _____
NAME:
TITLE:

CFR-CECF FOFUMI RIPOCHE

BY: _____
NAME:
TITLE:

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DEUER MANUFACTURING, INC.

BY: _____
NAME:

TITLE:

RESISTANCE TECHNOLOGY, INC.,

BY: _____

NAME:

TITLE:

RTI EXPORT, INC.

BY: _____

NAME:

TITLE:

RTI ELECTRONICS, INC.

BY: _____

NAME:

TITLE:

SECOND AMENDMENT TO

SECOND WAIVER AND AMENDMENT AGREEMENT

This Second Amendment to Second Waiver and Amendment Agreement (the "Amendment") dated as of July 30, 2002 is made and entered into by and among Wachovia Bank, National Association, formerly known as First Union National Bank, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the "Bank"), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the "Borrower"), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France ("Selas SAS"), CFR-CECF Fofumi Ripoche, a corporation organized under the laws of France ("CFR"); and together with Selas SAS, the "European Subsidiaries"), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 ("Deuer"), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 ("RTI"), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 ("RTIE"), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 ("RTI Electronics"; and together with Deuer, RTI and RTIE, the "Guarantors").

BACKGROUND

A. The Bank, the Borrower and the Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the "Term Loans") and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the "Revolving Credit").

B. The Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the "Borrower Surety Agreements"): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "Deuer Surety Agreement"), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTI Surety Agreement"), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTIE Surety Agreement"), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the "RTI Electronics Surety Agreement").

C. The Term Loans are evidenced by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars

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(\$900,000) ("Term Note D"), (ii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) ("Term Note E"), and (iii) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) ("Term Note F"; and together with Term Note D and Term Note E, the "Term Notes"). The Revolving Credit facility is evidenced by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) between the Borrower and the Bank (the "Revolving Credit Note"). The Term Notes, the Revolving Credit Note and the Supplemental Credit Facility Note (as hereinafter defined) are collectively referred to hereinafter as the "Notes".

D. First Union National Bank, London Branch ("London Branch") and Selas SAS, a subsidiary of the Borrower, entered into that certain Agreement dated as of February 2, 2001, amended and restated in its entirety pursuant to that certain Amended and Restated Facility Agreement dated as of April 15, 2002 (the "Selas SAS Facility Agreement") pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an "on demand" basis, expiring on April 30, 2001 (the "Selas SAS Facility") for the purposes of providing: discretionary advance payment guarantees on behalf of Selas SAS (the "APG Facility"); and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the "Overdraft Facility"). The London Branch and Selas SAS also entered into certain term loan agreements (collectively, the "Selas SAS Term Loan Agreements"), as follows: an agreement dated February 26, 1998, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000) (as amended, the "Selas SAS 1998 Term Loan Agreement"); and an agreement dated January 2000, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30) (as amended, the "Selas SAS 2000 Term Loan Agreement").

E. The Borrower and Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (the "Selas SAS Surety Agreements"): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the "Borrower Guaranty"), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the "Deuer Guaranty"), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the "RTI Guaranty"), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the "RTIE Guaranty"), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the "RTI Electronics Guaranty").

F. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrower's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures,

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machinery, equipment, general intangibles, and (b) all of Borrower's rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the "Borrower Security Agreement"); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the "Borrower Pledge Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the "Pennsylvania Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Borrower Mortgage and Security Agreement").

G. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuer's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the "Deuer Security Agreement"); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the "Ohio Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July

21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Deuer Mortgage and Security Agreement").

H. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the "RTI Security Agreement"); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property pursuant to that certain Patent and Trademark Security dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the "RTI Patent and Trademark Security Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the "Minnesota Property") pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 and April 15, 2002 (as amended, the "RTI Mortgage and Security Agreement").

I. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts,

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contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the "RTIE Security Agreement").

J. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronic's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the "RTI Electronics Security Agreement").

K. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Waiver and Amendment Agreement dated as of November 20, 2001, as amended by that certain First Amendment to Waiver and Amendment Agreement dated as of February 28, 2002 and that certain Second Amendment to Waiver and Amendment Agreement dated as of March 20, 2002 (as amended, the "First Waiver Agreement"), pursuant to which the Bank agreed to waive certain Financial Covenant Defaults (as defined therein) and provide a new credit facility pursuant to which the Bank's London Branch agreed to issue certain advance payment guarantees. In consideration of issuing certain advance payment guarantees of their behalf, each European Subsidiaries executed a General Counter Indemnity in favor of the Bank (collectively, the "General Counter Indemnities").

L. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Second Waiver and Amendment Agreement dated as of April 15, 2002, as amended by that certain First Amendment to Second Waiver and Amendment Agreement dated as of June 24, 2002 (as amended, the "Second Waiver Agreement"), pursuant to which the Bank agreed to provide the Borrower with a new supplemental credit facility evidenced by that certain Supplemental Credit Facility Note dated as of April 15, 2002 in the original principal amount of Five Million Dollars (\$5,000,000) (the "Supplemental Credit Facility Note"). In connection therewith, Selas SAS guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, CFR, and/or one or more Guarantors (the "Selas SAS Guaranty"), and CFR guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, Selas SAS, and/or one or more Guarantors (the "CFR Guaranty").

M. The First Waiver Agreement, the Second Waiver Agreement, the Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility

Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the General Counter Indemnities, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all

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amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the "Loan Documents".

N. The Bank, the Borrower, the Guarantors, and the European Subsidiaries, pursuant to the terms hereof, wish to amend the Second Waiver Agreement to: (i) extend the deadline for the European Subsidiaries to provide certain security to the Bank; (ii) reduce the maximum availability under the Supplemental Credit Facility; and (iii) revise certain financial covenant calculations.

NOW, THEREFORE, incorporating the Background by reference herein and for other good and valuable consideration, the Bank, the Borrower, the Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - DEFINED TERMS

1.1 DEFINED TERMS. Terms used herein which are capitalized but not defined shall have the meanings ascribed to such terms in the Loan Documents, as amended hereby.

ARTICLE II - AMENDMENTS

2.1 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.1 of the Credit Agreement, and replacing such Subsection 2.1.1 in its entirety, with the following:

2.1.1 Supplemental Credit Facility. Subject in all events to the terms, conditions and covenants contained in this Section 2.1 and Article IV of the Second Waiver Agreement and in the other Waiver Documents, and provided that there is no default, Default or Event of Default under any of the Loan Documents, the Bank agrees to make available to the Borrower a credit facility (the "Supplemental Credit Facility") in the maximum aggregate amount of Two Million U.S. Dollars (\$2,000,000) (the "Supplemental Credit Facility Sub-Limit") until such time as the conditions specified in Section 2.1.3 hereof have been satisfied, at which time the maximum aggregate amount of the Supplemental Credit Facility shall be increased to Four Million U.S. Dollars (\$4,000,000) (the "Supplemental Credit Facility Limit"); provided however, that at no time shall the outstanding loans or advances under the Supplemental Credit Facility exceed Two Million U.S. Dollars (\$2,000,000).

2.2 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.3 of the Credit Agreement, and replacing such Subsection 2.1.3 in its entirety, with the following:

2.1.3 Specific Conditions Precedent to Availability of Supplemental Credit Facility. The Bank's obligation: (i) to make loans, advances or extensions of credit under the Supplemental Credit Facility, or (ii) to cause the Bank's London Branch to issue any Advance Payment Guarantee under the Supplemental Credit Facility in the aggregate amount in excess of the Supplemental Credit Facility Sub-Limit, or (iii) to issue any Advance Payment Guarantee under the Selas SAS

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Facility, is subject, in each case, to the prior satisfaction of all of the following conditions precedent which the Borrower, the U.S. Guarantors, and the European Subsidiaries acknowledge are material (provided, however, that the conditions specified in Subsections 2.1.3(a), (b) and (c) shall not apply to the issuance of Advance Payment Guarantees or loans and advances under the Supplemental Credit Facility in an aggregate amount not to exceed the Supplemental Credit Facility Sub-Limit):

- (a) The European Subsidiaries shall have pledged and transferred to the Bank duly perfected, valid, first-priority security interests in and liens on all now owned and hereafter acquired accounts receivable and all other rights to payment of money of the European Subsidiaries, and the proceeds thereof, pursuant to such agreements and documents which shall be in place no later than August 31, 2002, and shall be in form and substance acceptable in all respects to the Bank and its counsel in their sole and absolute discretion. Such documentation shall include, without limitation, representations and warranties of the European Subsidiaries that the billed accounts receivable (excluding all unbilled and bill-and-hold accounts receivable): have a net realizable value at all times of not less than Six Million Euros (E6,000,000), are valid obligations of the account debtors thereof, are not subject to any defenses, counterclaims or reduction, and are fully collectible. Notwithstanding the foregoing, the Bank acknowledges and agrees that the security interest in and lien upon such European Subsidiaries' accounts receivable shall not be perfected or enforceable against such account debtors thereof absent notification to the account debtors as may be given pursuant to Section 2.1.6(b) hereof.
 - (b) Selas SAS shall provide the Bank with a valid, enforceable mortgage lien in the amount of Two Million Eight Hundred Thousand Euros (E2,800,000.00), subordinate only to that certain mortgage held by Societe Generale in a principal amount not to exceed Seven Hundred and Thirty-One Thousand Seven Hundred and Fifty-Five Euros (E731,755.00), on its building and real property located at Place des Barbanniers, 3/5 Place du Village, 92362 Gennevilliers, France, and such mortgage shall be in place and duly recorded against such property no later than August 31, 2002;
 - (c) The European Subsidiaries shall have provided an opinion of their counsel as to the validity and enforceability of the security interests and liens contemplated by Subsections 2.1.3(a) and (b) hereof, as well as the validity and enforceability of the Selas SAS Guaranty, the CFR Guaranty, and all other documents executed by the European Subsidiaries in connection herewith, acceptable to the Bank and its counsel in their sole and absolute discretion.
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- (d) For each Advance Payment Guaranty, the European Subsidiaries, the Borrower and the U.S. Guarantors shall have executed and delivered (or caused to be executed and delivered) to the Bank such documents and agreements, as the Bank, in its sole and absolute discretion, may require, including, without limitation, the following:
 - (i) A facility agreement for each Advance Payment Guaranty, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, the Borrower, the U.S. Guarantors and the other European Subsidiary, that will include certain terms and conditions for the issuance of the Advance Payment Guarantees, such as duration of such Advance Payment Guaranty, applicable fees, interest rates, penalty interest, and other

terms and conditions, as the Bank determines in its sole and absolute discretion;

(ii) a General Counter Indemnity, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, the Borrower, the U.S. Guarantors and the other European Subsidiary that will include such terms and conditions as the Bank determines in its sole and absolute discretion; and

(iii) such other documents as the Bank, in its sole discretion, may require, including, but not limited to a legal opinion from counsel to the European Subsidiaries in form and substance acceptable to the Bank.

(e) There shall not be a default, a Default or an Event of Default under any of the Loan Documents, or any other document executed or delivered in connection with any Advance Payment Guaranty or any other Loan Document (other than the Financial Covenant Defaults that were waived in the Waiver Agreement); and

(f) The requirements of Article IV of the Second Waiver Agreement shall have been satisfied.

2.3 AMENDMENT TO SUBSECTION 1.10(a) OF THE SECOND WAIVER AGREEMENT.

Subsection 1.10(a) of the Second Waiver Agreement is hereby amended by deleting Subsection 1.10(a) of the Second Waiver Agreement and replacing such Subsection 1.10(a) in its entirety with the following:

(a) Selas SAS shall provide the Bank with a valid, enforceable mortgage lien in the amount of Two Million Eight Hundred Thousand Euros (E2,800,000.00), subordinate only to that certain mortgage held by Societe Generale in an amount not to exceed Seven Hundred and Thirty-One

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Thousand Seven Hundred and Fifty-Five Euros (E731,755.00), on its building and real property located at Place des Barbanniers, 3/5 Place du Village, 92362 Gennevilliers, France, and such mortgage shall be in place and duly recorded against such property no later than August 31, 2002;

2.4 AMENDMENT TO SUBSECTION 1.10(b) OF THE SECOND WAIVER AGREEMENT.

Subsection 1.10(b) of the Second Waiver Agreement is hereby amended by deleting Subsection 1.10(b) of the Second Waiver Agreement and replacing such Subsection 1.10(b) in its entirety with the following:

(b) The Borrower and the European Subsidiaries shall execute the documentation required to effectuate the pledge of the European Subsidiaries' accounts receivable and other rights to payment of money to the Bank as set forth in Section 2.1.3(a) of the Credit Agreement, and such pledge shall be made no later than August 31, 2002;

2.5 AMENDMENT TO SECTION 2.10 OF THE SECOND WAIVER AGREEMENT. Section 2.10 of the Second Waiver Agreement is hereby amended by deleting Subsection 6.16 of the Credit Agreement, and replacing such Subsection 6.16 in its entirety, with the following:

6.16 Consolidated Total Liabilities and Contingent Liabilities to Consolidated Tangible Capital Funds. Maintain, as of the last day of each fiscal quarter, a ratio of (a) Consolidated Total Liabilities of the Borrower and its Consolidated Subsidiaries, excluding liabilities of Discontinued Operations, plus the Contingent Liabilities of Selas SAS which are guaranteed by the Borrower, to (b) Consolidated Tangible Capital Funds of the Borrower and its Consolidated Subsidiaries, of not more than 2.50 to 1.0.

The Borrower, the Guarantors and the European Subsidiaries
(i) acknowledge and consent to the terms and conditions set forth in this Amendment, (ii) hereby ratify, affirm and reaffirm in all respects each and all of the Loan Documents, including, without limitation, all terms, conditions, representations and covenants and General Release contained therein, all of which shall be effective as of the date hereof, and (iii) acknowledge the continued existence, validity and enforceability of the Loan Documents, and acknowledge and agree that the Bank holds a perfected security interest in the Collateral to secure the Borrower's Obligations and agree that the terms, conditions, representations and covenants contained in the Security Agreement are binding upon each of them.

ARTICLE IV - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Amendment, the Borrower, the Guarantors and the European Subsidiaries make the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Amendment:

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4.1 NO VIOLATION OF APPLICABLE LAWS. The execution, delivery and performance by the Borrower, the Guarantors and the European Subsidiaries of this Amendment are within their corporate powers, have been duly authorized by all necessary action taken by their duly authorized officers and, if necessary, by making appropriate filings with any governmental agency or unit and are the legal, binding, valid and enforceable obligations of the Borrower, the Guarantors and the European Subsidiaries; and do not (i) contravene, or constitute (with or without the giving of notice or lapse of time or both) a violation of any provision of applicable law, a violation of the organizational documents of the Borrower, the Guarantors and the European Subsidiaries or a default under any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower, the Guarantors and the European Subsidiaries, (ii) result in the creation or imposition of any lien on any of their assets (other than liens in favor of the Bank) or (iii) give cause for the acceleration of any obligations of the Borrower, the Guarantors or the European Subsidiaries to any other creditor.

4.2 DUE AUTHORIZATION. Each person executing this Amendment on behalf of the Borrower, the Guarantors and/or the European Subsidiaries is duly authorized by such respective entity to execute same.

4.3 ENFORCEABILITY. This Amendment will be, the legal, valid and binding obligation of the Borrower, the Guarantors and the European Subsidiaries, enforceable against them in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting creditors' rights generally.

4.4 COMPLIANCE WITH APPLICABLE LAWS. The Borrower is in compliance in all material respects with all laws (including all applicable environmental laws), regulations, and requirements applicable to its business and has not received, and has no knowledge of, any order or notice of any governmental investigation or of any violation or claim of violation of any law, regulation or other governmental requirement which would have a material adverse effect upon its business operations or financial condition.

4.5 REPRESENTATION AND WARRANTIES. All representations and warranties made by the Borrower in the Loan Documents are true and correct as of the date of this Amendment as if such representations and warranties have been made on the date hereof.

ARTICLE V - CONDITIONS TO CLOSING

CONDITIONS PRECEDENT TO ENFORCEABILITY OF THIS AMENDMENT. This Amendment shall be deemed effective only after the occurrence of the following events:

5.1 EXECUTION OF AMENDMENT. The Borrower's, Guarantors' and European

Subsidiaries' execution and delivery to the Bank of this Amendment; and

5.2 FEES AND COSTS. The Borrower's payment to the Bank of an amount sufficient to cover all of the Bank's reasonable costs and expenses to date, including, without limitation, the Bank's reasonable costs and expenses incurred in connection with the preparation and

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negotiation of this Amendment (including the fees and expenses of the Bank's counsel) through the date of this Amendment.

ARTICLE VI - MISCELLANEOUS

6.1 CONTINUING EFFECT. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby ratified and confirmed.

6.2 NO WAIVER. Except as expressly provided in the First Waiver Agreement, the Bank has not waived and does not waive any defaults or Events of Default, now or hereafter existing, whether known or unknown; and the Bank hereby reserves and preserves any and all

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rights and remedies available to it under the Loan Documents with respect to any such defaults or Events of Default.

6.3 COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Amendment. This Amendment shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

6.4 GOVERNING LAW. This Amendment shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania.

6.5 INTEGRATION. This Amendment contains the entire agreement between the parties hereto with respect to the subject matter hereof and may not be modified or changed in any way except in writing signed by all parties.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers on the date first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION

BY: _____
NAME:
TITLE:

SELAS CORPORATION OF AMERICA

BY: _____
NAME:
TITLE:

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SELAS SAS

BY: _____
NAME:
TITLE:

CFR-CECF FOFUMI RIPOCHE

BY: _____
NAME:
TITLE:

DEUER MANUFACTURING, INC.

BY: _____
NAME:
TITLE:

RESISTANCE TECHNOLOGY, INC.,

BY: _____
NAME:
TITLE:

- 12 -

RTI EXPORT, INC.

BY: _____
NAME:
TITLE:

RTI ELECTRONICS, INC.

BY: _____
NAME:
TITLE:

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THIRD AMENDMENT TO

SECOND WAIVER AND AMENDMENT AGREEMENT

This Third Amendment to Second Waiver and Amendment Agreement (the "Amendment") dated as of November 14, 2002 is made and entered into by and among Wachovia Bank, National Association, formerly known as First Union National Bank, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the "Bank"), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the "Borrower"), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France ("Selas SAS"), CFR-CECF Fofumi Ripoche, a corporation organized under the laws of France ("CFR"); and together with Selas SAS, the "European Subsidiaries"), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 ("Deuer"), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 ("RTI"), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 ("RTIE"), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 ("RTI Electronics"; and together with Deuer, RTI and RTIE, the "Guarantors").

BACKGROUND

A. The Bank, the Borrower and the Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the "Term Loans") and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the "Revolving Credit").

B. The Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the "Borrower Surety Agreements"): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "Deuer Surety Agreement"), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTI Surety Agreement"), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTIE Surety Agreement"), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the "RTI Electronics Surety Agreement").

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C. The Term Loans are evidenced by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars (\$900,000) ("Term Note D"), (ii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) ("Term Note E"), and (iii) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) ("Term Note F"; and together with Term Note D and Term Note E, the "Term Notes"). The Revolving Credit facility is evidenced by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) between the Borrower and the Bank (the "Revolving Credit Note"). The Term Notes, the Revolving Credit Note and the Supplemental Credit Facility Note (as hereinafter defined) are collectively referred to hereinafter as the "Notes".

D. The Bank's London Branch ("London Branch") and Selas SAS, a

subsidiary of the Borrower, entered into that certain Agreement dated as of February 2, 2001, amended and restated in its entirety pursuant to that certain Amended and Restated Facility Agreement dated as of April 15, 2002 (the "Selas SAS Facility Agreement") pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an "on demand" basis, expiring on April 30, 2001 (the "Selas SAS Facility") for the purposes of providing: discretionary advance payment guarantees on behalf of Selas SAS (the "APG Facility"); and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the "Overdraft Facility"). The London Branch and Selas SAS also entered into certain term loan agreements (collectively, the "Selas SAS Term Loan Agreements"), as follows: an agreement dated February 26, 1998, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000) (as amended, the "Selas SAS 1998 Term Loan Agreement"); and an agreement dated January 2000, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30) (as amended, the "Selas SAS 2000 Term Loan Agreement").

E. The Borrower and Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (the "Selas SAS Surety Agreements"): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the "Borrower Guaranty"), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the "Deuer Guaranty"), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the "RTI Guaranty"), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the "RTIE Guaranty"), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the "RTI Electronics Guaranty").

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F. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrower's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, and (b) all of Borrower's rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the "Borrower Security Agreement"); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the "Borrower Pledge Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the "Pennsylvania Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Borrower Mortgage and Security Agreement").

G. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuer's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the "Deuer Security Agreement"); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the "Ohio Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July 21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Deuer Mortgage and Security Agreement").

H. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the "RTI Security Agreement"); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property pursuant to that certain Patent and Trademark Security dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the "RTI Patent and Trademark Security Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the "Minnesota Property") pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 and April 15, 2002 (as amended, the "RTI Mortgage and Security Agreement").

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I. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the "RTIE Security Agreement").

J. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronic's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the "RTI Electronics Security Agreement").

K. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Waiver and Amendment Agreement dated as of November 20, 2001, as amended by that certain First Amendment to Waiver and Amendment Agreement dated as of February 28, 2002 and that certain Second Amendment to Waiver and Amendment Agreement dated as of March 20, 2002 (as amended, the "First Waiver Agreement"), pursuant to which the Bank agreed to waive certain Financial Covenant Defaults (as defined therein) and provide a new credit facility pursuant to which the Bank's London Branch agreed to issue certain advance payment guarantees. In consideration of issuing certain advance payment guarantees of their behalf, each European Subsidiary executed a General Counter Indemnity in favor of the Bank (collectively, the "General Counter Indemnities").

L. The Borrower, the Guarantors, and the European Subsidiaries entered into that certain Second Waiver and Amendment Agreement dated as of April 15, 2002, as amended by that certain First Amendment to Second Waiver and Amendment Agreement dated as of June 24, 2002 and that certain Second Amendment to Second Waiver and Amendment Agreement dated as of July 30, 2002 (as amended, the "Second Waiver Agreement"), pursuant to which the Bank agreed to provide the Borrower with a new supplemental credit facility evidenced by that certain Supplemental Credit Facility Note dated as of April 15, 2002 in the original principal amount of Five Million Dollars (\$5,000,000) (the "Supplemental Credit Facility Note"). In connection therewith, Selas SAS guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, CFR, and/or one or more Guarantors (the "Selas SAS Guaranty"), and CFR guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, Selas SAS, and/or one or more Guarantors (the "CFR Guaranty").

M. The First Waiver Agreement, the Second Waiver Agreement, the Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the General Counter Indemnities, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower

Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the "Loan Documents".

N. The Borrower has informed the Bank that, in the absence of the waiver provided herein, Events of Default would occur under the Credit Agreement as a result of (i) the Borrower's monthly net losses from Discontinued Operations as of August 31, 2002 exceeding the maximum monthly net loss level provided under the Credit Agreement, (ii) the Borrower's monthly net losses from Discontinued Operations as of September 30, 2002 exceeding the maximum monthly net loss level provided under the Credit Agreement, (iii) the Borrower's quarterly net losses from Discontinued Operations as of September 30, 2002 exceeding the maximum quarterly net loss level provided under the Credit Agreement, and (iv) the Borrower's failure to maintain the minimum Consolidated Tangible Capital Funds amount as of September 30, 2002 (collectively, the "Discontinued Operation Covenant Defaults").

O. The Bank, the Borrower, the Guarantors, and the European Subsidiaries, pursuant to the terms hereof, wish to amend the Second Waiver Agreement to: (i) waive the Discontinued Operation Covenant Defaults (ii) extinguish any additional availability under the Supplemental Credit Facility, and (iii) remove the requirement that the European Subsidiaries provide the Bank with additional security with respect to the Supplemental Credit Facility.

NOW, THEREFORE, incorporating the Background by reference herein and for other good and valuable consideration, the Bank, the Borrower, the Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - DEFINED TERMS

1.1 DEFINED TERMS. Terms used herein which are capitalized but not defined shall have the meanings ascribed to such terms in the Loan Documents, as amended hereby.

ARTICLE II - WAIVER OF DISCONTINUED OPERATION COVENANT DEFAULTS

2.1 WAIVER OF DISCONTINUED OPERATION COVENANT DEFAULTS. Subject to the provisions hereof, the Bank hereby waives the Discontinued Operation Covenant Defaults. Notwithstanding the foregoing, the Bank's waiver of the Discontinued Operation Covenant Defaults, or any communication between the Bank, the Borrower, the Guarantors, the European Subsidiaries, or each of their respective officers, agents, employees or representatives, shall not be deemed to constitute a waiver of (i) any default or Event of Default, whether now existing or hereinafter arising, under the Loan Documents, other than the Discontinued Operation Covenant Defaults; (ii) the ongoing obligation of the Borrower, the Guarantors and the European Subsidiaries to comply with the Credit Agreement and the other Loan Documents as amended hereby; or (iii) any rights or remedies which the Bank has against the Borrower, the Guarantors, or the European Subsidiaries under the Loan Documents and/or applicable law, with respect to

any default or Event of Default, other than rights and remedies which directly result from the occurrence and existence of the Discontinued Operation Covenant Defaults. The Bank hereby reserves and preserves all of its rights and remedies against the Borrower, the Guarantors, and the European Subsidiaries under the Loan Documents and applicable law, other than the right to declare an Event of Default or exercise remedies based upon the occurrence and existence of the

ARTICLE III - AMENDMENTS

3.1 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.1 of the Credit Agreement, and replacing such Subsection 2.1.1 in its entirety, with the following:

2.1.1 Supplemental Credit Facility. Subject in all events to the terms, conditions and covenants contained in this Section 2.1 and Article IV of the Second Waiver Agreement and in the other Waiver Documents, and provided that there is no default, Default or Event of Default under any of the Loan Documents, the Bank agrees to make available to the Borrower a credit facility (the "Supplemental Credit Facility") in the maximum aggregate amount of Two Million U.S. Dollars (\$2,000,000) (the "Supplemental Credit Facility Sub-Limit"). At no time shall the maximum aggregate amount of the Supplemental Credit Facility exceed the Supplemental Credit Facility Sub-Limit.

3.2 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.2 of the Credit Agreement, and replacing such Subsection 2.1.2 in its entirety, with the following:

2.1.2 Selas SAS Facility. The Bank shall have no obligation to make any further extension of credit under the Selas SAS Facility.

3.3 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.3 of the Credit Agreement, and replacing such Subsection 2.1.3 in its entirety, with the following:

2.1.3 Specific Conditions Precedent to Issuance of Advance Payment Guarantees. The Bank's issuance of any Advance Payment Guaranty is subject, in each case, to the prior satisfaction of all of the following conditions precedent which the Borrower, the U.S. Guarantors, and the European Subsidiaries acknowledge are material:

- (a) For each Advance Payment Guaranty, the European Subsidiaries, the Borrower and the U.S. Guarantors shall have executed and delivered (or

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caused to be executed and delivered) to the Bank such documents and agreements, as the Bank, in its sole and absolute discretion, may require, including, without limitation, the following:

- (i) A facility agreement for each Advance Payment Guaranty, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, the Borrower, the U.S. Guarantors and the other European Subsidiary, that will include certain terms and conditions for the issuance of the Advance Payment Guarantees, such as duration of such Advance Payment Guaranty, applicable fees, interest rates, penalty interest, and other terms and conditions, as the Bank determines in its sole and absolute discretion;
- (ii) a General Counter Indemnity, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, the Borrower, the U.S. Guarantors and the other European Subsidiary that will include such terms and conditions as the Bank determines in its sole and absolute discretion; and
- (iii) such other documents as the Bank, in its sole

discretion, may require, including, but not limited to a legal opinion from counsel to the European Subsidiaries in form and substance acceptable to the Bank.

- (b) There shall not be a default, a Default or an Event of Default under any of the Loan Documents, or any other document executed or delivered in connection with any Advance Payment Guaranty or any other Loan Document (other than the Financial Covenant Defaults that were waived in the Waiver Agreement); and
- (c) The requirements of Article IV of the Second Waiver Agreement shall have been satisfied.

3.4 AMENDMENT TO SECTION 2.5 OF THE SECOND WAIVER AGREEMENT. Section 2.5 of the Second Waiver Agreement is hereby amended by deleting Subsection 2.1.6 of the Credit Agreement in its entirety.

3.5 AMENDMENT TO SECTION 6.2 OF THE SECOND WAIVER AGREEMENT. Section 6.2 of the Second Waiver Agreement is hereby deleted in its entirety and replaced with the following new Section 6.2:

6.2 Breach of Covenants. Except for the Discontinued Operation Covenant Defaults, the Borrower, any U.S. Guarantor, or any European Subsidiary shall fail to perform or observe any covenant, term or agreement in the Waiver Agreement,

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this Second Waiver Agreement, the other Waiver Documents or any other Loan Document or is in violation of or non-compliance with any provision of the Waiver Agreement, this Second Waiver Agreement, the other Waiver Documents or any other Loan Document after the expiration of any applicable cure period, if any, set forth in any such Loan Document with respect to such covenant, term or agreement.

3.6 AMENDMENT TO SECTION 6.8 OF THE SECOND WAIVER AGREEMENT. Section 6.8 of the Second Waiver Agreement is hereby deleted in its entirety and replaced with the following new Section 6.8:

6.8 Event of Default Under Other Loan Documents. An Event of Default (as such term is defined in the Credit Agreement) or a Default or an Event of Default (as each such term is defined in the other Loan Documents) (other than the Discontinued Operation Covenant Defaults) shall occur under any of the Loan Documents.

ARTICLE IV - REAFFIRMATION

The Borrower, the Guarantors and the European Subsidiaries (i) acknowledge and consent to the terms and conditions set forth in this Amendment, (ii) hereby ratify, affirm and reaffirm in all respects each and all of the Loan Documents, including, without limitation, all terms, conditions, representations and covenants and General Release contained therein, all of which shall be effective as of the date hereof, and (iii) acknowledge the continued existence, validity and enforceability of the Loan Documents, and acknowledge and agree that the Bank holds a perfected security interest in the Collateral to secure the Borrower's Obligations and agree that the terms, conditions, representations and covenants contained in the Security Agreement are binding upon each of them.

ARTICLE V - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Amendment, the Borrower, the Guarantors and the European Subsidiaries make the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Amendment:

5.1 NO VIOLATION OF APPLICABLE LAWS. The execution, delivery and performance by the Borrower, the Guarantors and the European Subsidiaries of this Amendment are within their corporate powers, have been duly authorized by

all necessary action taken by their duly authorized officers and, if necessary, by making appropriate filings with any governmental agency or unit and are the legal, binding, valid and enforceable obligations of the Borrower, the Guarantors and the European Subsidiaries; and do not (i) contravene, or constitute (with or without the giving of notice or lapse of time or both) a violation of any provision of applicable law, a violation of the organizational documents of the Borrower, the Guarantors and the European Subsidiaries or a default under any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower, the Guarantors and the European Subsidiaries, (ii) result in the creation or imposition of any lien on any of their assets (other than

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liens in favor of the Bank) or (iii) give cause for the acceleration of any obligations of the Borrower, the Guarantors or the European Subsidiaries to any other creditor.

5.2 DUE AUTHORIZATION. Each person executing this Amendment on behalf of the Borrower, the Guarantors and/or the European Subsidiaries is duly authorized by such respective entity to execute same.

5.3 ENFORCEABILITY. This Amendment will be, the legal, valid and binding obligation of the Borrower, the Guarantors and the European Subsidiaries, enforceable against them in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting creditors' rights generally.

5.4 COMPLIANCE WITH APPLICABLE LAWS. The Borrower is in compliance in all material respects with all laws (including all applicable environmental laws), regulations, and requirements applicable to its business and has not received, and has no knowledge of, any order or notice of any governmental investigation or of any violation or claim of violation of any law, regulation or other governmental requirement which would have a material adverse effect upon its business operations or financial condition.

5.5 REPRESENTATION AND WARRANTIES. All representations and warranties made by the Borrower in the Loan Documents are true and correct as of the date of this Amendment as if such representations and warranties have been made on the date hereof.

ARTICLE VI - CONDITIONS TO CLOSING

CONDITIONS PRECEDENT TO ENFORCEABILITY OF THIS AMENDMENT. This Amendment shall be deemed effective only after the occurrence of the following events:

6.1 EXECUTION OF AMENDMENT. The Borrower's, Guarantors' and European Subsidiaries' execution and delivery to the Bank of this Amendment; and

6.2 FEES AND COSTS. The Borrower's payment to the Bank of an amount sufficient to cover all of the Bank's reasonable costs and expenses to date, including, without limitation, the Bank's reasonable costs and expenses incurred in connection with the preparation and negotiation of this Amendment (including the fees and expenses of the Bank's counsel) through the date of this Amendment.

ARTICLE VII - MISCELLANEOUS

7.1 CONTINUING EFFECT. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby ratified and confirmed.

7.2 NO WAIVER. Except as expressly provided in the First Waiver Agreement, the Bank has not waived and does not waive any defaults or Events of Default, now or hereafter existing, whether known or unknown; and the Bank hereby reserves and preserves any and all

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rights and remedies available to it under the Loan Documents with respect to any such defaults or Events of Default.

7.3 COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Amendment. This Amendment shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

7.4 GOVERNING LAW. This Amendment shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania.

7.5 INTEGRATION. This Amendment contains the entire agreement between the parties hereto with respect to the subject matter hereof and may not be modified or changed in any way except in writing signed by all parties.

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IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers on the date first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION

BY: _____
NAME:
TITLE:

SELAS CORPORATION OF AMERICA

BY: _____
NAME:
TITLE:

SELAS SAS

BY: _____
NAME:
TITLE:

CFR-CECF FOFUMI RIPOCHE

BY: _____
NAME:
TITLE:

DEUER MANUFACTURING, INC.

BY: _____
NAME:
TITLE:

RESISTANCE TECHNOLOGY, INC.,

BY: _____
NAME:
TITLE:

RTI EXPORT, INC.

BY: _____
NAME:
TITLE:

RTI ELECTRONICS, INC.

BY: _____
NAME:
TITLE:

THIRD WAIVER AND AMENDMENT AGREEMENT

This Third Waiver and Amendment Agreement (the "Third Waiver Agreement") dated as of March 14, 2003 is made and entered into by and among Wachovia Bank, National Association, formerly known as First Union National Bank, with an office at Broad and Walnut Streets, Philadelphia, Pennsylvania 19109 (the "Bank"), Selas Corporation of America, a Pennsylvania business corporation with offices located at 2034 Limekiln Pike, Dresher, Pennsylvania 19025 (the "Borrower"), Selas SAS (formerly named Selas S.A.), a corporation organized under the laws of France ("Selas SAS"), CFR-CECF Fofumi Ripoche, a corporation organized under the laws of France ("CFR"); and together with Selas SAS, the "European Subsidiaries"), Deuer Manufacturing, Inc., an Ohio business corporation with offices located at 2985 Springboro West, Dayton, Ohio 45439 ("Deuer"), Resistance Technology, Inc., a Minnesota business corporation with offices located at 1260 Red Fox Road, Arden Hills, Minnesota 55112 ("RTI"), RTI Export, Inc., a Barbados corporation with offices located at c/o 2034 Limekiln Pike, Dresher, Pennsylvania 19025 ("RTIE"), and RTI Electronics, Inc., a Delaware corporation with offices located at 1800 Via Burton Street, Anaheim, California 92806 ("RTI Electronics"; and together with Deuer, RTI and RTIE, the "U.S. Guarantors").

BACKGROUND

A. The Bank, the Borrower and the U.S. Guarantors entered into that certain Amended and Restated Credit Agreement dated as of July 31, 1998, as amended by an Amendment dated as of June 30, 1999, a Second Amendment dated as of July 7, 2000 and a Third Amendment dated as of January 19, 2001 (as amended, the "Credit Agreement"), pursuant to which the Bank made certain term loans to the Borrower described therein (the "Term Loans") and agreed to make available to the Borrower a revolving credit facility in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) (the "Revolving Credit").

B. The U.S. Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of the Borrower to the Bank pursuant to the following agreements (collectively, the "Borrower Surety Agreements"): (i) that certain Guaranty and Suretyship Agreement of Deuer dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "Deuer Surety Agreement"), (ii) that certain Guaranty and Suretyship Agreement of RTI dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTI Surety Agreement"), (iii) that certain Guaranty and Suretyship Agreement of RTIE dated as of October 20, 1993 and amended as of July 31, 1998 (as amended, the "RTIE Surety Agreement"), and (iv) that certain Guaranty and Suretyship Agreement of RTI Electronics dated as of February 20, 1997, as amended July 31, 1998 (as amended, the "RTI Electronics Surety Agreement").

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C. The outstanding Term Loans are evidenced, INTER ALIA, by the following promissory notes executed by the Borrower in favor of the Bank, which are outstanding as of the date hereof: (i) Term Note D dated as of June 30, 1999 in the original principal amount of Nine Hundred Thousand Dollars (\$900,000) ("Term Note D"), (ii) Term Note E dated as of January 19, 2001 in the original principal amount of Two Million Dollars (\$2,000,000) ("Term Note E"), and (iii) Term Note F dated as of January 19, 2001 in the original principal amount of One Million Seven Hundred Thousand Singapore Dollars (Singapore \$1,700,000) ("Term Note F"; and together with Term Note D and Term Note E, the "Term Notes"). The Revolving Credit facility is evidenced, INTER ALIA, by an Amended and Restated Revolving Credit Note dated as of January 19, 2001 in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) executed by the Borrower in favor of the Bank (the "Revolving Credit Note"). The Term Notes, the Revolving Credit Note and the Supplemental Credit Facility Note (as hereinafter defined) are collectively referred to hereinafter as the "Notes".

D. The Bank, through the Bank's London Branch ("London Branch"), and Selas SAS, a subsidiary of the Borrower, entered into that certain Agreement dated as of February 2, 2001, amended and restated in its entirety pursuant to

that certain Amended and Restated Facility Agreement dated as of April 15, 2002, and amended by that certain First Amendment to Amended and Restated Facility Agreement dated as of January 16, 2003, and that certain Second Amendment to Amended and Restated Facility Agreement dated as of February 27, 2003 (as amended, the "Selas SAS Facility Agreement") pursuant to which the Bank provided to Selas SAS a discretionary line of credit facility in the aggregate amount of Sixteen Million Euros (E16,000,000) on an "on demand" basis, expiring on April 30, 2001 (the "Selas SAS Facility") for the purposes of providing discretionary advance payment guarantees on behalf of Selas SAS (the "APG Facility") and a discretionary overdraft facility for general working capital purposes with a sub-limit amount of Two Million Euros (E2,000,000) that was later increased (the "Overdraft Facility"). The Bank, through its London Branch, and Selas SAS also entered into certain term loan agreements (collectively, the "Selas SAS Term Loan Agreements"), as follows: an agreement dated February 26, 1998, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of Fifteen Million French Francs (FF 15,000,000), and amended by that certain First Amendment to Selas SAS 1998 Term Loan Agreement dated as of January 16, 2003 (as amended, the "Selas SAS 1998 Term Loan Agreement"); and an agreement dated January 2000, amended and restated in its entirety by that certain agreement dated as of April 15, 2002, pursuant to which the Bank made a term loan to Selas SAS in the original principal amount of One Million Seven Hundred and Fifty-Three Thousand One Hundred and Fifty-Eight and 30/100 Euros (E1,753,158.30), and amended by that certain First Amendment to Selas SAS 2000 Term Loan Agreement dated as of January 16, 2003, and that certain Second Amendment to Selas SAS 2000 Term Loan Agreement dated as of February 27, 2003 (as amended, the "Selas SAS 2000 Term Loan Agreement"). The Selas SAS 1998 Term Loan Agreement and the APG Facility have been paid and/or expired as of the date of this Amendment.

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E. The Borrower and the U.S. Guarantors jointly and severally guaranteed and became surety for all loans, advances, debts, liabilities, obligations, covenants and duties of Selas SAS to the Bank, pursuant to the following agreements (collectively, the "Selas SAS Surety Agreements"): (i) that certain Unconditional Guaranty of Borrower dated as of January 10, 2000 (the "Borrower Guaranty"), (ii) that certain Unconditional Guaranty of Deuer dated as of January 10, 2000 (the "Deuer Guaranty"), (iii) that certain Unconditional Guaranty of RTI dated as of January 10, 2000 (the "RTI Guaranty"), (iv) that certain Unconditional Guaranty of RTIE dated as of January 10, 2000 (the "RTIE Guaranty"), and (v) that certain Unconditional Guaranty of RTI Electronics dated as of January 10, 2000 (the "RTI Electronics Guaranty").

F. As security for any and all indebtedness, liabilities and obligations of the Borrower to the Bank, then existing or thereafter arising, the Borrower, INTER ALIA: (i) granted to the Bank a security interest in and lien on: (a) all of the Borrower's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, and (b) all of the Borrower's rights under a certain contract with Production Machinery Corporation in Talcahuano, Chile for the sale of and the proceeds of a Five Million Twenty-Five Thousand Dollars (\$5,025,000) documentary letter of credit issued by Bank One, Columbus, Ohio, pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between the Borrower and the Bank (as amended, the "Borrower Security Agreement"); (ii) assigned, pledged and granted to Bank a security interest in all of the issued and outstanding stock of Deuer, RTI, RTIE and RTI Electronics, pursuant to that certain Second Amended and Restated Pledge Agreement dated as of July 31, 1998 (the "Borrower Pledge Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of the Borrower and improvements thereon located in Dresher, Upper Dublin Township, Montgomery County, Pennsylvania (the "Pennsylvania Property") pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended on July 21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Borrower Mortgage and Security Agreement").

G. As security for any and all indebtedness, liabilities and obligations of Deuer to the Bank, then existing or thereafter arising, Deuer: (i) granted to the Bank a security interest in and lien on all of Deuer's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general

intangibles pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between Deuer and the Bank (as amended, the "Deuer Security Agreement"); and (ii) granted to the Bank a first mortgage lien on certain real property of Deuer and improvements thereon located in Moraine, Montgomery County, Ohio (the "Ohio Property"), pursuant to that certain First Mortgage and Security Agreement dated as of October 20, 1993, as amended July 21, 1995, February 20, 1997, July 31, 1998, January 10, 2000 and April 15, 2002 (as amended, the "Deuer Mortgage and Security Agreement").

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H. As security for any and all indebtedness, liabilities and obligations of RTI to the Bank, then existing or thereafter arising, RTI: (i) granted to the Bank a security interest in and lien on all of RTI's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (as amended, the "RTI Security Agreement"); (ii) granted to the Bank a security interest in and lien on certain patents and trademarks and other intellectual property, pursuant to that certain Patent and Trademark Security dated as of October 20, 1993, as amended July 31, 1998 between RTI and the Bank (the "RTI Patent and Trademark Security Agreement"); and (iii) granted to the Bank a first mortgage lien on certain real property of RTI and improvements thereon located in Ramsey County, Minnesota (the "Minnesota Property"), pursuant to that certain Mortgage, Security Agreement and Fixture Financing Statement dated as of June 30, 1999, as amended January 10, 2000 and April 15, 2002 (as amended, the "RTI Mortgage and Security Agreement").

I. As security for any and all indebtedness, liabilities and obligations of RTIE to the Bank, then existing or thereafter arising, RTIE granted to the Bank a security interest in all of RTIE's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, pursuant to that certain Security Agreement dated as of October 20, 1993, as amended July 31, 1998 between RTIE and the Bank (as amended, the "RTIE Security Agreement").

J. As security for any and all indebtedness, liabilities and obligations of RTI Electronics to the Bank, then existing or thereafter arising, RTI Electronics granted the Bank a security interest in all of RTI Electronic's assets, then owned or thereafter acquired, including, without limitation, all accounts, contract rights, inventory, fixtures, machinery, equipment, general intangibles, pursuant to that certain Security Agreement dated as of October 20, 1993, as amended February 20, 1997 and July 31, 1998 between RTI Electronics and the Bank (as amended, the "RTI Electronics Security Agreement").

K. The Borrower, the U.S. Guarantors, and the European Subsidiaries entered into that certain Waiver and Amendment Agreement dated as of November 20, 2001, as amended by that certain First Amendment to Waiver and Amendment Agreement dated as of February 28, 2002 and that certain Second Amendment to Waiver and Amendment Agreement dated as of March 20, 2002 (as amended, the "First Waiver Agreement"), pursuant to which the Bank agreed to waive certain Financial Covenant Defaults (as defined therein) and provide a new credit facility under which the Bank's London Branch would issue certain advance payment guarantees. In consideration of the Bank's London Branch's agreement to issue certain advance payment guarantees on their behalf, each European Subsidiary executed a General Counter Indemnity in favor of the Bank (collectively, the "General Counter Indemnities").

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L. The Borrower, the U.S. Guarantors, and the European Subsidiaries entered into that certain Second Waiver and Amendment Agreement dated as of April 15, 2002, as amended by that certain First Amendment to Second Waiver and Amendment Agreement dated as of June 24, 2002, that certain Second Amendment to Second Waiver and Amendment Agreement dated as of July 30, 2002, that certain Third Amendment to Second Waiver and Amendment Agreement dated as of November 14, 2002, that certain Fourth Amendment to Second Waiver and Amendment Agreement dated as of January 16, 2003, that certain Fifth Amendment to Second Waiver and

Amendment Agreement dated as of February 21, 2003, that certain Sixth Amendment to Second Waiver and Amendment Agreement dated as of February 27, 2003, and that certain Seventh Amendment to Second Waiver and Amendment Agreement dated as of March 7, 2003 (as amended, the "Second Waiver Agreement"), pursuant to which the Bank agreed, among other things, to provide the Borrower with a new supplemental credit facility evidenced by that certain Supplemental Credit Facility Note dated as of April 15, 2002 in the original principal amount of Five Million Dollars (\$5,000,000) (the "Supplemental Credit Facility Note"). In connection therewith, Selas SAS guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, CFR, and/or one or more U.S. Guarantors (the "Selas SAS Guaranty"), and CFR guaranteed and became surety for all loans, advances, credit or other financial accommodations made for the benefit of the Borrower, Selas SAS, and/or one or more U.S. Guarantors (the "CFR Guaranty").

M. The First Waiver Agreement, the Second Waiver Agreement, this Third Waiver Agreement, the Credit Agreement, the Notes, the Borrower Surety Agreements, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the General Counter Indemnities, the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, together with the various agreements, instruments and other documents executed in connection therewith and all amendments and modifications thereto, now or hereafter in effect, shall be referred to hereinafter as the "Loan Documents".

N. The Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries, pursuant to the terms hereof, wish to amend the Credit Agreement to extend the maturity of certain existing credit facilities and provide a contingent credit facility for the issuance of advance payment guarantees on behalf of CFR.

NOW, THEREFORE, incorporating the Background by reference herein and for other good and valuable consideration, the Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries intending to be legally bound hereby, agree as follows:

ARTICLE I - DEFINED TERMS

DEFINED TERMS. Terms used herein which are capitalized but not defined shall have the meanings ascribed to such terms in the Loan Documents, as amended hereby.

ARTICLE II - ACKNOWLEDGMENTS AND REAFFIRMATIONS

2.1 ACKNOWLEDGMENT OF JOINT AND SEVERAL LIABILITY, MATURITY DATES AND AMOUNTS OF NOTES.

2.1.1 The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that as of the date of this Third Waiver Agreement, after giving effect to the amendments described herein: (i) they are jointly and severally indebted and liable to the Bank in respect of the outstanding principal amount of the Notes, together with accrued and unpaid interest thereon, and all other Obligations; (ii) the Notes mature and are due and payable in full on the respective maturity dates set forth below next to each such Note; and (iii) the respective outstanding principal amount of each Note as of March 4, 2003, is set forth below next to each such Note:

Promissory Notes -----	Maturity Date -----	Outstanding Principal Amount -----
Term Note D	04/01/2004	\$ 570,000.00 (US Dollars)

Term Note E	04/01/2004	\$ 1,166,666.75	(US Dollars)
Term Note F	04/01/2004	\$ 1,416,667.00	(Singapore Dollars)
Revolving Credit Note	04/01/2004	\$ 2,842,137.09	(US Dollars)
Supplemental Credit Facility Note	01/01/2004	\$ 1,360,000.00	(US Dollars)

2.1.2 The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that as of the effective date of this Third Waiver Agreement, after giving effect to the amendments described herein: (i) they are jointly and severally indebted and liable to the Bank in respect of the Selas SAS Term Loan Agreements, the Overdraft Facility and all other amounts outstanding under the Selas SAS Facility Agreement, together with accrued and unpaid interest thereon, and all other Guaranteed Obligations (as such term is defined in the Selas SAS Surety Agreements); (ii) the Selas SAS Term Loan Agreements mature and are due and payable in full, together with all interest accrued thereon, on the respective maturity dates set forth below; (iii) the Overdraft Facility and all other amounts outstanding under the Selas SAS Facility Agreement are due and payable in full, together with all interest accrued thereon, on the respective maturity dates set forth below; and (iv) as of March 4, 2003, the outstanding principal amounts owing to the Bank in respect of the Selas SAS Term Loan Agreements and the Overdraft Facility are set forth below next to each such agreement or facility:

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- (i) The Selas SAS 2000 Term Loan Agreement, in the outstanding principal amount of E701,263 (Euros), which matures on the Selas SAS 2000 Term Loan Maturity Date (as defined in the Credit Agreement, as amended hereby); and
- (ii) The Overdraft Facility, in the outstanding principal amount of E5,976,854.11 (Euros), which matures on the maturity date defined in the Selas SAS Facility Agreement.

2.1.3 The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that as of the effective date of this Third Waiver Agreement, they are jointly and severally indebted and liable to the Bank in respect of the following outstanding advance payment guaranty:

- (i) Advance Payment Guaranty in the amount of E173,800 (Euros) to NGK Berylco issued on behalf of CFR expiring not later than March 31, 2003.

The Borrower, the U.S. Guarantors and the European Subsidiaries acknowledge and agree that availability under the CFR Facility (as defined in the Credit Agreement, as amended hereby) shall continue to be reduced by the aggregate amount of all now or hereafter outstanding Advance Payment Guarantees.

The outstanding principal amounts of the Term Notes, the Revolving Credit Note, the Supplemental Credit Facility Note, the Selas SAS Facility Agreement, the Selas SAS Term Loan Agreements, the Overdraft Facility, Advance Payment Guarantees issued under the Loan Documents, the Supplemental Credit Facility, the CFR Facility (as hereinafter defined), plus accrued and unpaid interest thereon, all fees and costs in connection therewith, all other sums payable by the Borrowers, the U.S. Guarantors and/or the European Subsidiaries to the Bank, whether under the Loan Documents or otherwise, together with any other Guaranteed Obligations (as such term is used in each of the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, and the European Subsidiaries Surety Agreements) and any and all other Obligations (as such term is used in the Loan Documents) are collectively referred to herein as the "Obligations".

2.2 ACKNOWLEDGMENT OF LOAN DOCUMENTS; WAIVER OF DEFENSES. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that as of the effective date of this Third Waiver Agreement: (i) the Loan Documents to which each is a party are valid, binding and enforceable against them, in every respect, and all of the terms and conditions thereof are binding upon them, and (ii) to the extent that the Borrower, any U.S. Guarantor, or any European Subsidiary has any defenses, setoffs, claims, or counterclaims to

repayment of the Obligations or against the Bank, such defenses, setoffs, claims, and counterclaims have been and are hereby waived.

2.3 ACKNOWLEDGMENT OF LIENS AND PRIORITY. The Borrower, the U.S. Guarantors and the European Subsidiaries as of the effective date of this Third Waiver Agreement acknowledge and agree that pursuant to the Loan Documents, as security for all of the

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Obligations, the Bank holds, and the Borrower and U.S. Guarantors hereby grant and reaffirm their prior grant of, first priority, perfected security interests in and liens upon all of the Borrower's and U.S. Guarantors' assets, wherever located, now owned or hereafter acquired, including, without limitation, such assets as more specifically described in the Loan Documents, and first priority mortgage liens upon and security interests in: (i) the Pennsylvania Property, (ii) the Ohio Property, and (iii) the Minnesota Property (all of the foregoing security interests and liens collectively referred to as the "Bank's Mortgages, Liens and Security Interests").

2.4 REAFFIRMATION OF MORTGAGES, SECURITY DOCUMENTS AND SECURITY INTERESTS. All of the Borrower's and the U.S. Guarantors' respective assets, now or hereafter, pledged, assigned, conveyed, mortgaged, hypothecated or transferred to the Bank pursuant to the Loan Documents including, without limitation, accounts, accounts receivable, inventory, equipment, general intangibles, contracts, contract rights, instruments, letters of credit, deposits, deposit accounts, documents of title, and all other personal property, together with the Pennsylvania Property, the Minnesota Property and the Ohio Property (collectively, the "Collateral") constitute security for all of the Obligations (including, without limitation, such Obligations arising under or in respect of the Borrower Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the Selas SAS Surety Agreements, the European Subsidiaries Surety Agreements, the Advance Payment Guarantees, the Waiver Documents and the other Loan Documents). The Borrower, the U.S. Guarantors and the European Subsidiaries hereby grant to the Bank and reaffirm their prior grant and conveyance to the Bank of a continuing first priority security interest in, lien on and charge against all of the Collateral. The Borrower, each U.S. Guarantor and each European Subsidiary hereby acknowledge and agree that the Borrower Security Agreement, the Borrower Pledge Agreement, the Borrower Mortgage and Security Agreement, the Deuer Security Agreement, the Deuer Mortgage and Security Agreement, the RTI Security Agreement, the RTI Patent and Trademark Security Agreement, the RTI Mortgage and Security Agreement, the RTIE Security Agreement, the RTI Electronics Security Agreement, and any other security agreements are ratified, reaffirmed and confirmed in all respects, shall continue in full force and effect, and are valid, binding and enforceable against the parties thereto as if executed as of the date hereof. The Borrower, the U.S. Guarantors and the European Subsidiaries agree to execute and deliver to the Bank such additional documentation deemed necessary or appropriate by the Bank, in its sole and absolute discretion, to achieve the purpose of this section of this Third Waiver Agreement.

2.5 REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby reaffirm their respective representations and warranties in the Loan Documents, which representations and warranties are true and correct as of the date hereof (except to the extent any such representation or warranty was made as of a specified date, in which case such representation or warranty shall remain true and correct as of such date), and each and all of which shall survive the execution and delivery of this Third Waiver Agreement.

2.6 REAFFIRMATION OF GUARANTIES. In consideration of the undertakings of the Bank pursuant to this Third Waiver Agreement and the other Loan Documents, the Borrower, each U.S. Guarantor and each European Subsidiary hereby reaffirm the Borrower Surety Agreements, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the other Loan

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Documents and all of their respective obligations thereunder. The Borrower, each

European Subsidiary, and each U.S. Guarantor hereby consent to the execution and delivery by the Borrower, the U.S. Guarantors, and the European Subsidiaries of this Third Waiver Agreement, the other Waiver Documents and the other Loan Documents and all other documents and instruments to be executed pursuant hereto or in connection herewith. The Borrower, each U.S. Guarantor and each European Subsidiary hereby waive any right it may have to contest the validity or enforceability of the Borrower Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty or any other Loan Document, for any reason whatsoever. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that the term "Obligations," as defined in their respective Borrower Surety Agreements and Selas SAS Surety Agreements, includes, without limitation, all of the obligations, now or hereafter arising, of Borrower to the Bank, whether under the Credit Agreement or other Loan Documents, as amended, or otherwise. The Borrower and each U.S. Guarantor hereby acknowledge and agree that the term "Guaranteed Obligations," as defined in their respective Selas SAS Surety Agreements, includes, without limitation, all of the obligations, now or hereafter arising, of Selas SAS to the Bank, whether under the Selas SAS Term Loan Agreements, the Selas SAS Facility Agreement, any document or agreement now or hereafter executed in connection with the Advance Payment Guarantees that may now or hereafter be issued by the Bank on behalf of Selas SAS, the other Loan Documents, or otherwise. The Borrower, each U.S. Guarantor and each European Subsidiary hereby acknowledge and agree that the Borrower Surety Agreements, the Selas SAS Surety Agreements, the Selas SAS Guaranty, the CFR Guaranty, and any other suretyship agreements executed by them in favor of the Bank or its affiliates, are ratified, reaffirmed and confirmed in all respects, shall continue in full force and effect, and are valid, binding and enforceable against the parties thereto as if executed as of the date hereof. The Borrower, the U.S. Guarantors, and the European Subsidiaries agree to execute and deliver to the Bank such additional documentation deemed necessary or appropriate by the Bank, in its sole and absolute discretion, to achieve the purpose of this section of this Third Waiver Agreement.

2.7 BANK HAS NO OBLIGATION TO ISSUE FURTHER ADVANCE PAYMENT GUARANTEES. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that except as expressly provided herein and in the other Loan Documents, the Bank shall have no duty to issue any advance payment guarantees to or for the benefit of Borrower, the U.S. Guarantors, and/or the European Subsidiaries, or provide overdraft financing for Borrower, U.S. Guarantors, and/or the European Subsidiaries.

ARTICLE III - AMENDMENTS TO LOAN DOCUMENTS

3.1 NEW DEFINITIONS. The following new defined terms are hereby added to Section 1.1 of the Credit Agreement (and if such terms are defined elsewhere in the Credit Agreement, such defined terms are deemed to be amended and restated and replaced with the definitions set forth below):

"CFR Facility" shall have the meaning given to such term in Section 2.1.11 hereof.

"CFR Facility Maturity Date" means April 1, 2004.

"Eligible Account" means a domestic account receivable not more than ninety (90) days from the date of the original invoice that arises in the ordinary course of business, and meets the following eligibility requirements: (a) the sale of goods or services reflected in such account is final and such goods and services have been delivered or provided and accepted by the account debtor and payment for such is owing; (b) the invoices comprising such account are not subject to any claims, returns or disputes of any kind (provided that any account which would otherwise be ineligible under the provisions of this clause (b) shall be ineligible only to the extent of such claim, return or dispute); (c) the account debtor is not insolvent; (d) the account debtor has its principal place of business in the United States; (e) the account debtor is not an affiliate of the Borrower and is not a supplier of the Borrower and the account is not otherwise exposed to risk of set-off (provided that any account which would otherwise be ineligible under the provisions of this clause (e), other than an

account on which the account debtor is an affiliate, shall be ineligible only to the extent of any such potential set-off); (f) not more than thirty-percent (30%) of the outstanding invoices owing by the account debtor are more than ninety (90) days old from the date of each such invoice; and (g) the account is not subject to any security interest, lien, or claim prior to the security interest and lien of the Bank.

"Eligible Inventory" means domestic inventory of raw material and finished goods (excluding work in process) in Borrower's possession that is held for use or sale in the ordinary course of its business and is not unmerchantable or obsolete and is subject to a first priority perfected security interest and lien in favor of the Bank.

"Third Waiver Agreement" shall mean that certain Third Waiver and Amendment Agreement dated as of March 14, 2003, by and among, the Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries, as the same may be amended from time to time.

3.2 AMENDMENT OF THE DEFINITION OF LOAN DOCUMENTS. The following definitions in the Credit Agreement are hereby amended and restated in their entirety, as follows:

"EBIT" means, for any period, determined on a consolidated basis in accordance with GAAP, net income of the applicable entity or entities for such period (i) plus the deductions for interest expense, tax expense, and other non-cash expenses, (ii) less other non-cash income, including net gain on asset sales.

"Waiver Agreement" or "First Waiver Agreement" shall mean that certain Waiver and Amendment Agreement dated as of November 20, 2001, by and among the Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries, as amended from time to time.

"Loan Documents" means the Loan Documents as defined in the Third Waiver

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Agreement, including, but not limited to, the Existing Loan Documents, the First Waiver Agreement, the Second Waiver Agreement, the Third Waiver Agreement, the Waiver Documents, and all documents and agreements executed in connection therewith or pursuant thereto, as amended from time to time.

"Revolving Credit Termination Date" means April 1, 2004.

"Selas SAS 2000 Term Loan Maturity Date" shall mean the earlier of: (i) April 1, 2004, or (ii) the sale of all of the stock or assets of Ermat S.A.

"Supplemental Credit Facility Maturity Date" shall mean January 1, 2004.

"Tangible Capital Funds" means, as of the date of determination: (i) the sum of Net Worth plus Subordinated Debt of the applicable entity, (ii) less the Intangible Assets of the applicable entity.

"Waiver Documents" shall mean the First Waiver Agreement, the Second Waiver Agreement, the Third Waiver Agreement, and all of the documents, agreements and instruments executed and/or delivered to the Bank pursuant to or in connection with the First Waiver Agreement, the Second Waiver Agreement, and/or the Third Waiver Agreement (including the documents described in Articles IV and V thereof).

3.3 FINANCIAL INFORMATION. Section 2.1 of the Credit Agreement is hereby amended by adding new Subsections 2.1.10(c) and 2.1.10(d) after Subsection 2.1.10(b), as follows:

"(c) On a monthly basis commencing on the first full month after the date hereof, the Borrower shall provide to the Bank a borrowing base certificate as of the last day of the previous month

detailing the Borrower's compliance with the limitation detailed in Section 2.1.14 hereof, certified as true and correct by an officer of the Borrower. Monthly borrowing base certificates shall be delivered by the Borrower to the Bank no later than 30 days after the end of each month. The Borrower may deliver the borrowing base certificate required by this subsection, and have any availability recalculated, on a more frequent basis than monthly if it so chooses.

(d) On a monthly basis commencing on the first full month after the date hereof, the Borrower shall provide to the Bank an aging of the Eligible Accounts and a report identifying Eligible Inventory as of the last day of the previous month, with such reports to be delivered by the Borrower to the Bank no later than 30 days after the end of each month. The value of the inventory will be determined by the Bank and will be valued at the lower of cost or market, using a FIFO (first in, first out) methodology."

3.4 CFR FACILITY. Section 2.1 of the Credit Agreement is hereby amended by adding, at the end thereof, new Sections 2.1.11 through 2.1.17, as follows:

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"2.1.11 CFR Facility. Subject in all events to the terms, conditions and covenants contained in this Section 2.1 and Article IV of the Third Waiver Agreement and in the other Waiver Documents, and provided that there is no default, Default or Event of Default under any of the Loan Documents, the Bank's London Branch agrees to make available a credit facility (the "CFR Facility") in the amount of One Million Euros (€1,000,000) for the issuance of advance payment guarantees for the benefit of CFR.

2.1.12 Additional Availability under CFR Facility.

(a) Upon the repayment and permanent reduction of the Overdraft Facility to an amount of outstanding principal no greater than Nine Hundred and Seventy Six Thousand Eight Hundred and Fifty-Four Euros (€976,854) and the repayment and permanent reduction of the Supplemental Credit Facility to an amount of outstanding principal no greater than One Million Four Hundred Thousand U.S. Dollars (\$1,400,000), and subject in all events to the terms, conditions and covenants contained in this Section 2.1, and further provided that there is no default, Default or Event of Default under any of the Loan Documents, the Bank's London Branch agrees to permanently increase the maximum availability under the CFR Facility to One Million Three Hundred and Eighty Thousand Euros (€1,380,000).

(b) Upon full repayment of the entire outstanding balances and termination of both the Overdraft Facility and Supplemental Credit Facility (together with all accrued interest and fees thereon), and subject in all events to the terms, conditions and covenants contained in this Section 2.1, and provided that there is no default, Default or Event of Default under any of the Loan Documents, the Bank's London Branch agrees to permanently increase the maximum availability under the CFR Facility to One Million Seven Hundred and Fifty Thousand Euros (€1,750,000).

2.1.13 Specific Conditions Precedent to Availability of CFR Facility. The Bank's obligation to cause the Bank's London Branch to issue any Advance Payment Guaranty under the CFR Facility, is subject, in each case, to the prior satisfaction of all of the following conditions precedent which the Borrower, the U.S. Guarantors, and the European Subsidiaries acknowledge are material:

(a) For each Advance Payment Guaranty, the European Subsidiaries, the Borrower and the U.S. Guarantors shall have executed and delivered (or caused to be executed and delivered) to the Bank such documents and agreements, as the Bank, in its sole and absolute discretion, may require, including, without limitation, the following:

(i) A facility agreement for each Advance Payment Guaranty, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, the Borrower, the U.S.

Guarantors and the other European Subsidiary, that will include certain terms and conditions for the issuance of the Advance Payment Guarantees, such as duration of such Advance Payment Guaranty, applicable

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fees, interest rates, penalty interest, and other terms and conditions, as the Bank determines in its sole and absolute discretion;

(ii) a General Counter Indemnity, duly executed by the particular European Subsidiary on whose behalf such Advance Payment Guaranty will be issued, the Borrower, the U.S. Guarantors and the other European Subsidiary that will include such terms and conditions as the Bank determines in its sole and absolute discretion; and

(iii) such other documents as the Bank, in its sole discretion, may require, including, but not limited to a legal opinion from counsel to the European Subsidiaries in form and substance acceptable to the Bank.

(b) For each Advance Payment Guaranty issued under the CFR Facility, the expiration date of such Advance Payment Guaranty may not be after December 31, 2004.

(c) There shall not be a default, a Default or an Event of Default under the Loan Documents, or any other document executed or delivered in connection with any Advance Payment Guaranty or any other Loan Document (other than any default, Default or Event of Default under any Loan Document previously waived in writing by the Bank); and

(d) The requirements of Article IV of the Third Waiver Agreement shall have been satisfied.

2.1.14 Borrowing Base Limit. The total aggregate outstanding principal of all facilities to the Borrower, the U.S. Guarantors, and/or the European Subsidiaries created by or under the Loan Documents, including all advance payment guarantees issued by the Bank's London Branch, shall be subject to an overall limitation equal to the sum of: (i) eighty percent (80%) of the appraised fair market value of the Pennsylvania Property, the Minnesota Property and the Ohio Property (based upon appraisals prepared for the Bank and completed in December 2001), (ii) seventy-five percent (75%) of the Orderly Liquidation Value of machinery and equipment (based upon appraisals prepared for the Bank and completed in December 2001); (iii) seventy-five percent (75%) of Eligible Accounts as reflected on the most recent borrowing base certificate delivered by Borrower pursuant to Section 2.1.10(c) hereof, and (iv) forty percent (40%) of Eligible Inventory.

2.1.15 Commitment Fee. On the date of execution of the Third Waiver Agreement, the Borrower shall pay to the Bank a non-refundable commitment fee in the aggregate amount of Fifty Thousand U.S. Dollars (\$50,000). The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that the commitment fee payable hereunder is fully earned on the date hereof, is non-refundable and constitutes a part of the Obligations, and is in addition to any other fees payable by the Borrower, the U.S. Guarantors and the European Subsidiaries under the Loan Documents.

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2.1.16 Unused Facility Fee. The Borrower shall pay to the Bank a non-refundable facility fee of 25 basis points (0.25%) per annum on the unused portion of the CFR Facility, from the date hereof through the CFR Facility Maturity Date, which facility fee shall be due and payable at the offices of the Bank, quarterly in arrears, on the first day of each January, April, July, and October, as billed by the Bank. The Borrower, the U.S. Guarantors and the European Subsidiaries hereby acknowledge and agree that the facility fee payable under this

Subsection is fully earned on the date such fee is due and payable, as provided herein, is non-refundable and constitutes a part of the Obligations, and is in addition to any other fees payable by the Borrower, the U.S. Guarantors and the European Subsidiaries under the Loan Documents. The fee contemplated by this subsection shall be calculated based on the average unused portion of the CFR Facility during each respective quarter.

2.1.17 Mandatory Prepayments.

(a) If the sale of all of the stock or assets of Deuer closes prior to the sale of the Pennsylvania Property, the net proceeds from the sale of Deuer shall be applied in the following order: (i) first, to permanently reduce the outstanding principal balance on the Overdraft Facility by Five Million Euros (E5,000,000); (ii) second, to permanently reduce the outstanding principal balance on the Supplemental Credit Facility to One Million Four Hundred Thousand U.S. Dollars (\$1,400,000); and (iii) third, to provide working capital financing for the Borrower. The net proceeds from the subsequent sale of the Pennsylvania Property shall be applied in the following order: (i) first, to pay and satisfy in full the entire outstanding balance of the Overdraft Facility (together with accrued interest and fees thereon), (ii) second, to pay and satisfy in full the entire outstanding balance of the Supplemental Credit Facility (together with accrued interest and fees thereon).

(b) Alternatively, if the sale of the Pennsylvania Property closes prior to sale of all of the stock or assets of Deuer, the net proceeds from the sale of the Pennsylvania Property shall be fully applied to permanently reduce the outstanding principal balance on the Overdraft Facility. The net proceeds from the subsequent sale of Deuer shall be applied in the following order: (i) first, to pay and satisfy in full the entire outstanding balance of the Overdraft Facility (together with accrued interest and fees thereon), (ii) second, to pay and satisfy in full the entire outstanding balance of the Supplemental Credit Facility (together with accrued interest and fees thereon), and (iii) third, to provide working capital financing for the Borrower."

3.5 USE OF PROCEEDS OF CFR FACILITY. Section 2.3 of the Credit is hereby amended by adding the following new Subsection 2.3.3 after Subsection 2.3.2:

"2.3.3 CFR Facility. The CFR Facility shall be used solely for the issuance of advance payment guarantees for the benefit of CFR."

3.6 SCHEDULED PAYMENTS.

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3.6.1 AMENDMENT TO SUBSECTION 2.4(D)(i). Subsection 2.4(d)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) Scheduled Payments. Term Loan D shall be payable in consecutive monthly principal installments of \$7,500.00 each, commencing August 1, 1999 and continuing on the first day of each month thereafter, with the final installment of the remaining principal balance of Term Loan D, together with all interest accrued thereon and all fees and costs payable in connection therewith, due and payable on April 1, 2004."

3.6.2 AMENDMENT TO SUBSECTION 2.4(e)(i). Subsection 2.4(e)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) Scheduled Payments. Term Loan E shall be payable in consecutive monthly principal installments of \$33,333.33 each, commencing March 1, 2001 and continuing on the first day of each month thereafter, with the final installment of the remaining principal balance of Term Loan E, together with all interest accrued thereon and all fees and costs payable in connection therewith, due and payable on April 1, 2004."

3.6.3 AMENDMENT TO SUBSECTION 2.4(f)(i). Subsection 2.4(f)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) Scheduled Payments. Term Loan F shall be payable in consecutive monthly principal installments of S\$40,476.19 (Singapore Dollars) each, commencing September 1, 2002 and continuing on the first day of each month thereafter, with the final installment of the remaining principal balance of Term Loan F, together with all interest accrued thereon and all fees and costs payable in connection therewith, due and payable on April 1, 2004."

3.6.4 NEW SUBSECTION 2.4(g). Section 2.4 of the Credit Agreement is hereby amended by adding a new subsection 2.4(g) as follows:

(g) Supplemental Credit Facility. Payment and satisfaction of all principal, accrued interest, fees and costs in connection with the Supplemental Credit Facility (including all Advance Payment Guarantees issued thereunder) shall be due on the Supplemental Credit Facility Maturity Date."

3.6.5 NEW SUBSECTION 2.4(h). Section 2.4 of the Credit Agreement is hereby amended by adding a new subsection 2.4(h) as follows:

(g) CFR Facility. Payment and satisfaction of all principal, accrued interest, fees and costs in connection with the CFR Facility (including all Advance Payment Guarantees issued thereunder) shall be due on the CFR Facility Maturity Date."

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3.7 INTEREST UNDER SUPPLEMENTAL CREDIT FACILITY. Subsection 2.5(g) of the Credit Agreement is hereby amended and restated in its entirety to read as follows

"(g) Supplemental Credit Facility. The outstanding principal balance of each loan or advance under the Supplemental Credit Facility (excluding fees for the issuance of Advance Payment Guarantees) shall accrue interest at the LIBOR Market Index Rate plus 375 basis points (3.75%), and such accrued interest shall be payable by the Borrower on the first day of each month in arrears and on the Supplemental Credit Facility Maturity Date."

3.8 AMENDED FINANCIAL COVENANTS. Subsections 6.15 through 6.16 of the Credit Agreement are hereby amended and restated to read as follows:

"6.15 Consolidated Tangible Capital Funds.

(a) (i) Maintain, at all times for the fiscal quarter ended March 30, 2003, Consolidated Tangible Capital Funds for the Borrower and its Consolidated Subsidiaries of not less than Ten Million U.S. Dollars (\$10,000,000);

(ii) Maintain, at all times for the fiscal quarter ended June 29, 2003, Consolidated Tangible Capital Funds for the Borrower and its Consolidated Subsidiaries of not less than Ten Million U.S. Dollars (\$10,000,000), plus one hundred percent (100%) of cumulative net earnings for the fiscal quarter ended June 29, 2003 (with no reduction thereof for a net loss for such quarter);

(iii) Maintain, at all times for the fiscal quarter ended September 29, 2003, Consolidated Tangible Capital Funds for the Borrower and its Consolidated Subsidiaries of not less than the actual Consolidated Tangible Capital Funds at March 31, 2003, plus one hundred percent (100%) of cumulative net earnings for the fiscal quarter ended September 29, 2003 (with no reduction thereof for a net loss for such quarter);

(iv) Maintain, at all times for the fiscal quarter ended December 30, 2003, Consolidated Tangible Capital Funds for the Borrower and its Consolidated Subsidiaries of not less than actual Consolidated Tangible

Capital Funds at June 30, 2003, plus one hundred percent (100%) of cumulative net earnings for the fiscal quarter ended December 30, 2003 (with no reduction thereof for a net loss for such quarter); and

(v) Maintain, at all times for the fiscal quarter ended March 31, 2004, Consolidated Tangible Capital Funds for the Borrower and its Consolidated Subsidiaries of not less than actual Consolidated Tangible Capital Funds at September 30, 2003, plus one hundred percent (100%) of cumulative net earnings for the fiscal quarter ended March 31, 2004 (with no reduction thereof for a net loss for such quarter).

(b) In each of the above cases, the minimum required Consolidated Tangible Capital Funds level detailed above shall be increased by: (i) one hundred percent (100%) of

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contributions to capital on or after January 1, 2003, (ii) plus one hundred percent (100%) of any subordinated debt on or after January 1, 2003.

6.16 Consolidated Total Liabilities and Contingent Liabilities to Consolidated Tangible Capital Funds.

(a) Maintain, as of the last day of each fiscal quarter, a ratio of (i) Consolidated Total Liabilities of the Borrower and its Consolidated Subsidiaries plus the Contingent Liabilities of Selas SAS and CFR which are guaranteed by the Borrower, to (ii) Consolidated Tangible Capital Funds of the Borrower and its Consolidated Subsidiaries, of not more than 4.50 to 1.0.

(b) Immediately following the sale of all of the stock or assets of Deuer, and again following the sale of the Pennsylvania Property, the ratio required by the immediately preceding Subsection (a) shall be adjusted to equal the ratio of (i) the actual ratio of Consolidated Total Liabilities and Contingent Liabilities, to Consolidated Tangible Capital Funds, as of the end of the fiscal quarter in which such sale occurs, plus (ii) ten percent (10%) of the actual ratio of Consolidated Total Liabilities and Contingent Liabilities, to Consolidated Tangible Capital Funds, as of the end of the fiscal quarter in which the sale occurs.

(c) For purposes of the computation in this Subsection 6.16, Contingent Liabilities are to be converted to U.S. dollars as of the measurement date."

3.9 FINANCIAL INFORMATION. New Subsection 6.22 is hereby added to the Credit Agreement after Subsection 6.21 as follows:

"6.22 Financial Information. Provide the Bank with the financial information detailed in Section 2.1 hereof."

3.10 CAPITAL EXPENDITURES. Section 7.9 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"7.9 Capital Expenditures. Make Capital Expenditures (not including Acquisitions) in excess of Three Million U.S. Dollars (\$3,000,000) in the aggregate for the Borrower's Consolidated Subsidiaries in any fiscal year without the prior written approval of the Bank."

3.11 AMENDMENT TO SUBSECTION 9.1(1). Subsection 9.1(1) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(1) If there shall occur an Event of Default under the First Waiver Agreement, the Second Waiver Agreement, the Third Waiver Agreement, any Waiver Document or any other document or agreement executed in connection therewith (excluding any Event of Default previously waived in writing by the Bank)."

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3.12 CROSS DEFAULT. The Loan Documents are hereby amended to provide that an Event of Default or a Default under any Loan Document is an Event of Default or Default under all of the Loan Documents, and upon such Event of Default or Default the Bank may exercise its rights and remedies as provided in such Loan Documents or applicable law.

3.13 WAIVER OF FINANCIAL DEFAULTS. The Borrower has informed the Bank that, in the absence of the waiver provided herein, Events of Default would occur under the Credit Agreement as a result of (i) Borrower's violation of financial covenants occurring prior to the date of this Third Waiver Agreement, and (ii) Borrower's failure to provide financial reporting required under the Loan Documents prior to the Date of this Third Waiver Agreement (collectively referred to as the "Financial Defaults"). Subject to the provisions hereof and of the other Loan Documents, the Bank hereby waives the Financial Defaults. Notwithstanding the foregoing, the Bank's waiver of the Financial Defaults, or any communication between the Bank, the Borrower, the U.S. Guarantors, the European Subsidiaries, or each of their respective officers, agents, employees or representatives, shall not be deemed to constitute a waiver of (i) any default or Event of Default, whether now existing or hereafter arising, under the Loan Documents, other than the Financial Defaults; (ii) the ongoing obligation of the Borrower, the U.S. Guarantors and the European Subsidiaries to comply with the Loan Documents, as amended hereby; or (iii) any rights or remedies which the Bank has against the Borrower, the U.S. Guarantors, or the European Subsidiaries under the Loan Documents and/or applicable law, with respect to Events of Default, other than the Financial Defaults. The Bank reserves and preserves all of its rights and remedies against the Borrower, the U.S. Guarantors, and the European Subsidiaries under the Loan Documents and applicable law, other than the right to declare an Event of Default based upon the existence of the Financial Defaults.

ARTICLE IV - CONDITIONS PRECEDENT

The effectiveness of this Third Waiver Agreement and the Bank's obligations hereunder are conditioned upon the fulfillment by the Borrower, the U.S. Guarantors and the European Subsidiaries of all of the following express conditions precedent:

4.1 DOCUMENTS TO BE DELIVERED TO THE BANK. The Borrower, the U.S. Guarantors, and/or the European Subsidiaries shall deliver, or cause to be delivered, to the Bank, in form and substance reasonably satisfactory to the Bank, the following documents:

(a) This Third Waiver Agreement, executed by the Borrower, the U.S. Guarantors, and the European Subsidiaries;

(b) A Certification of Authority executed by the Secretary of each of the Borrower, the U.S. Guarantors, and the European Subsidiaries, each dated as of the date hereof, certifying the incumbency and signature of the officers of each such entity executing this Third Waiver Agreement and all other documents to be delivered by them pursuant hereto, together with evidence of the incumbency of such Secretary; and Corporate Resolutions for each of the Borrower, the U.S. Guarantors, and the European Subsidiaries, certified by their respective

Secretaries, authorizing and approving this Third Waiver Agreement, and the documents and payments specified herein;

(c) Opinions of counsel for each of the Borrower and the U.S. Guarantors, satisfactory to the Bank and counsel to the Bank in all respects; and

(d) Such other documents as may be required by the Bank.

4.2 PAYMENT OF BANK'S COSTS, EXPENSES AND LEGAL FEES. The Borrower shall have paid to the Bank the amount of the Bank's out-of-pocket costs and expenses, including, without limitation, all reasonable fees and out-of-pocket expenses of counsel for the Bank in connection with: (i) the Financial Covenant

Defaults, (ii) the negotiation and preparation of this Third Waiver Agreement, the Waiver Documents, and (iii) the other Loan Documents.

ARTICLE V - REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Third Waiver Agreement and as partial consideration for the terms and conditions contained herein, the Borrower, the U.S. Guarantors and the European Subsidiaries make the following representations and warranties to the Bank, each and all of which shall survive the execution and delivery of this Third Waiver Agreement and all of the other documents executed in connection herewith:

5.1 ORGANIZATION; AUTHORIZATION; AND LOCATION.

(a) The Borrower, the U.S. Guarantors, and the European Subsidiaries are duly incorporated, organized, validly existing and in good standing under the laws of the jurisdictions indicated in the first paragraph of this Third Waiver Agreement, and each is duly authorized to do business, and is duly qualified as a foreign corporation in all jurisdictions wherein the nature of its business or property makes such qualification necessary, and has the corporate power to own its property and to carry on its business as now conducted;

(b) The Borrower, the U.S. Guarantors, and the European Subsidiaries have the requisite corporate power and authority to execute, deliver and perform this Third Waiver Agreement and all of the documents executed by it in connection herewith.

5.2 VALID AND BINDING AGREEMENT. This Third Waiver Agreement is, and each of the documents executed pursuant hereto will be, legal, valid, and binding obligations of the party or parties thereto, enforceable against each such party in accordance with their respective terms.

5.3 COMPLIANCE WITH LAWS. The Borrower, each U.S. Guarantor, and each European Subsidiary are in compliance in all material respects with all laws, regulations and requirements applicable to its business, including without limitations all applicable Environmental Laws, and each has not received, and has no knowledge of, any order or notice of any governmental investigation or of any violations or claims of violation of any law, regulation or any governmental requirement, except as expressly disclosed herein.

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5.4 NO CONFLICT; GOVERNMENT APPROVALS. The execution, delivery and performance by the Borrower, each U.S. Guarantor, and the European Subsidiaries of this Third Waiver Agreement and the other documents executed in connection herewith will not:

(a) conflict with, violate or result in the breach of any provisions of any applicable law, rule, regulation or order; or

(b) conflict with or result in the breach of any provision of its Articles of Incorporation, charter, and/or by-laws. No authorization, consent or approval of, or other action by, and no notice of or filing with, any governmental authority or regulatory body is required to be obtained or made by the Borrower for the due execution, delivery and performance of this Third Waiver Agreement.

5.5 THIRD PARTY CONSENTS. The execution, delivery and performance by the Borrower, each U.S. Guarantor, and each European Subsidiary of this Third Waiver Agreement and the documents related hereto will not:

(a) require any consent or approval of any person or entity which has not been obtained prior to, and which is not in full force and effect as of, the date of this Third Waiver Agreement;

(b) result in the breach of, default under, or cause the acceleration of any obligation owed under any loan, credit agreement, note, security agreement, lease indenture, mortgage, loan document or other agreement by which the Borrower is bound or affected; or

(c) result in, or require the creation or imposition of, any lien or encumbrance on any of the Borrower's properties other than those liens or security interests in favor of the Bank or the liens or security interests disclosed to the Bank in the Loan Documents.

5.6 FINANCIAL STATEMENTS; REPORTING.

(a) Except as otherwise disclosed in writing to the Bank prior to the date hereof, all balance sheets, reports, budgets, reconciliations, accounts receivable reports, and other financial information supplied to the Bank by the Borrower have been prepared in conformity with GAAP, and present fairly the financial condition and results of operations of the Borrower for the period covered thereby.

(b) The Borrower, each U.S. Guarantor, and each European Subsidiary do not know of any facts, other than those already disclosed in writing to the Bank, that materially adversely affect or in so far as can be foreseen, will materially adversely affect their ability to perform their respective obligations under this Third Waiver Agreement and the documents executed in connection herewith.

5.7 EXCLUSIVE AND FIRST PRIORITY PERFECTED LIEN. The Bank has, as of the date hereof, and shall continue to have, until all of the Obligations are paid in full, first priority, valid

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perfected liens upon and security interests in all of the Collateral to secure the payment and performance of all of the Obligations (except for any Permitted Liens which have priority).

5.8 NO UNTRUE OR MISLEADING STATEMENTS. Neither this Third Waiver Agreement nor any other document executed in connection herewith contains any untrue statement of a material fact or omits any material fact necessary in order to make the statement made, in light of the circumstances under which it was made, accurate.

5.9 NO EVENTS OF DEFAULT. No default or Event of Default has occurred as of the date hereof under any of the Loan Documents.

ARTICLE VI - EVENTS OF DEFAULT

The occurrence of any one or more of the following shall constitute an "Event of Default" hereunder:

6.1 BORROWER'S FAILURE TO PAY. The Borrower, any U.S. Guarantor, or any European Subsidiary shall fail to pay any amount of principal, interest, fees or other sums as and when due under any of the Loan Documents, or any other Obligations, whether upon stated maturity, acceleration, or otherwise.

6.2 BREACH OF COVENANTS. The Borrower, any U.S. Guarantor, or any European Subsidiary shall fail to perform or observe any covenant, term or agreement in the First Waiver Agreement, the Second Waiver Agreement, this Third Waiver Agreement, the other Waiver Documents or any other Loan Document or is in violation of or non-compliance with any provision of the First Waiver Agreement, this Third Waiver Agreement, the other Waiver Documents or any other Loan Document after the expiration of any applicable cure period, if any, set forth in any such Loan Document with respect to such covenant, term or agreement (in each case as such covenant, term or agreement may have been amended or modified in this Third Waiver Agreement or by any other Loan Document).

6.3 DEFAULTS IN OTHER MATERIAL AGREEMENTS. There shall occur any default under, or as defined in, any other material agreement applicable to the Borrower, any U.S. Guarantor, or any European Subsidiary or by which the Borrower, any U.S. Guarantor, or any European Subsidiary is bound which shall not be remedied within the period of time (if any) within which such other agreement permits such default to be remedied, unless such default is waived by the other party thereto or excused as a matter of law.

6.4 AGREEMENTS INVALID. The validity, binding nature of, or enforceability of any material term or provision of any Loan Document is

disputed by, on behalf of, or in the right or name of the Borrower, any U.S. Guarantor, or any the European Subsidiary or any material term or provision of any such Loan Document is found or declared to be invalid, avoidable, or non-enforceable by any court of competent jurisdiction.

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6.5 FALSE WARRANTIES; BREACH OF REPRESENTATIONS. Except as otherwise disclosed to the Bank in writing prior to the date hereof, any warranty or representation made by the Borrower, each U.S. Guarantor, and/or each European Subsidiary in this Third Waiver Agreement or any other Loan Document or in any certificate or other writing delivered under or pursuant to this Third Waiver Agreement or any other Loan Document, or in connection with any provision of this Third Waiver Agreement or related to the transactions contemplated hereby shall prove to have been false or incorrect or breached in any material respect.

6.6 BANKRUPTCY.

(a) The Borrower, any U.S. Guarantor, or any European Subsidiary commences any bankruptcy, reorganization, debt arrangement, receivership, or other case or proceeding under any bankruptcy, insolvency or receivership law, or any dissolution or liquidation proceeding.

(b) Any bankruptcy, reorganization, debt arrangement, receivership, or other case or proceeding under any bankruptcy, insolvency or receivership law, or any dissolution or liquidation proceeding, is involuntarily commenced against or in respect of the Borrower, any U.S. Guarantor, or any European Subsidiary or an order for relief is entered in any such proceeding and such case or proceeding is not fully and finally dismissed within thirty (30) days with respect to a proceeding concerning the Borrower or U.S. Guarantor, or sixty (60) days with respect to a proceeding concerning a European Subsidiary.

(c) A trustee, receiver, or other custodian is appointed for the Borrower, any U.S. Guarantor or any European Subsidiary or a substantial part of any of its/their assets.

6.7 FAILURE TO PAY TAXES. The Borrower, any U.S. Guarantor, or any European Subsidiary shall fail to pay when due any tax, assessment or other governmental charge as and when due to the appropriate governmental entity, unless such entity shall be disputing any such tax, assessment or charge in good faith by appropriate proceedings, diligently conducted, and adequate reserve shall have been made therefore as required by GAAP.

6.8 EVENT OF DEFAULT UNDER OTHER LOAN DOCUMENTS. An Event of Default (as such term is defined in the Credit Agreement) or a Default or an Event of Default (as each such term is defined in the other Loan Documents) shall occur under any of the Loan Documents.

ARTICLE VII - REMEDIES

If an Event of Default (as defined in Article VI of this Third Waiver Agreement) shall occur and be continuing, at any time, without notice to the Borrower, any U.S. Guarantor, or any European Subsidiary:

7.1 LOAN DOCUMENTS; APPLICABLE LAW. The Bank may, in its sole discretion, enforce all of its remedies as set forth hereunder, under any of the Loan Documents and/or under applicable law against the Borrower, the U.S. Guarantors, and/or the European Subsidiaries.

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7.2 ADDITIONAL REMEDIES. The Bank may declare all Obligations to be immediately due and payable and shall have, in addition to any other remedies, all of the remedies of a secured party under the Uniform Commercial Code (the "Code") and/or other applicable law. Expenses of retaking, holding, preparing for sale, selling or the like shall include the Bank's reasonable attorney's fees and legal expenses incurred or expended by the Bank to enforce any payment due to it hereunder or under the Loan Documents, as against the Borrower, the

U.S. Guarantors, or the European Subsidiaries, or in the prosecution or defense of any action, or concerning any matter growing out of or in connection with the Loan Documents and/or the Collateral.

7.3 POWER OF ATTORNEY. The Borrower, each U.S. Guarantor, and each European Subsidiary do hereby make, constitute and appoint any officer or agent of the Bank as the true and lawful attorney-in-fact of the Borrower, each U.S. Guarantor, and the European Subsidiaries, with power to, at the Bank's option and at the expense and liability of the Borrower, the U.S. Guarantors, and the European Subsidiaries: (a) sign, for the Borrower, any U.S. Guarantor, and/or the European Subsidiaries, financing, continuation or amendment statements pursuant to the Code; (b) endorse the name of the Borrower, any U.S. Guarantor, or any European Subsidiary or any of the respective officers or agents thereof upon any notes, checks, drafts, money orders, or other instruments of payment with respect to the Collateral that may come into the Bank's possession in full or partial payment of any of the Obligations; and (c) after an Event of Default has occurred, sue for, compromise, settle and release any and all claims and disputes with respect to the Collateral; granting to said attorney of the Borrower, the U.S. Guarantors, and/or the European Subsidiaries full power to do any and all things necessary to be done in and about the premises as fully and effectually as the Borrower, any U.S. Guarantor, and/or the European Subsidiaries might or could do. The Borrower, the U.S. Guarantors, and the European Subsidiaries hereby ratify all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest, and is irrevocable.

7.4 PAYMENT OF EXPENSES. At its option, the Bank may discharge taxes, liens, security interests or such other encumbrances as may attach to the Collateral, as determined by the Bank to be necessary. The Borrower, the U.S. Guarantors, and the European Subsidiaries will reimburse the Bank on demand for any payment so made or any expense incurred by the Bank pursuant to the foregoing authorization, and the Collateral also will secure any loans or advances or payments so made or expenses so incurred by the Bank.

ARTICLE VIII - GENERAL RELEASE

EFFECTIVE UPON THE BORROWER, THE U.S. GUARANTORS, AND THE EUROPEAN SUBSIDIARIES, FOR AND ON BEHALF OF THEMSELVES AND ALL PERSONS AND/OR ENTITIES CLAIMING BY, THROUGH AND/OR UNDER ANY OF THEM, INCLUDING, BUT NOT LIMITED TO, ALL OF THEIR RESPECTIVE PAST AND PRESENT PARTNERS, DIRECTORS, SHAREHOLDERS, OFFICERS, EMPLOYEES, ATTORNEYS, ACCOUNTANTS, ADMINISTRATORS, AGENTS, PARENT CORPORATIONS, SUBSIDIARIES, AFFILIATES, REPRESENTATIVES, PREDECESSORS, SUCCESSORS AND ASSIGNS AND WHERE APPLICABLE THEIR

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RESPECTIVE HEIRS, EXECUTORS AND TRUSTEES (COLLECTIVELY REFERRED TO HEREIN, JOINTLY AND SEVERALLY, AS THE "RELEASORS") HEREBY JOINTLY AND SEVERALLY UNCONDITIONALLY REMISE, RELEASE, ACQUIT AND FOREVER DISCHARGE THE BANK AND ALL OF ITS PAST AND PRESENT DIRECTORS, SHAREHOLDERS, OFFICERS, EMPLOYEES, ATTORNEYS, ACCOUNTANTS, ADMINISTRATORS, AGENTS, PARENT CORPORATIONS, SUBSIDIARIES, AFFILIATES, REPRESENTATIVES, PREDECESSORS, SUCCESSORS, ASSIGNS AND WHERE APPLICABLE THEIR RESPECTIVE HEIRS, EXECUTORS AND TRUSTEES (COLLECTIVELY REFERRED TO HEREIN AS THE "RELEASEES"), OF, FROM AND WITH RESPECT TO ANY AND ALL GRIEVANCES, DISPUTES, MANNER OF ACTIONS, CAUSES OF ACTION, SUITS, OBLIGATIONS, LIABILITIES, LOSSES, DEBTS, DAMAGES, DUES, SUMS OF MONEY, ACCOUNTS, RECKONINGS, CONTROVERSIES, AGREEMENTS, CLAIMS, DEMANDS, COUNTERCLAIMS AND CROSSCLAIMS, INCLUDING, BUT NOT LIMITED TO ALL CLAIMS AND CAUSES OF ACTION ARISING OUT OF OR RELATED TO THE LOAN DOCUMENTS AND/OR ALL TRANSACTIONS RELATED THERETO, WHETHER KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, DIRECT, INDIRECT OR CONTINGENT, ARISING IN LAW OR EQUITY, WHICH THE RELEASORS (OR ANY OF THEM) EVER HAD, NOW HAS, OR MAY EVER HAVE AGAINST ANY ONE OR MORE OF THE RELEASEES, FROM THE BEGINNING OF TIME TO THE DATE OF THIS THIRD WAIVER AGREEMENT.

ARTICLE IX - MISCELLANEOUS

9.1 CONTINUING EFFECT. Except as amended hereby, all of the Loan Documents shall remain in full force and effect and bind and inure to the benefit of the parties thereto and are hereby ratified and confirmed.

9.2 CHOICE OF LAW AND VENUE; SUBMISSION TO JURISDICTION; SELECTION OF FORUM; JURY TRIAL WAIVER.

9.2.1 This Third Waiver Agreement and the other Loan Documents (unless expressly provided to the contrary in any other Loan Document with respect to such other Loan Document), the construction, interpretation, and enforcement hereof and thereof, and the rights of the parties hereto and thereto with respect to all matters arising hereunder or thereunder or related hereto and thereto shall be determined under, governed by, and construed in accordance with the laws of the Commonwealth of Pennsylvania.

9.2.2 The Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries agree that all actions or proceedings arising in connection with this Third Waiver Agreement and the other Loan Documents shall be tried and litigated only in the state or federal courts located in the Commonwealth of Pennsylvania, provided, however, that any suit, action or other proceeding seeking enforcement against any Collateral or other property may be brought, at Bank's option, in the courts of any jurisdiction where Bank elects to bring such action or

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where such Collateral or other property may be found. The Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries waive, to the extent permitted under applicable law, any right each may have to assert the doctrine of forum non conveniens or to object to venue to the extent any suit, action or other proceeding is brought in accordance with this section.

9.2.3 The Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries hereby waive personal service of process and agree that a summons and complaint commencing an action or proceeding in such court shall be proper and shall confer personal jurisdiction if served by registered or certified mail, return receipt requested, in accordance with the notice provisions of this Third Waiver Agreement.

9.2.4 The Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries hereby waive their respective rights to a jury trial of any claim or cause of action based upon or arising out of this Third Waiver Agreement or any other Loan Document or any of the transactions contemplated herein or therein, including all contract claims, tort claims, breach of duty claims, and all other common law or statutory claims, whatsoever. The Bank, the Borrower, each U.S. Guarantor, and each European Subsidiary warrant and represent that they have reviewed this waiver and, following consultation with legal counsel of its or his choice, do hereby knowingly, voluntarily, intentionally, and expressly waive their right to jury trial and right to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. In the event of litigation, a copy of this Third Waiver Agreement may be filed as a written consent to a trial by the court.

9.2.5 The Bank, the Borrower, the U.S. Guarantors, and the European Subsidiaries hereby acknowledge and agree that this Section is a specific and material aspect of this Third Waiver Agreement and that neither the Bank, the Borrower, any U.S. Guarantor, nor any European Subsidiary would enter into this Third Waiver Agreement if the waivers set forth in this section were not a part of thereof.

9.3 COOPERATION; OTHER DOCUMENTS. At all times following the execution of this Third Waiver Agreement, the Borrower, each U.S. Guarantor, and each European Subsidiary shall execute and deliver to the Bank, or shall cause to be executed and delivered to the Bank, and shall do or cause to be done all such other acts and things as the Bank may reasonably deem to be necessary or desirable to assure the Bank of the benefit of this Third Waiver Agreement and the documents comprising or relating to this Third Waiver Agreement.

9.4 REMEDIES CUMULATIVE; NO WAIVER. The rights, powers and remedies of the Bank in this Third Waiver Agreement and in the other Loan Documents are cumulative and not exclusive of any right, power or remedy provided in the Loan Documents, by law or in equity and no failure or delay on the part of the Bank in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or remedy preclude any other or further exercise thereof, or the exercise of any other right, power

or remedy.

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9.5 NOTICES. Any notice given pursuant to this Third Waiver Agreement or pursuant to any document comprising or relating to this Third Waiver Agreement or any of the other Loan Documents shall be in writing, including telecopies. Notice given by telecopy shall be deemed to have been given and received when sent. Notice given by overnight mail courier shall be deemed to have been given and received one (1) day after the date delivered to such overnight courier by the party sending such Notice. Notice by mail shall be deemed to have been given and received three (3) days after the date deposited, when sent by first class certified mail, postage prepaid, and addressed as follows:

To the Borrower, the U.S. Guarantors, and/or the
European Subsidiaries:

Robert F. Gallagher
Chief Financial Officer
Selas Corporation of America
c/o RTI
1260 Red Fox Road
Arden Hills, MN 55112
Telecopy Number: 651-636-3682

With a copy to:

Lawrence F. Flick, II, Esquire
Blank Rome LLP
One Logan Square
Philadelphia, PA 19103
Telecopy Number: 215-569-5555

To the Bank:

Wachovia Bank, N.A.
123 South Broad Street-PA1246
Philadelphia, PA 19109
Attn: Kathleen M. Hedrich, VP
Telecopy Number: 215-670-6646

With a copy to:

Duane Morris, LLP
One Liberty Place, 41st Floor
Philadelphia, PA 19103
Attention: Margery N. Reed, Esquire
Telecopy Number: 215-979-1020

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A party may change his or its address by giving written notice of the changed address to the other parties, as specified herein.

9.6 INDEMNIFICATION. If, after receipt of any payment of all or any part of the Obligations, the Bank is compelled to surrender such payment to any person or entity for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Third Waiver Agreement and the other Loan Documents shall continue in the full force and effect, and the Borrower, each U.S. Guarantor, and each European Subsidiary shall be jointly and severally liable for, and shall indemnify, defend and hold harmless the Bank with respect to the full amount so surrendered. The provisions of this Section shall survive the termination of this Third Waiver Agreement and the other Loan Documents and shall be and remain effective notwithstanding the payment of the Obligations, the cancellation of any note, the release of any lien, security interest or other encumbrance securing the Obligations or any other action which the Bank may have taken in reliance upon its receipt of such

payment. Any cancellation of any note, release of any such encumbrance or other such action shall be deemed to have been conditioned upon any payment of the Obligations having become final and irrevocable.

9.7 COSTS, EXPENSES AND ATTORNEYS' FEES. The Borrower, the U.S. Guarantors, and the European Subsidiaries agree to pay on demand by the Bank, all reasonable out-of-pocket fees, costs and expenses incurred by the Bank, including, without limitation, all reasonable costs and expenses and all reasonable fees and expenses of counsel for the Bank in connection with: (i) the negotiation, preparation and enforcement of this Third Waiver Agreement, the Waiver Documents, the other Loan Documents and all other documents and instruments executed in connection herewith or otherwise relating to this Third Waiver Agreement; and (iii) the enforcement or exercise by the Bank of its rights and remedies with respect to the collection of the Obligations or to preserve, protect or enforce its interests.

9.8 BANKRUPTCY/RELIEF FROM AUTOMATIC STAY. If any bankruptcy, insolvency, reorganization or rehabilitation case or proceeding is commenced by or against the Borrower, any U.S. Guarantor, or any European Subsidiary under any state, federal or foreign proceeding (including, without limitation, title 11 of the United States Code (the "Bankruptcy Code")), the Borrower, each U.S. Guarantor, and each European Subsidiary hereby agree that the Bank and/or its nominee(s) or assignee(s) are entitled to, and the Borrower, each U.S. Guarantor, and each European Subsidiary hereby waive any objections to, immediate relief from any stay imposed by Section 362 or 105 of the Bankruptcy Code or other applicable law or against the exercise of the rights and remedies otherwise available to the Bank and/or its nominee(s) or assignee(s) as provided in the First Waiver Agreement, the Second Waiver Agreement, this Third Waiver Agreement, the other Waiver Documents, the other Loan Documents and as otherwise provided by law. Upon the occurrence of any of the events described in this Section, the Borrower, each U.S. Guarantor, and each European Subsidiary covenant to take any action deemed necessary or convenient by the Bank and/or its nominee(s) and assignee(s) to enable the Bank and/or its nominee(s) and assignee(s) to continue to exercise its rights and remedies under this Third Waiver Agreement.

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9.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties of the Borrower, the U.S. Guarantors, and the European Subsidiaries contained in this Third Waiver Agreement, the First Waiver Agreement, the Second Waiver Agreement, the other Waiver Document, the other Loan Documents, and in all other documents and instruments executed in connection herewith or therewith shall survive the execution of this Third Waiver Agreement and are material and have been or will be relied upon by the Bank, notwithstanding any investigation made by any person, entity or organization on the Bank's behalf. No implied representations or warranties are created or arise as a result of this Third Waiver Agreement or the documents comprising or relating to this Third Waiver Agreement.

9.10 HEADINGS. The headings and underscoring of articles, sections and clauses have been included herein for convenience only and shall not be considered in interpreting this Third Waiver Agreement.

9.11 INTEGRATION. This Third Waiver Agreement and all documents and instruments executed in connection herewith or otherwise relating to this Third Waiver Agreement, including, without limitation, the Loan Documents, constitute the sole agreement of the parties with respect to the subject matter hereof and thereof and supersede all oral negotiations and prior writings with respect to the subject matter hereof and thereof.

9.12 AMENDMENT AND WAIVER. No amendment of this Third Waiver Agreement, and no waiver, discharge or termination of any one or more of the provisions thereof, shall be effective unless set forth in writing and signed by all of the parties hereto.

9.13 SUCCESSORS AND ASSIGNS. This Third Waiver Agreement and the other Loan Documents: (a) shall be binding upon the Bank, the Borrower, each U.S. Guarantor, and each European Subsidiary and upon their respective officers, directors, employees, agents, trustees, representatives, nominees, parent corporation, subsidiaries, heirs, executors, administrators, successors or assigns, and (b) shall inure to the benefit of the Bank, the Borrower, each U.S.

Guarantor, and each European Subsidiary provided, however, that neither the Borrower nor any U.S. Guarantor or European Subsidiary may assign any rights hereunder or any interest herein without obtaining the prior written consent of the Bank, and any such assignment or attempted assignment shall be void and of no effect with respect to the Bank.

9.14 SEVERABILITY OF PROVISIONS. Any provision of this Third Waiver Agreement that is held to be inoperative, unenforceable, void or invalid in any jurisdiction shall, as to that jurisdiction, be ineffective, unenforceable, void or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of that provision in any other jurisdiction, and to this end the provisions of this Third Waiver Agreement are declared to be severable. This Third Waiver Agreement shall remain valid and enforceable notwithstanding the invalidity, insufficiency, or unenforceability of any other Loan Document.

9.15 CONFLICTING PROVISIONS. To the extent that any of the terms in this Third Waiver Agreement contradict any of the terms contained in any of the Loan Documents, the terms of this Third Waiver Agreement shall control.

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9.16 JOINT AND SEVERAL LIABILITY. The obligations and liabilities of the Borrower, each U.S. Guarantor and each European Subsidiary hereunder are joint and several.

9.17 INTENT TO LIMIT CHARGES TO MAXIMUM LAWFUL RATE. In no event shall the interest rate or rates payable under Loan Documents, as amended by this Third Waiver Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. The parties hereto, in executing and delivering this Third Waiver Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided; however, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, ipso facto, as of the date hereof, the Borrower, the U.S. Guarantors, and the European Subsidiaries are and shall be liable only for the payment of such maximum as allowed by law, and payment received from the Borrower, the U.S. Guarantors, and the European Subsidiaries in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

9.18 COUNTERPARTS; EFFECTIVENESS. This Third Waiver Agreement may be executed by facsimile signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Third Waiver Agreement. This Third Waiver Agreement shall be deemed to have been executed and delivered when the Bank has received facsimile counterparts hereof executed by all parties listed on the signature pages hereto.

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IN WITNESS WHEREOF, the undersigned have caused this Third Waiver Agreement to be executed by their duly authorized officers on the date first above written.

WITNESS: WACHOVIA BANK, NATIONAL ASSOCIATION

BY: _____
NAME:
TITLE:

WITNESS: SELAS CORPORATION OF AMERICA

BY: _____
NAME:
TITLE:

WITNESS: SELAS SAS

BY: _____
NAME:
TITLE:

WITNESS: CFR-CECF FOFUMI RIPOCHE

BY: _____
NAME:
TITLE:

WITNESS: DEUER MANUFACTURING, INC.

BY: _____
NAME:
TITLE:

WITNESS: RESISTANCE TECHNOLOGY, INC.

BY: _____
NAME:
TITLE:

WITNESS: RTI EXPORT, INC.

BY: _____
NAME:
TITLE:

WITNESS: RTI ELECTRONICS, INC.

BY: _____
NAME:
TITLE:

[LOGO] SELAS

CORPORATION OF AMERICA

SELAS CORPORATION OF AMERICA

(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 St. Paul, Minnesota with operations in Pennsylvania, Ohio, California, France, Germany, Japan, Portugal and Singapore, operates directly or through subsidiaries in two business segments.

The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components, systems and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries. Under the SelasTM name, the Heat Technology segment designs and manufactures specialized industrial heat processing systems for the aluminum and glassware industries worldwide, and replacement parts for steel, aluminum, glass and other manufacturers worldwide.

In the fourth quarter of 2002, the Company initiated its plan to dispose of the Company's Tire Holders, Lifts and Related Products segment. This segment consists of one wholly-owned subsidiary operating on a stand alone basis that sells tire holders, lifts and related products to automotive customers. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and has reclassified the historical financial data. This subsidiary had sales of \$16.8 million, \$15.0 million and \$17.8 million and net income of \$1,173,000, \$679,000 and \$1,369,000 in 2002, 2001 and 2000, respectively. See further information in note 2 to the consolidated financial statements.

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). The sale, with the exception of Selas Italiana, S.r.L. was completed in December 2002. These subsidiaries formed the Company's large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$13.5 million, \$15.6 million and \$27.3 million of sales and a net loss from operations of \$8 million, \$5.3 million and \$69,000 in 2002, 2001 and 2000, respectively. The Company accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, reclassified the historical financial data of these subsidiaries. See further information in note 2 to the consolidated financial statements.

As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Statement 142 set forth new financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill no longer be amortized but tested for impairment on a periodic basis. The Company discontinued the amortization of goodwill effective January 1, 2002. The provisions of Statement 142 also required the completion of a transitional impairment test with any impairment identified accounted for as a cumulative effect of a change in accounting principle. As of the date of adoption, the Company had unamortized goodwill in the amount of \$15,632,000. The Company

determined the goodwill associated with its European Heat Technology operations had been impaired and wrote-off the remaining goodwill of \$1,528,000, \$404,000 of negative goodwill pertaining to its Asian Heat Technology operations, and the Company recognized an impairment of \$9,428,000 associated with its Precision Miniature Medical and Electronics Products Business. The net charge totaling \$10,552,000 was recognized as a cumulative change in accounting principle in the 2002 consolidated statement of operations. The corresponding deferred tax asset was offset by a valuation allowance, see note 11 to the consolidated financial statements. Changes in the estimated future cash flows from these businesses could have a significant impact on the amount of any future impairment, if any.

MARKET AND DIVIDEND INFORMATION

Quarter	2002		2001	
	Market Price Range		Market Price Range	
	High	Low	High	Low
First	\$2.350	\$1.650	\$4.000	\$3.100
Second	2.880	2.150	4.750	3.300
Third	2.690	2.030	4.500	2.850
Fourth	2.350	1.500	3.600	2.000

At March 17, 2003 the Company had 402 shareholders of record.

The following table provides information regarding cash dividends declared by the Company during each quarterly period for the last two years.

	2002	2001
Dividends per share:		
First Quarter	\$ --	\$.045
Second Quarter	--	.045
Third Quarter	--	.045
Fourth Quarter	--	--

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. The Company ceased paying quarterly dividends in the fourth quarter of 2001 and has no intention of paying dividends in the foreseeable future. Terms of the Company's banking agreements prohibit the payment of dividends without prior bank approval.

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

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31	2002 (a)	2001
Sales, net	\$ 64,592,000	\$ 71,302,000
(Loss) from continuing operations, net of income tax	(4,169,000)	(22,000)
(Loss) from discontinued operations, net of income tax	(6,833,000)	(4,595,000)
Net (loss) before change in accounting principle	(11,002,000)	(4,617,000)

Cumulative effect of change in accounting principle (b)	(10,552,000)	--
	-----	-----
Net (loss)	\$ (21,554,000)	\$ (4,617,000)
	=====	=====
Basic (loss) per share:		
Continuing operations	\$ (.81)	\$ --
Discontinued operations	(1.34)	(.90)
Accounting principle change (b)	(2.06)	--
	-----	-----
Net (loss)	\$ (4.21)	\$ (.90)
	=====	=====
Diluted (loss) per share:		
Continuing operations	\$ (.81)	\$ --
Discontinued operations	(1.34)	(.90)
Accounting principle change	(2.06)	--
	-----	-----
Net (loss) per share	\$ (4.21)	\$ (.90)
	=====	=====
Working capital	\$ 3,554,000	\$ 15,136,000
Total assets	\$ 63,555,000	\$ 86,601,000
Total shareholders' equity	\$ 16,616,000	\$ 38,605,000

- (a) The Company has reclassified two of its businesses as discontinued operations - the large custom-engineered furnace business, which was sold in December 2002, and the Company's Tire Holders, Lifts and Related Products business. For 2002 and 2001, the large custom-engineered furnace business had revenue of \$13.5 and \$15.6 million and net losses of \$8.0 million and \$5.3 million, respectively. For those same years, the Tire Holders, Lifts and Related Products business had revenue of \$16.8 and \$15.0 million and net income of \$1.2 million and \$0.7 million.
- (b) As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Statement 142 set forth new financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. For further information, refer to note 6 of the consolidated financial statements.

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When I became CEO of Selas Corporation of America in May 2001, I promised I would lead a transition for the company, helping to improve profitability and expand new growth opportunities. The Company's performance in 2001 and 2002 strengthened management's resolve to move forward at an accelerated pace to change our product mix and focus. Although a sluggish economy has made this transition more difficult, it reinforces our decision to put Selas on firmer financial footing and increase its potential for steady, future growth.

Financial results for 2002 were poor, reflecting a global economic downturn that has affected many of our markets as well as the costs of our restructuring, but we are optimistic for the future. We believe we will be able to take advantage of new and growing markets by repositioning and restructuring the Company in several key areas.

As I said at our 2002 annual meeting, the future of Selas will be built around the core product lines of our Precision Miniature Medical and Electronic Products business segment. In this letter, I will describe how we intend to generate shareholder value by finding strategic buyers for our non-core businesses. And I will note significant changes in how we are re-deploying certain assets to maintain profitable growth in our Precision Miniature Medical and Electronic Products business.

INCREASING OUR FUTURE GROWTH POTENTIAL

Our long-term strategy is to create accelerated growth for our Precision Miniature Medical and Electronic Products business. Selas' core competencies position us well to expand our line of medical products to capture significantly more business. Because of our expertise in the robotic manufacture of miniature and micro-miniature electronic products, we believe we are well-suited to compete in a medical device market that is increasingly demanding products with increased portability, improved infection control, better cost containment, more reliability and high customer satisfaction.

We have already established solid relationships with Fortune 500 medical companies, including Abbott Laboratories and Deltec, and we have successfully completed several programs with these customers, taking concepts from design to robotic manufacture of customized microelectronic and mechanical assemblies. For example, in 2002, we worked with Deltec to design and manufacture a completely customized safety needle for drug delivery, enabling safer disposal of user needles. We expect continued and stronger growth in this area.

We also expect to be a key player in the global hearing health market. Although this market has been stagnant for the past several years, we believe that this is a transitory phenomenon due to factors such as a relatively youthful population, outdated hearing-aid technology and high product costs.

We further believe that, over the next few years, key hurdles limiting the growth of the hearing health market will be resolved. For starters, in the industrialized markets of Europe, Japan and the United States, a large portion of the population is growing older - an important factor in hearing loss. In each region, the fastest-growing segment of the population is the over-65 age group.

New product offerings will also help expand the hearing health market, as digital technology enables the manufacture of advanced hearing aid devices at relatively low cost - which we believe will set the stage for many years of solid growth. We intend to use our proven expertise as a leading supplier to the hearing health market to create an advanced line of amplifier assemblies and systems based on Digital Signal Processing (DSP) technology.

Using DSP technology, we have the ability to create hearing aids and similar amplifier devices that have better clarity, stronger pricing points and an improved ability to filter out background noise, compared to most products currently on the market. Low- to moderately-priced DSP hearing aids, like our newly introduced line of ClariD Digital ONE(TM) DSP hearing aid amplifier products, represent the fastest-growing segment in the hearing-aid market. First introduced in October 2002, our initial product line is already in production and we expect to launch additional products throughout 2003.

And because the hearing health business unit generates considerable cash, it should help support emerging growth opportunities in our medical device and audio communications business units. In particular, we expect the high-quality audio communications market to be a solid performer for our Company in coming years. During the past two years, we have reorganized this business by adding a

global sales and marketing capability and investing in new products.

Selas first entered the high-quality audio communication device market in January 2001, with the purchase of the Singapore-based Lectret Precision headset business. Last year, we used this business to launch a new line of miniature, professional audio headset products used by performers and support staff in the music and stage performance markets. For customers focusing on homeland security needs, we recently introduced several new communication devices that are more

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portable and perform well in noisy or hazardous environments - well designed to fit with applications in the fire, law enforcement, safety and military markets.

REDEFINING THE COMPANY'S VISION

Just as we see significant growth potential from our Precision Miniature Medical and Electronic Products segment, we also believe that now is the time to begin de-emphasizing our role in the Heat Technology and Automotive businesses. To meet this goal, we have already begun to transition out of several key Heat Technology markets. And we intend to find a strategic buyer to run our automotive business, Deuer Manufacturing.

Deuer is a fine company and has been a solid contributor to Selas' earnings and cash flow. However, we have analyzed the market situation and opportunities and it does not fit our vision of the Company's future. We intend to find a strategic buyer that can help Deuer continue to flourish and grow, while Selas targets its resources in other market segments. This is a move that we believe will benefit Selas, as well as the employees, management and customers of Deuer Manufacturing.

We have also begun to scale back our emphasis on other aspects of the Heat Technology business. In 2001, we made the decision to sell our large, custom-engineered furnace business, which is now reflected as a discontinued operation in our financial statements. The sale was completed in 2002.

We have maintained ownership of our small-furnace business in Europe, but are now in the process of restructuring its operations in an effort to return it to profitability and position it for eventual sale. And we streamlined our workforce by reorganizing our operations in Dresher, Pennsylvania, Tokyo and Dusseldorf, Germany, into a single "Burners and Components" business. The Company has also listed for sale its Heat Technology facilities in Paris, France, and Dresher, Pennsylvania.

We hope to complete the sale of the Dresher and Paris facilities during 2003. In addition, we plan to sell our remaining small-furnace operations in Europe. However, we have not reflected this as a "discontinued operation" in our current financial statements because we don't expect a transaction to close in 2003. We intend to find strategic buyers for the Heat Technology business that can add value and help it grow, while also benefiting our shareholders and employees. The sale of these businesses and assets will substantially complete the Company's transition to focus more on the Precision Miniature Medical and Electronic Products market.

De-emphasizing the Heat Technology and Automotive businesses will free up management resources and cash, enabling us to expand on growth opportunities in the Precision Miniature Medical and Electronics Products segment. Our management team is committed to gaining recognition in the financial community for the new direction and enhanced potential of Selas. We take very seriously our obligation to you - our valued shareholders, customers and employees.

LOOKING FORWARD

In order to strengthen our corporate management team and enable a speedy transition to the new Selas, Robert Gallagher has joined the management team as Chief Financial Officer, and Gerald Broecker was promoted to Vice President of Administration. These new additions significantly deepen our corporate management team. CFO Bob Gallagher brings with him 25 years of financial experience, including CFO stints at two other public companies. Likewise, Vice President Jerry Broecker brings more than 30 years of experience in business

administration and process development to the Precision Miniature Medical and Electronic Products group.

As we start 2003, we bid farewell to a valued member of our Board of Directors. John Duerden, a former CEO of Xerox Engineering Systems, resigned from the board due to extensive time commitments on a new assignment in England. We appreciate John's involvement with Selas and wish him well in his new endeavor.

We look forward to taking significant steps toward completing our transition in 2003. Once this is accomplished, we believe a Selas that is focused on the Precision Miniature Medical and Electronic Products market will have excellent opportunities for growth. We anticipate it will give us entry to markets that offer a sustained cycle of profitability and are less volatile enabling Selas to grow consistently over the long term.

In closing, I would like to take this opportunity, on behalf of management and the Board of Directors, to thank you for your continued interest and support. As the largest individual shareholder of Selas stock, I want to assure you of my commitment to enhance shareholder value for each and every one of our investors.

/s/ Mark S. Gorder

Mark S. Gorder
President and Chief
Executive Officer

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FIVE-YEAR SUMMARY OF OPERATIONS*
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

YEARS ENDED DECEMBER 31	2002 (a)	2001 (b)	2000 (c)	1999	1998 (d)
Sales, net	\$ 64,592	\$ 71,302	\$ 71,520	\$ 59,312	\$ 65,333
Cost of sales	52,452	54,403	54,529	43,052	46,500
Selling, general and Administrative expenses	16,828	15,749	14,165	14,039	12,732
Interest expense	465	515	574	534	634
Interest income	(72)	(97)	(45)	(49)	(42)
Other (income) expense, net	(159)	157	(398)	318	(51)
Income (loss) from continuing operations before income taxes, discontinued operations and change in accounting principle	(4,922)	575	2,695	1,418	5,560
Income taxes (benefit)	(753)	597	1,059	1,028	1,157
Income (loss) from continuing operations before change in accounting principle	(4,169)	(22)	1,636	390	4,403
Income (loss) from discontinued operations, net of income taxes	(6,833)	(4,595)	1,300	1,339	(793)
Net income (loss) before change in accounting principle	(11,002)	(4,617)	2,936	1,729	3,610
Cumulative effect of change in accounting principle	(10,552)	--	--	--	--
Net income (loss)	\$ (21,554)	\$ (4,617)	\$ 2,936	\$ 1,729	\$ 3,610
Basic earnings (loss) per share: Continuing operation	\$ (.81)	\$ --	\$.32	\$.07	\$.84
Discontinued operations	(1.34)	(.90)	.25	.26	(.15)
Accounting principle change	(2.06)	--	--	--	--
Net income (loss)	\$ (4.21)	\$ (.90)	\$.57	\$.33	\$.69
Diluted earnings (loss) per share: Continuing operations	\$ (.81)	\$ --	\$.32	\$.07	\$.83
Discontinued operations	(1.34)	(.90)	.25	.26	(.15)
Accounting principle change	(2.06)	--	--	--	--
Net income (loss)	\$ (4.21)	\$ (.90)	\$.57	\$.33	\$.68
Comprehensive income (loss)	\$ (21,989)	\$ (4,802)	\$ 1,746	\$ 1,672	\$ 3,665

	=====	=====	=====	=====	=====
Weighted average number of shares outstanding during year					
Basic	5,119,214	5,119,214	5,121,513	5,196,072	5,233,016
Diluted	5,119,214	5,134,084	5,134,494	5,208,090	5,310,354

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OTHER FINANCIAL HIGHLIGHTS*
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

YEARS ENDED DECEMBER 31	2002 (a)	2001 (b)	2000 (c)	1999	1998 (d)
Working capital	\$ 3,554	\$ 15,136	\$ 18,209	\$ 17,912	\$ 19,971
Total assets	\$ 63,555	\$ 86,601	\$ 96,331	\$ 85,130	\$ 87,965
Long-term debt	\$ 2,736	\$ 3,215	\$ 808	\$ 1,617	\$ 3,102
Long-term benefit obligations	\$ 3,866	\$ 3,879	\$ 3,773	\$ 3,847	\$ 3,770
Shareholders' equity:					
Capital stock and additional paid-in capital	\$ 17,648	\$ 17,648	\$ 17,648	\$ 17,648	\$ 17,557
Retained earnings	1,743	23,298	28,606	26,593	25,798
Accumulated other comprehensive income (loss)	(1,510)	(1,076)	(890)	299	357
Treasury stock	(1,265)	(1,265)	(1,265)	(1,203)	(382)
Total shareholders' equity ...	\$ 16,616	\$ 38,605	\$ 44,099	\$ 43,337	\$ 43,330
Depreciation and amortization	\$ 2,946	\$ 3,826	\$ 3,562	\$ 3,479	\$ 3,318
Dividends per share	\$ --	\$.135	\$.18	\$.18	\$.18

* See Note 15 to the Company's consolidated financial statements included herein for quarterly results of operations.

- (a) The Company has reclassified two of its businesses as discontinued operations - the large custom-engineered furnace business, which was sold in December 2002, and the Company's Tire Holders, Lifts and Related Products business. Accordingly, the historical financial information has been reclassified. See note 2 to the consolidated financial statements.
- (b) On January 11, 2001, the Company acquired the stock of Lectret, a Singapore based company.
- On April 25, 2001, the Company sold a minority interest of Nippon Selas, a Tokyo, Japan based company to three directors of Nippon Selas.
- (c) On January 12, 2000, a subsidiary of the Company acquired the stock of Ermat S.A.
- On June 6, 2000, the Company acquired the remaining 50.1% interest of Nippon Selas.
- (d) On February 28, 1998, a subsidiary of the Company acquired the stock of CFR.
- On May 27, 1998, a subsidiary of the Company acquired the stock of IMB Electronic Products, Inc.
- On October 28, 1998, a subsidiary of the Company, RTI Technologies PTE LTD,

acquired certain assets and liabilities of Lectret.

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

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Certain statements included in this Annual Report to Shareholders or documents the Company files with the Securities and Exchange Commission, which are not historical facts, are forward-looking statements (as such term is defined in the Securities Exchange Act of 1934, and the regulations thereunder), which are intended to be covered by the safe harbors created thereby. These statements may include, but are not limited to:

- o statements in the letter to shareholders;
- o statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations";
- o statements in Notes to the Company's Consolidated Financial Statements; and
- o statements in the Company's annual report on Form 10-K for the year ended December 31, 2002 in "Business" and "Risk Factors".

Forward-looking statements include, without limitation, statements as to the Company's expected future results of operations and growth, the Company's business strategy, the expected benefits of reduction in employee headcount, the expected sale of the Company's Tire Holders, Lifts and Related Products segment and use of proceeds, the expected increases in operating efficiencies, anticipated trends in the hearing health market related to the Company's Precision Miniature Medical and Electronic Products segment, estimates of goodwill impairments and amortization expense of other intangible assets, the effects of changes in accounting pronouncements and statements as to trends or the Company's or management's beliefs, expectations and opinions.

Forward-looking statements are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially from those in the forward-looking statements. In addition to the factors discussed in this annual report to shareholders, certain risks, uncertainties and other factors can cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including, without limitation, the following:

- o the ability to implement the Company's business strategy;
- o the volume and timing of orders received by the Company;
- o foreign currency movements in markets the Company services;
- o changes in global economy and financial markets;
- o changes in the mix of products sold;
- o acceptance of the Company's products;
- o competitive pricing pressures;
- o availability of electronic components for the Company's products;
- o ability to create and market products in a timely manner;
- o ability to pay debt when it comes due;
- o ability to sell businesses marked for sale; and
- o the risks associated with terrorist attacks, war and threats of attacks.

For a description of other risks see "Risk Factors" in the Company's annual report on Form 10-K for the year ended December 31, 2002 or in other filings the Company makes from time to time with the Securities and Exchange Commission. 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.

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2002 COMPARED WITH 2001

The Company has embarked on a strategy to focus on its Precision Miniature Medical and Electronics Products markets for future growth. As part of this strategy, in December 2002, the Company initiated its plan to sell its Tire Holders, Lifts and Related Products segment. This segment consists of one

wholly-owned subsidiary, Deuer Manufacturing, Inc., that operates on a stand alone basis. Deuer generated approximately \$16.8 million and \$15.0 million of revenue and net income of \$1,173,000 and \$679,000 in 2002 and 2001, respectively. The Company has accounted for the plan to sell the subsidiary as a discontinued operation and, accordingly, has reclassified the historical financial data. See note 2 to the consolidated financial statements included herein.

Consolidated net sales for 2002 and 2001, were as follows (in thousands):

	2002 -----	2001 -----	Change -----
Precision Miniature Medical and Electronic Products	\$34,975	\$37,787	\$(2,812)
Heat Technology	29,617	33,515	(3,898)
	-----	-----	-----
Total	\$64,592	\$71,302	\$(6,710)
	=====	=====	=====

Sales in the Precision Miniature Medical and Electronics Products segment have been impacted by a worldwide weakness in its primary markets, including hearing health, electronics and telecommunications. Sales to the hearing health market declined 6 percent as the industry moved more towards digital products and an overall decline in the industry. The Company introduced its digital products in the fall of 2002. Sales of its thermistor and capacitor products into the telecommunication markets declined 24 percent year-over-year. The Company is working to increase its customer base in its medical business which saw a 7 percent year-over-year growth, but only comprises about 12 percent of this segment's 2002 sales. Looking forward to 2003, the Company sees continued weakness in its primary markets, but believes its new digital products will help it gain some market share in the hearing health market and the Company expects continued growth in its medical products. Overall, the Company expects modest growth in this segment in 2003.

Heat Technology sales continued to be impacted by the poor worldwide economy for capital goods and a decline in the availability of working capital facilities. In particular, the Company saw a decrease in demand for new projects calling for its burner technology and, consequently, has reduced its staffing in this area. The Company is not looking for significant growth in this market in 2003, but is focusing on trying to obtain more profitable business rather than volume. Sales and earnings of heat treating 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.

Gross profit margins, both in dollars and as a percent of segment sales, for 2002 and 2001, were as follows (in thousands):

	2002 -----		2001 -----		CHANGE -----	
	DOLLARS -----	PERCENT -----	DOLLARS -----	PERCENT -----	DOLLARS -----	PERCENT -----
Precision Miniature Medical and Electronic Products	\$ 8,139	23.3%	\$ 9,844	26.1%	\$(1,705)	(2.8)%
Heat Technology	4,001	13.5%	7,054	21.0%	(3,053)	(7.5)%
	-----	-----	-----	-----	-----	-----
Total	\$12,140	18.8%	\$16,898	23.7%	\$(4,758)	(4.9)%
	=====	=====	=====	=====	=====	=====

The gross profit margin in the Precision Miniature Medical and Electronic Products segment declined due to competitive pricing pressures in the hearing health, telecommunications, and electronic components markets. Also, a shift in product mix away from higher gross profit margin mechanical components to digital products contributed to the gross profit margin decline. While we expect both these trends to continue, the

Company believes its gross profit margins in 2003 will remain in the 23-26 percent range due to cost saving measures which have been implemented, including staffing reductions, additional automation, and increased volume of digital hearing health and medical product sales.

Heat Technology gross profit margins vary markedly from contract to contract, depending on customer specifications and other conditions related to the project. The gross profit margins for 2002 were impacted by revenue recognized on several glass furnace contracts whose gross profit margins were not as profitable as those completed in 2001 and higher than usual costs on several orders completed by some of the Company's subsidiaries which supply replacement parts. Heat technology reserves for guarantee obligations and estimated future costs of services increased to \$1.2 million in 2002 from \$900,000 in 2001 due to the completion or near-completion of several contracts during the year. Guarantee obligations and estimated future service costs on contracts extend for up to one year from completion.

Selling, general and administrative expenses (SG&A) for the years ended December 31, 2002 and 2001 were (in thousands):

	2002 ----		2001 ----		CHANGE -----	
	DOLLARS -----	PERCENT OF SALES -----	DOLLARS -----	PERCENT OF SALES -----	DOLLARS -----	YEAR-OVER- YEAR INCREASE -----
SG&A....	\$16,828	26.1%	\$15,749	22.1%	\$ 1,079	6.9%

The Company incurred high bad debt expense due to the bad economy in 2002. The bad debt expense increased \$663,000 primarily due to a French heat technology customer who filed bankruptcy. Additionally, the Company incurred higher than normal legal and consulting expenses due to its increased debt level and corresponding bank negotiations. The Company made substantial reductions in the selling, general and administrative employee headcount in late 2002, but had to accrue for the associated lay-off costs yielding an actual increase in 2002 costs. The benefit of these reductions is expected to be realized in 2003 and, consequently, the Company expects SG&A to be reduced as a percentage of sales in 2003.

Research and development costs decreased to \$914,000 in 2002 compared to \$1.3 million in 2001 due to decreased activity at the Precision Miniature Medical and Electronics Products segment as a result of tighter monetary constraints.

While the overall debt level of the Company increased, interest expense declined by \$51,000 from \$515,000 in 2001 compared to \$465,000 in 2002. This was due to lower interest rates. The average rate on short-term borrowings declined from 5.3 percent to 4.05 percent. Additionally, most of the Company's long-term debt bears interest at variable rates based on bank indexes that significantly declined over 2002.

In 2002, other income was \$159,000 compared to other expense of \$157,000 in 2001. Other income includes \$333,000 and \$46,000 of foreign exchange gain in 2002 and 2001, respectively. Gains were higher due to the strengthening of the Euro against the US Dollar resulting in gains at the Company's European subsidiaries. The gain was partially offset by late payment penalties in Europe on taxes and social charges.

Income taxes were as follows (in thousands):

	2002 -----	2001 -----
INCOME TAX (BENEFIT) EXPENSE	\$ (753) =====	\$ 597 =====
PERCENTAGE OF PRE-TAX INCOME (LOSS).....	(15.3%) =====	103.8% =====

The effective tax rate benefit compared to the U.S. Federal statutory rate of 34 percent in 2002 was primarily due to net losses of foreign operations that are not deductible because they result in additional net operating loss carryforwards whose ultimate deductibility is uncertain. The unusually high effective income tax

rate in 2001 was due to profits being generated in the United States that are taxable, while the pre-tax income includes foreign losses that result in additional net operating loss carryforwards whose ultimate deductibility remains uncertain. See note 11 to the consolidated financial statements regarding the reconciliation of the statutory income tax rate to the effective tax rate.

The Company recorded a net loss from discontinued operations as follows (in thousands):

	2002	2001
	-----	-----
Net (loss) from custom-engineered furnace business	\$ (8,007)	\$ (5,275)
Net income from Tire Holders, Lifts and Related Products segment	1,173	679
	-----	-----
Net (loss) from discontinued operations	\$ (6,834)	\$ (4,596)
	=====	=====

The net loss from the custom-engineered furnace business was larger in 2002 than 2001 due to cost over runs on large contracts. In December 2002, the Company completed the sale of this business, and has recognized the loss on the sale of the business.

The increased net income from the Tire Holders, Lifts and Related Products segment was due to increased sales volume in the automotive industry. This was due to the car companies' customer rebate programs creating higher demand and, consequently, higher production. In December 2002, the Company decided to sell this business in order to focus on its Precision Miniature Medical and Electronic Products. Proceeds from disposal are expected to be used primarily to reduce the Company's outstanding debt.

As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Statement 142 set forth new financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill no longer be amortized but tested for impairment on a periodic basis. The Company discontinued the amortization of goodwill effective January 1, 2002. The provisions of Statement 142 also required the completion of a transitional impairment test with any impairment identified accounted for as a cumulative effect of a change in accounting principle. As of the date of adoption, the Company had unamortized goodwill in the amount of \$15,632,000. The Company determined the goodwill associated with its European Heat Technology operations had been impaired and wrote-off the remaining goodwill of \$1,528,000, \$404,000 of negative goodwill pertaining to its Asian Heat Technology operations, and the Company recognized an impairment of \$9,428,000 associated with its Precision Miniature Medical and Electronics Products Business. The net charge totaling \$10,552,000 was recognized as a cumulative change in accounting principle in the 2002 consolidated statement of operations. The corresponding deferred tax asset of \$743,000, was offset by a valuation allowance, see note 11 to the consolidated financial statements. Changes in the estimated future cash flows from these businesses could have a significant impact on the amount of any future impairment, if any.

2001 COMPARED WITH 2000

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries formed the Company's large custom-engineered furnaces division, used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$15.6 million and \$27.3 million of revenue and a loss from operations of \$5.3 million and \$69,000 in 2001 and 2000, respectively. The Company has accounted for the plan to dispose of the subsidiaries as a

discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries. See further information in note 2 to the consolidated financial statements.

Consolidated net sales for the years ended December 31, 2001 and 2000 were as follows (in thousands):

	2001 -----	2000 -----	CHANGE -----
Precision Miniature Medical and Electronic Products	\$37,787	\$39,663	\$(1,876)
Heat Technology	33,515	31,857	1,658
	-----	-----	-----
Total	\$71,302	\$71,520	\$ (218)
	=====	=====	=====

Sales in the Precision Miniature Medical and Electronic Products business decreased in 2001 compared to 2000 because of lower sales of thermistor and capacitor parts to the electronics and telecommunications industries and lower shipments of component parts to the hearing health industry. These decreases were partially offset by the inclusion in the current year of the sales of approximately \$3 million of Lectret, a Singapore manufacturer of microphone capsules acquired in January, 2001. The Company's sales in this segment are affected by the telecommunications industry which continues its ongoing slump and the hearing health markets which have been relatively flat for the last several years.

The increase in Heat Technology sales in 2001 was attributable to a contract in backlog at the beginning of the year along with higher sales of replacement parts and burners partially offset by lower sales of smaller heat treating furnaces produced by the Company's CFR and Ermat subsidiaries. CFR and Ermat manufacture small heat treating furnaces utilized in the aluminum and glassware industries worldwide. Sales and earnings of heat treating 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.

Gross profit margins, both in dollars and as a percent of segment sales, for the years ended December 31, 2001 and 2000, were as follows (in thousands):

	2002 -----		2001 -----		CHANGE -----	
	DOLLARS -----	PERCENT -----	DOLLARS -----	PERCENT -----	DOLLARS -----	PERCENT -----
Precision Miniature Medical and Electronic Products	\$ 9,844	26.1%	\$11,548	29.1%	\$(1,704)	(3.0%)
Heat Technology	7,054	21.0%	5,442	17.1%	1,612	3.9%
	-----	-----	-----	-----	-----	-----
Total	\$16,898	23.7%	\$16,990	23.8%	\$ (92)	(0.1%)
	=====	=====	=====	=====	=====	=====

The lower gross profit margin in the Precision Miniature Medical and Electronic Products segment in 2001 was attributable to the mix of product sales between the periods. Hearing health component parts, whose sales have been declining, have higher gross profit margins compared to some of the segment's other products, particularly hearing health systems parts, whose sales have been increasing.

Heat Technology gross profit margin for 2001 was higher because of the increased revenue generated by sales of replacement parts and burners, which typically have better gross profit margins than heat treating contracts. This improvement was partially offset by cost overruns on some of the smaller furnace orders at the Company's CFR subsidiary. Heat technology reserves for guarantee obligations and estimated future costs of services increased to \$.9 million in 2001 from \$.5 million in 2000 due to the completion or near-completion of several contracts during the year. Guarantee obligations and estimated future service costs on contracts extend for up to one year from completion.

Selling, general and administrative expenses (SG&A) for 2001 and 2000 were as follows (in thousands):

	2002		2001		CHANGE	
	DOLLARS	PERCENT OF SALES	DOLLARS	PERCENT OF SALES	DOLLARS	YEAR-OVER-YEAR INCREASE
	-----	-----	-----	-----	-----	-----
SG&A...	\$15,749	22.1%	\$14,166	19.8%	\$ 1,583	11.2%

The higher selling, general and administrative expenses in 2001 year were due primarily to the January 2001 acquisition of Lectret, a Singapore microphone capsule manufacturer and the inclusion of Nippon Selas results for a full year. The remaining equity investment in Nippon Selas was acquired in June, 2000.

Research and development costs increased to \$1.3 million in 2001 compared to \$930,000 in 2000 due to increased activity at the Precision Miniature Medical and Electronics Products segment.

Interest expense was basically unchanged at \$515,000 in 2001 compared to \$574,000 in 2000. Interest income increased to \$97,000 in 2001 compared to \$45,000 in 2000 due mainly to interest imputed on a trade note receivable.

Other (income) expense includes gains on foreign exchange of \$46,000 and \$38,000 in 2001 and 2000, respectively. Other income in 2000 also includes investment income of approximately \$247,000.

Income taxes were as follows (in thousands):

	2001	2000
	-----	-----
Income tax expense	\$ 597	\$1,059
Percentage of pre-tax income (loss)	103.8%	39.3%

The unusually high effective income tax rate in 2001 was due to profits being generated in the United States that are taxable, while the pre-tax income includes foreign losses that result in additional net operating loss carryforwards whose ultimate deductible is uncertain. See note 11 to the consolidated financial statements regarding the reconciliation of the statutory income tax rate to the effective tax rate.

The Company recorded a net loss from discontinued operations as follows (in thousands):

	2001	2000
	-----	-----
Net (loss) from custom-engineered furnace business	\$ (5,275)	\$ (69)
Net income from Tire Holders, Lifts and Related Products segment	679	1,369
Net income (loss) from discontinued operations	\$ (4,596)	\$ 1,300
	=====	=====

The net loss from the custom-engineered furnace business was larger in 2001 due to the delay in the receipt of a large engineered contract and lower gross profit margins on certain orders completed in 2001 and cost overruns on contracts started in 2000. In the fourth quarter of 2001, the Company determined that the realizability of the deferred tax assets associated with their European discontinued operations were not recoverable. The Company recognized a valuation allowance of approximately \$2.7 million.

The decreased net income from the Tire Holders, Lifts and Related Products segment in 2001 was because of lower tire lift sales to the automotive industry and a loss of production efficiencies in the manufacturing process.

SALE OF PRIMARY CUSTOM ENGINEERED (LARGE) FURNACE BUSINESS

In December 2002, the Company completed its agreement with Andritz AG to sell certain of the operating assets and liabilities of its large custom engineered furnace business operated by its wholly owned subsidiary Selas SAS and 100 percent of the shares of Selas UK. In addition, the Company sold certain intellectual property used in the business. The total consideration was equal to the net book value of the assets transferred and liabilities assumed, plus approximately \$600,000 for the intellectual property and goodwill transferred. The assets and liabilities sold represent most of the Company's discontinued operations as reported in the Company's financial statements for the year ended December 31, 2001. The sale excludes Selas Italiana S.r.L. and Selas SAS's headquarters building in Gennevilliers, France which the Company has listed for sale.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated net working capital decreased to \$3.6 million at December 31, 2002 from \$15.1 million at December 31, 2001. The decrease was primarily from increased liabilities due to the losses incurred in 2002, the purchase of property and equipment, and paydown of long-term debt. The Company's cash flows from operating, investing and financing activities, as reflected in the statement of cash flows, are summarized as follows (in thousands):

	2002	2001	2000
	-----	-----	-----
Cash provided (used) by:			
Continuing operations	\$ 2,674	\$ 4,941	\$ 4,618
Discontinued operations	(3,312)	(1,561)	1,469
Investing activities	(2,133)	(2,377)	(3,058)
Financing activities	952	(896)	(112)
Effect of exchange rate changes on			
Cash	221	(252)	(271)
	-----	-----	-----
Increase (decrease) in cash	\$ (1,598)	\$ (145)	\$ 2,646
	=====	=====	=====

The Company had the following bank arrangements at December 31, (in thousands):

	2002	2001
	-----	-----
Total availability under existing facilities	\$20,369	\$18,564
	-----	-----
Borrowings and commitments:		
Notes payable	10,921	9,422
Long-term debt	4,310	4,711
	-----	-----
Total borrowings	15,231	14,133
Advance payment guarantees		
(off-balance sheet) (a)	2,160	2,553
	-----	-----
Total outstanding borrowings and		
commitments	17,391	16,686
	-----	-----
Remaining availability under existing		
facilities	\$ 2,978	\$ 1,878
	=====	=====

(a) Advance Payment Guarantees (APG's) are required by some customers in the Heat Technology segment. The APG's are a form of borrowing, providing a performance guarantee to the customer in the event of a default in delivery or a failure of the furnace being supplied. Although the guarantee period can vary widely, an APG is typically in force from six months to one year.

Borrowings under the majority of the Company's credit facilities bear interest at LIBOR plus 2.5% to 3.75%.

In March 2003, the Company entered into an amended agreement for its domestic and European revolving credit and term loan facilities and obtained a new facility in the amount of an additional (euro)1,000,000 (approximately \$1,090,000) for the issuance of advance payment guarantees (APG's). The new facility can be expanded to (euro)1,750,000 (approximately \$1,908,000) after the sale of discontinued operations and the payoff of certain existing facilities. APG's bear an interest rate of 3% per annum. In addition the agreement calls for paydowns if the sale of certain assets is consummated. These facilities expire either on January 1, 2004 or April 1, 2004.

The domestic term loans, the revolving credit facility and supplemental loan facility are secured by the Company's domestic assets, and the Company's domestic subsidiaries' stock. The agreements contain restrictive covenants regarding the payment of cash dividends, maintenance of working capital, net worth, shareholders' equity, and capital equipment expenditures along with the maintenance of certain financial ratios. The Company and its domestic subsidiaries are required to maintain consolidated tangible capital funds of approximately \$10 million through March 31, 2004 consisting of shareholders' equity, plus subordinated debt, less intangible assets. The covenant increases annually by an amount equal to 100% of net income and 100% of the aggregate amount of contributions to capital. Management believes that the Company will be able to maintain the amended covenants through March 30, 2004.

The Company did not meet certain covenants during the third and fourth quarters of 2002, for which the Company obtained waivers from the bank.

We believe that the amended credit facility combined with funds expected to be generated from operations, the available borrowing capacity through its revolving credit loan facilities, the potential sale of certain assets, curtailment of the dividend payment and control of capital spending will be sufficient to meet its anticipated cash requirements for operating needs. However, our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by general economic conditions and by financial, competitive, political, business and other factors. Many of these factors are beyond our control. If, however, we do not generate sufficient cash or complete such financings on a timely basis, we may be required to seek additional financing or sell equity on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition.

CONTRACTUAL OBLIGATIONS

The following tables represent the Company's contractual obligations and commercial commitments as of December 31, 2002.

CONTRACTUAL OBLIGATIONS	TOTAL	PAYMENTS DUE BY PERIOD			
		CURRENT	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Notes payable	\$10,921,000	\$10,921,000	\$ --	\$ --	\$ --
Long-term debt	4,310,000	1,574,000	2,661,000	75,000	--
Operating leases	7,170,000	1,427,000	2,322,000	1,628,000	1,793,000
Other long-term obligations	2,152,000	1,631,000	521,000	--	--

Total contractual cash obligations	\$24,553,000	\$15,553,000	\$ 5,504,000	\$ 1,703,000	\$ 1,793,000
	=====	=====	=====	=====	=====

AMOUNT OF COMMITMENT EXPIRATION BY PERIOD

OFF BALANCE SHEET COMMITMENTS	TOTAL AMOUNTS COMMITTED	CURRENT	2-3 YEARS
-----	-----	-----	-----
Advance payment guarantees (APG)	\$ 2,160,000	\$ 1,972,000	\$ 188,000
Receivable guarantee	1,356,000	1,356,000	--
	-----	-----	-----
Total commercial commitments	\$ 3,516,000	\$ 3,328,000	\$ 188,000
	=====	=====	=====

The Company incurred approximately \$224,000 in period pension and post retirement medical benefit costs in 2002 and contributed approximately \$303,000 to defined contribution plans. The Company expects a similar level of funding in 2002.

In 1999, one of the Company's subsidiaries entered a contractual obligation with one of its suppliers to pay minimum royalties of \$450,000 and to guarantee minimum purchases of \$2,400,000. As of December 31, 2002 the Company has purchased an aggregate of \$698,000 as follows: 2000 - \$164,000; 2001 - \$114,000; 2002 - \$420,000. The remaining \$1,702,000 of purchases, which are included in the above table, are due the supplier as follows: 2003 - \$1,181,000; 2004 - \$521,000.

Foreign Currency Fluctuation

A significant portion of the heat technology segment sales and the discontinued operations are denominated in foreign currencies, primarily the Euro. 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. From time to time the impact of fluctuations in foreign currencies may have a material effect on the financial results of the Company. See note 13 to the Company's consolidated financial statements included herein.

LITIGATION

The Company is a defendant along with a number of other parties in approximately 108 lawsuits as of December 31, 2002 (approximately 87 lawsuits as of December 31, 2001) 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 believes 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 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.

STOCK REPURCHASE PROGRAM

During the first quarter of 1999, the Company implemented a program to repurchase up to 250,000 shares of its common stock, which at the time represented approximately 5% of its total shares outstanding. The shares have been purchased from time to time on the open market during 1999 and 2000. As of December 31, 2002, the Company has repurchased a total of 152,190 shares of its common stock at a cost of \$883,141.

There were no purchases under this program in 2001 or 2002.

NEW ACCOUNTING PRONOUNCEMENTS

In 2002, the Company adopted the following new Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) accounting pronouncements:

SFAS No. 141, "Business Combinations". Statement 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company had no significant acquisitions after June 30, 2001.

SFAS No. 142, "Goodwill and Other Intangible Assets", replaced the requirement to amortize intangible assets with indefinite lives and goodwill with a requirement for a transitional impairment test. Statement 142 requires an evaluation of intangible assets and their useful lives. The transitional impairment test was performed effective as of January 1, 2002. See note 7 for the financial statement impact. The impairment tests will be performed annually in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Intangible assets with definite useful lives are required to be amortized over their respective estimated useful lives and also reviewed for impairment in accordance with SFAS No. 121.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While Statement 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," it retains many of the fundamental provisions of that Statement. Statement 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale.

SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, amends the FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosures are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIOD

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use

of the assets. The Company also records a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company was required to adopt SFAS No. 143 on January 1, 2003. The adoption of SFAS No. 143 is not expected to have a material effect on the Company's financial statements.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses the accounting for costs associated with disposal activities covered by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and with exit (restructuring) activities previously covered by Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." This Statement nullifies EITF Issue No. 94-3 in its entirety and requires that a liability for all costs be recognized when the liability is incurred. Generally, the ability to accrue for the cost of a workforce reduction plan at the communication date will be limited. The cost of the plan will be recognized over the future service period of the employees. The Statement will be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial statements. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002.

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In January 2003, The FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The application of this Interpretation is not expected to have a material effect on the Company's financial statements. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclosure information about variable interest entities when the Interpretation becomes effective.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company are described in Note 1 to the consolidated financial statements and have been reviewed with the audit committee of the Company's Board of Directors. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period.

Certain accounting estimates and assumptions are particularly sensitive because of their significance to the consolidated financial statements and possibility that future events affecting them may differ markedly. The accounting policies of the Company with significant estimates and assumptions are described below.

Revenue Recognition -----

A portion of the Company's net sales from its heat technology segment is

generated pursuant to contracts that require substantial time to complete and are accordingly accounted for on a percentage-of-completion basis. Under this method of accounting, the sales recognized on each contract during a particular accounting period are determined by multiplying the total contract amount by the ratio of costs incurred to estimated total costs and deducting sales recognized in prior accounting periods. Such contract costs and expenses incurred on a progress basis at the time the sales value is recorded are charged to cost of sales. Under percentage-of-completion accounting, 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 the final cost. Revised costs may be affected by changes in material purchase price estimates, labor and subcontractor completion estimates and other factors related to the contract. In addition, the Company provides reserves for guarantee obligations and estimated future costs of service under these contracts based on its past experience with similar projects and provides currently for any anticipated or known contract losses.

Discontinued Operations

The Company continuously assesses the return on their business segments. When management with the appropriate level of authority determines that a plan is in place to restructure the operations of a business or discontinue an operation, contractual commitments and obligations are recorded. See a discussion in note 2 to the consolidated financial statements.

Goodwill and Other Intangibles

As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Statement 142 set forth new financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires goodwill no longer be amortized but tested for impairment on a periodic basis. The Company discontinued the amortization of goodwill effective January 1, 2002. The provisions of Statement 142 also required the completion of a transitional impairment test with any impairment identified accounted for as a cumulative effect of a change in accounting principle. As of the date of adoption, the Company had unamortized goodwill in the amount of \$15,632,000. The Company determined the goodwill associated with its European Heat Technology operations had been impaired and wrote-off the remaining goodwill of \$1,528,000, \$404,000 of negative goodwill pertaining to its Asian Heat Technology operations, and the Company recognized an impairment of \$9,428,000 associated with its Precision Miniature Medical and Electronics Products Business. The net charge totaling \$10,552,000 was recognized as a cumulative change in accounting principle in the 2002 consolidated statement of operations. The corresponding deferred tax asset of \$743,000, was offset by a valuation allowance, see note 11 to the consolidated financial statements. Changes in the estimated future cash flows from these businesses could have a significant impact on the amount of any future impairment, if any.

Deferred Taxes

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, 2002. The Company had valuation allowances of \$3,358,012 and \$1,105,870 at December 31, 2002 and 2001, respectively.

Employee Benefit Obligations

The Company provides retirement and 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. Several assumptions and statistical variables are used in the models to calculate the expense and liability related to the plans. Assumptions about the discount rate, the expected rate of return on plan assets and the future rate of compensation increases are determined by the Company. Note 12 to the consolidated financial statements includes disclosure of these rates on a weighted average basis, encompassing the plans. The actuarial models also use assumptions on demographic factors such as retirement, mortality and turnover. The Company believes the assumptions are within accepted guidelines and ranges. However, these actuarial assumptions could vary materially from actual results due to economic events and different rates of retirement, mortality and withdrawal.

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, 2002 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 (SAS), has entered into an interest rate swap agreement. Selas (SAS) 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% change) basis point adverse 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 \$11,000 at December 31, 2002.

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.

The Company's consolidated balance sheets as of December 31, 2002 and 2001, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2002, and the report of independent auditors thereon and the quarterly results of operations (unaudited) for the two-year period ended December 31, 2002 are incorporated by reference on pages 23 to 58 in this 2002 annual report to shareholders.

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SELAS CORPORATION OF AMERICA
CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31	2002	2001	2000
	-----	-----	-----
Sales, net	\$ 64,591,800	\$ 71,301,842	\$ 71,519,755
Operating costs and expenses:			
Costs of sales	52,451,768	54,403,039	54,529,083
Selling, general and administrative Expenses	16,828,247	15,748,961	14,165,656
	-----	-----	-----
Operating income (loss)	(4,688,215)	1,149,842	2,825,016
Interest expense	464,615	515,347	573,893
Interest income	(72,206)	(97,401)	(44,572)
Other (income) expense, net	(158,580)	156,509	(399,299)
	-----	-----	-----
Income (loss) from continuing operations before income taxes, discontinued operations and change in accounting principle	(4,922,044)	575,387	2,694,994
Income taxes (benefit)	(753,037)	597,226	1,058,963
	-----	-----	-----
Income (loss) from continuing operations before discontinued operations and change in accounting principle	(4,169,007)	(21,839)	1,636,031
Income (loss) from discontinued operations, net of income taxes	(6,833,558)	(4,595,476)	1,299,755
	-----	-----	-----
Net income (loss) before change in accounting principle	(11,002,565)	(4,617,315)	2,935,786
Cumulative effect of change in accounting principle	(10,551,926)	--	--
	-----	-----	-----
Net Income (loss)	\$ (21,554,491)	\$ (4,617,315)	\$ 2,935,786
	=====	=====	=====
Basic earnings (loss) per share:			
Continuing operations	\$ (.81)	\$ --	\$.32

Discontinued operations	(1.34)	(.90)	.25
Accounting principle change	(2.06)	--	--
	-----	-----	-----
Net income (loss)	\$ (4.21)	\$ (.90)	\$.57
	=====	=====	=====
Diluted earnings (loss) per share:			
Continuing operations	\$ (.81)	\$ ---	\$.32
Discontinued operations	(1.34)	(.90)	.25
Accounting principle change	(2.06)	---	---
	-----	-----	-----
Net income (loss)	\$ (4.21)	\$ (.90)	\$.57
	=====	=====	=====
Comprehensive income (loss)	\$ (21,988,878)	\$ (4,802,477)	\$ 1,746,209
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	2002	2001
	-----	-----
Current assets		
Cash, including cash equivalents of \$418,000 in 2002 and \$391,000 in 2001 and restricted cash of \$418,000 in 2002 and \$389,000 in 2001	\$ 2,039,044	\$ 3,636,173
Accounts and notes receivable (including unbilled receivables of \$1,447,000 in 2002 and \$1,857,000 in 2001), less allowance for doubtful accounts of \$1,109,000 in 2002 and \$446,000 in 2001	15,627,864	15,584,690
Inventories	9,393,802	11,124,397
Refundable income tax	336,758	---
Deferred income taxes	1,818,384	1,461,756
Other current assets	1,064,829	926,771
Net assets of discontinued operations	13,610,601	23,305,372
	-----	-----
Total current assets	43,891,282	56,039,159
Property, plant and equipment		
Land	231,943	231,943
Buildings	5,149,415	5,116,948
Machinery and equipment	29,903,795	28,174,322
	-----	-----
	35,285,153	33,523,213
Less: Accumulated depreciation	22,921,608	20,587,407
	-----	-----
Net property, plant and equipment	12,363,545	12,935,806
Goodwill, net	5,376,317	15,631,502
Deferred income taxes	348,712	471,569
Other assets, less amortization	1,575,539	1,523,320
	-----	-----
	\$63,555,395	\$86,601,356
	=====	=====

See accompanying notes to the consolidated financial statements.

DECEMBER 31, 2002 AND 2001

LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001
	-----	-----
Current liabilities		
Notes payable	\$ 10,920,984	\$ 9,422,202
Current maturities of long-term debt	1,573,716	1,496,033
Accounts payable	11,046,373	9,984,099
Federal, state and foreign income taxes	---	461,393
Customers' advance payments on contracts	2,457,499	2,778,276
Guarantee obligations and estimated future costs of service	1,188,361	878,952
Liabilities of discontinued operations	6,955,654	10,980,113
Other accrued liabilities	6,194,679	4,901,789
	-----	-----
Total current liabilities	40,337,266	40,902,857
Long-term debt	2,736,236	3,214,934
Other postretirement benefit obligations	3,866,154	3,878,948
Contingencies and commitments		
Shareholders' equity		
Common shares, \$1 par; 10,000,000 shares authorized; 5,634,968 shares issued	5,634,968	5,634,968
Additional paid-in capital	12,012,541	12,012,541
Retained earnings	1,743,256	23,297,747
Accumulated other comprehensive loss	(1,509,948)	(1,075,561)
	-----	-----
	17,880,817	39,869,695
Less: 515,754 common shares, respectively, held in treasury, at cost	(1,265,078)	(1,265,078)
	-----	-----
Total shareholders' equity	16,615,739	38,604,617
	-----	-----
	\$ 63,555,395	\$ 86,601,356
	=====	=====

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	2002	2001	2000
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$(21,554,491)	\$ (4,617,315)	\$ 2,935,786
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Loss (income) from discontinued operations	6,833,558	4,595,476	(1,299,755)
Cumulative effect of accounting change	10,551,926	--	--
Depreciation and amortization	2,945,699	3,826,190	3,562,204
Equity in loss of unconsolidated affiliate	--	--	9,341
(Gains) losses on sale of property and equipment	(2,322)	9,154	(1,136)

Deferred taxes	(101,106)	(53,459)	(321,520)
Changes in operating assets and liabilities:			
Accounts receivable	3,066,845	4,082,315	(5,333,929)
Inventories	1,976,354	(2,262,698)	(558,429)
Other assets	131,694	(1,177,041)	170,634
Accounts payable	(555,757)	(403,388)	3,885,099
Accrued expenses	285,779	493,822	294,435
Customer advances	(881,337)	286,611	1,788,403
Other liabilities	(22,364)	160,889	(512,764)
	-----	-----	-----
Net cash provided by continuing operations	2,674,478	4,940,556	4,618,369
Net cash provided (used) by discontinued operations	(3,114,579)	(1,552,265)	1,697,072
	-----	-----	-----
Net cash provided (used) by operating activities	(440,101)	3,388,291	6,315,441
Cash flows from investing activities:			
Purchases of property, plant and equipment	(1,902,191)	(2,312,542)	(3,431,444)
Proceeds from sales of property and equipment	16,362	711	8,110
Purchase of patents and intangibles	(247,410)	--	--
Purchase of subsidiary companies, net of cash acquired	--	(65,155)	365,357
	-----	-----	-----
Net cash used by investing activities			
continuing operations	(2,133,239)	(2,376,986)	(3,057,977)
Net cash used by discontinued operations	(197,405)	(8,435)	(228,336)
	-----	-----	-----
Net cash (used) by investing activities	(2,330,644)	(2,385,421)	(3,286,313)
Cash flows from financing activities:			
Proceeds from short-term borrowings	1,838,902	3,396,314	2,227,453
Repayments of short-term borrowings	(436,908)	(3,942,418)	(92,730)
Proceeds from borrowings used to acquire subsidiaries	277,624	672,136	--
Proceeds from long-term debt	--	1,919,191	--
Repayments of long-term debt	(727,473)	(2,250,140)	(1,261,863)
Purchase of treasury shares	--	--	(62,308)
Payment of dividends	--	(691,351)	(922,053)
	-----	-----	-----
Net cash provided (used) by financing activities	952,145	(896,268)	(111,501)
	-----	-----	-----
Effect of exchange rate changes on cash	221,471	(252,288)	(271,137)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(1,597,129)	(145,686)	2,646,490
Cash and cash equivalents beginning of year	3,636,173	3,781,859	1,135,369
	-----	-----	-----
Cash and cash equivalents end of year	\$ 2,039,044	\$ 3,636,173	\$ 3,781,859
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	COMMON STOCK NUMBER OF SHARES	COMMON STOCK \$ AMOUNT	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)
	-----	-----	-----	-----	-----	-----
Balance January 1, 2000	\$ 5,634,968	\$ 5,634,968	\$ 12,012,541	\$ 26,592,680	\$ 299,178	\$ 2,935,786
Net income				2,935,786		
Translation (loss)					(1,189,577)	(1,189,577)
Purchase of 10,900 treasury shares						
Cash dividends paid (\$.18 per share)				(922,053)		
	-----	-----	-----	-----	-----	-----
Comprehensive loss						1,746,209
						=====
Balance December 31, 2000	5,634,968	5,634,968	12,012,541	28,606,413	(890,399)	
Net (loss)				(4,617,315)		(4,617,315)
Translation (loss)					(220,013)	(222,013)
Derivative financial instrument gain					36,851	36,851
Cash dividends paid (\$.135 per share)				(691,351)		

Comprehensive loss						(4,802,477)
Balance December 31, 2001	5,634,968	5,634,968	12,012,541	23,297,747	(1,075,561)	(21,554,491)
Net (loss)				(21,554,491)		(436,335)
Translation (loss)					(436,335)	1,948
Derivative financial instrument gain					1,948	
Comprehensive (loss)						\$(21,988,878)
Balance December 31, 2002	5,634,968	\$5,634,968	\$ 12,012,54	\$ 1,743,256	\$ (1,509,948)	

[WIDE TABLE CONTINUED FROM ABOVE]

	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
Balance January 1, 2000	\$ (1,202,770)	\$ 43,336,597
Net income		2,935,786
Translation (loss)		(1,189,577)
Purchase of 10,900 treasury shares .	(62,308)	(62,308)
Cash dividends paid (\$.18 per share)		(922,053)
Comprehensive loss		
Balance December 31, 2000	(1,265,078)	44,098,445
Net (loss)		(4,617,315)
Translation (loss)		(222,013)
Derivative financial instrument gain		36,851
Cash dividends paid (\$.135 per share)		(691,351)
Comprehensive loss		
Balance December 31, 2001	(1,265,078)	38,604,617
Net (loss)		(21,554,491)
Translation (loss)		(436,335)
Derivative financial instrument gain		1,948
Comprehensive (loss)		
Balance December 31, 2002	\$ (1,265,078)	\$ 16,615,739

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 St. Paul, Minnesota has facilities in Pennsylvania, Ohio, California, France, Germany, Japan, Portugal and Singapore, and operates directly or through subsidiaries in two business segments.

The Company's Precision Miniature Medical and Electronic Products segment designs and manufactures microminiature components, systems and molded plastic parts primarily for the hearing instrument manufacturing industry and also for the electronics, telecommunications, computer and medical equipment industries.

Under the Selas™ name, the Heat Technology segment designs and manufactures specialized industrial heat processing systems and replacement parts for the aluminum and glassware industries worldwide and other manufacturers worldwide.

BASIS OF PRESENTATION - In the fourth quarter of 2002, the Company initiated its plan to dispose of the Company's Tire Holders, Lifts and Related Products segment. This segment consists of one wholly-owned subsidiary that operates on a stand alone basis. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data.

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). This business was accounted for as a discontinued operation. These subsidiaries formed the Company's large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division were custom-engineered to meet customer specific requirements. The Company completed the sale of this business in December 2002, excluding Selas Italiana.

See further information in note 2 to the consolidated financial statements.

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.

SEGMENT DISCLOSURES - The Company's reporting segments reflect separately managed, strategic business units that provide different products and services, and for which financial information is separately prepared and monitored. The segment disclosure is consistent with the management decision making process that determines the allocation of resources to a segment and the measuring of their performance.

RECLASSIFICATIONS - Certain prior year balances have been reclassified to be consistent with the current year presentation.

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 accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

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. Revised costs may be affected by changes in material purchase price estimates, labor and subcontractor completion estimates and other factors related to the contract. 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 engineered contracts are based on past experience of similar projects. Due to the nature of 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. For the remainder of the business, the Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying value of cash, including cash equivalents, short-term accounts and notes receivable, other current assets, notes payable to banks, trade accounts payables, and other accrued expenses approximate fair value because of the short maturity of those instruments.

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.

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 - In 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets", which replaces the requirement to amortize intangible assets with indefinite lives and goodwill with a requirement for a transitional impairment test. Statement 142 requires an evaluation of intangible assets and their useful lives. After transition, the impairment tests will be performed annually in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of".

See note 7 to the consolidated financial statements for additional information.

Intangible assets with definite useful lives are required to be amortized over their respective estimated useful lives and also reviewed for impairment in accordance with SFAS No. 144 "Impairment on Disposal of Long Lived Assets".

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. Costs related to start-up activities and organization costs are expensed as incurred.

Prior to the adoption of Statement 142 effective January 1, 2002, the Company assessed 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 Company recognized no impairment prior to 2002 and the adoption of Statement 142.

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. Included in the Company's loss from discontinued operations is additional interest incurred in connection with swap agreements of \$37,000, \$33,000 and \$48,000 in 2002, 2001 and 2000, respectively. 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. Changes

in fair value of derivatives qualifying as cash flow hedges are recorded in accumulated other comprehensive income (loss). At December 31, 2002, the net deferred after-tax hedging gain in accumulated other comprehensive income was \$39,000 all of which is expected to be realized in earnings over the next twelve months ending December 31, 2003 when the underlying discontinued asset is sold and the contract is paid.

The Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133 as of January 1, 2001. These statements establish accounting and reporting standards for derivative instruments. The cumulative effect of the adoption of these statements was a decrease to other comprehensive (loss) of less than \$45,000.

EMPLOYEE BENEFIT OBLIGATIONS - The Company provides pension and 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.

Several assumptions and statistical variables are used in the models to calculate the expense and liability related to the plans. Assumptions about the discount rate, the expected rate of return on plan assets and the future rate of compensation increases are determined by the Company. Note 12 to the consolidated financial statements includes disclosure of these rates on a weighted average basis, encompassing the plans. The actuarial models also use assumptions on demographic factors such as retirement, mortality and turnover. The Company believes the assumptions are within accepted guidelines and ranges. However, these actuarial assumptions could vary materially from actual results due to economic events and different rates of retirement, mortality and withdrawal.

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.

STOCK OPTION PLAN - The Company applies the intrinsic value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, accounting for Stock Issued to Employees, and related interpretations including FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25, issued in March 2000, to account for its fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. As allowed by SFAS No. 123, as amended by SFAS No. 148, the Company has elected to continue to apply the intrinsic value based method, and has adopted only the disclosure requirements of SFAS No. 123. See note 14 to the consolidated financial statements for the Pro Forma Information required by SFAS 148.

RESEARCH AND DEVELOPMENT COSTS - Research and development costs, including supporting services, amounted to \$914,000, \$1,270,000 and \$930,000 in 2002, 2001 and 2000, respectively. 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 reflect the potential dilution of securities that could share in the earnings.

COMPREHENSIVE INCOME (LOSS) - Comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments, and derivative financial instrument gains and is presented in the consolidated statements of shareholders' equity.

NEW ACCOUNTING STANDARDS ADOPTED - In 2002, the Company adopted the following new Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) accounting pronouncements:

SFAS No. 141, "Business Combinations". Statement 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the

purchase method. The Company had no significant acquisitions after June 30, 2001.

SFAS No. 142, "Goodwill and Other Intangible Assets", which replaces the requirement to amortize intangible assets with indefinite lives and goodwill with a requirement for a transitional impairment test. Statement 142 requires an evaluation of intangible assets and their useful lives. The transitional impairment test was performed effective as of January 1, 2002. See note 7 to the consolidated financial statements for the financial statement impact. The impairment tests will be performed annually in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". Intangible assets with definite useful lives are required to be amortized over their respective estimated useful lives and also reviewed for impairment in accordance with SFAS No. 121. See note 7 to the consolidated financial statements for further information.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While Statement 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," it retains many of the fundamental provisions of that Statement. Statement 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. However, it retains the requirement in Opinion No. 30 to report separately discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale.

SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure amends the FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosures are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company also records a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company was required to adopt SFAS No. 143 on January 1, 2003. The adoption of SFAS No. 143 is not expected to have a material effect on the Company's financial statements.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses the accounting for costs associated with disposal activities covered by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and with exit (restructuring) activities previously covered by Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination

Benefits and Other Costs to Exit an Activity." This Statement nullifies EITF Issue No. 94-3 in its entirety and requires that a liability for all costs be recognized when the liability is incurred. Generally, the ability to accrue for the cost of a workforce reduction plan at the communication date will be limited. The cost of the plan will be recognized over the future service period of the employees. The Statement will be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial statements. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002.

In January 2003, The FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The application of this Interpretation is not expected to have a material effect on the Company's financial statements. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclosure information about variable interest entities when the Interpretation becomes effective.

2. DISCONTINUED OPERATIONS

As the Company endeavors to focus its efforts more on the Precision Miniature Medical and Electronics Products segment, in December 2002, the Company initiated its plan to dispose of the Company's Tire Holders, Lifts and Related Products segment. The Company expects to complete the sale within calendar 2003 with the majority of the proceeds used to reduce the Company's debt level. This segment consists of one wholly-owned subsidiary, Deuer Manufacturing, Inc., that operates on a stand alone basis. The Company has accounted for the plan to dispose of the subsidiary as a discontinued operation and, accordingly, has reclassified the historical financial data.

The following table shows the results of operations of Deuer Manufacturing, Inc.:

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
	(000's Omitted)		
Sales, net	\$16,783	\$15,008	\$17,784
Operating costs and expenses	14,997	13,965	15,624
Operating income	1,786	1,043	2,160
Other income, net	6	13	10
Income from operations before income taxes ...	1,792	1,056	2,170
Income tax	619	377	801
Net income from discontinued operations	\$ 1,173	\$ 679	\$ 1,369

The following table shows the component assets and liabilities of the Company's Tire Holders, Lifts and Related Products segment:

	DECEMBER 31	
	2002	2001
	(000's Omitted)	
Current assets	\$4,854	\$4,645

Property plant and equipment, net	1,631	1,644
	-----	-----
Total assets	\$6,485	\$6,289
	=====	=====
Current liabilities	\$1,211	\$ 479
Other liabilities	196	121
	-----	-----
Total liabilities	\$1,407	\$ 600
	=====	=====

In the fourth quarter of 2001, the Company initiated its plan to dispose of the Company's primary custom-engineered furnace business, Selas SAS (Paris), along with two other closely related subsidiaries Selas Italiana, S.r.L. (Milan) and Selas U.K. (Derbyshire). These subsidiaries formed the Company's large custom-engineered furnaces division used primarily in the steel and glass industries worldwide. The furnaces engineered by this division are custom-engineered to meet customer specific requirements. These subsidiaries generated approximately \$13.5 million, \$15.6 million and \$27.3 million of revenue and a loss from discontinued operations of \$8.0 million, \$5.3 million and \$69,000 in 2002, 2001 and 2000, respectively. The Company has accounted for the plan to dispose of the subsidiaries as a discontinued operation and, accordingly, has reclassified the historical financial data of these subsidiaries.

The sale of the large custom-engineered furnace division was completed in December 2002. A building located outside of Paris, France and Selas Italiana, S.r.L. were excluded from the sale. The purchase price was approximately \$600,000 above the net asset value at the time of sale. In addition, the purchaser assumed \$1,356,000 of a receivable on a completed construction contract. The Company is required to reimburse the purchaser for any portion of the receivable that has not been collected by May 2003. Certain assets and liabilities associated with completed contracts and discontinued operations were retained. These are expected to be collected or paid in the normal course of 2003. In addition, the Company continues to market the building and expects to complete the sale in 2003.

The following table shows the results of operations of the Company's large custom-engineered furnace business:

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
	-----	-----	-----
	(000's Omitted)		
Sales, net	\$ 13,469	\$ 15,624	\$ 27,322
Operating costs and expenses	20,565	19,057	26,754
	-----	-----	-----
Operating income (loss)	(7,096)	(3,433)	568
Other (expense), net	(1,004)	(453)	(670)
	-----	-----	-----
(Loss) from operations before income tax (benefit)	(8,100)	(3,886)	(102)
Income tax (benefit)	(93)	1,389	(33)
	-----	-----	-----
Net (loss) from discontinued operations	\$ (8,007)	\$ (5,275)	\$ (69)
	=====	=====	=====

The following table shows the component assets and liabilities of the large custom-engineered furnace business:

	DECEMBER 31	
	2002	2001
	-----	-----
	(000's Omitted)	
Current assets	\$ 3,854	\$13,692
Property plant and equipment, net	3,272	3,316

Other assets	--	8
	-----	-----
Total assets	\$ 7,126	\$17,016
	=====	=====
Current liabilities	\$ 5,245	9,755
Other liabilities	304	625
	-----	-----
Total liabilities	\$ 5,549	\$10,380
	=====	=====

The Company anticipates paying the discontinued operations long-term debt of \$1,620,688 and notes payable of \$6,273,522 and therefore, has reclassified these amounts into continuing operations as of December 31, 2002 and 2001.

Certain notes to these consolidated financial statements have been restated to reflect the Company's presentation of discontinued operations.

3. ACQUISITIONS

On January 11, 2001, the Company acquired the stock of Lectret, a Singapore manufacturer of microphone capsules. The purchase price was approximately \$1.1 million with provision for contingent consideration that could increase the total purchase price to approximately \$1.7 million. The purchase price was funded by additional bank borrowings of approximately \$.4 million and notes payable to previous shareholders of approximately \$.6 million. In October, 1998, the Company acquired a product manufacturing line from Lectret which was newly formed as RTI Technologies PTE LTD.

On April 25, 2001, a minority interest in Nippon Selas was sold to three directors of Nippon Selas for approximately \$15,000.

On June 6, 2000, the Company acquired the remaining 50.1% equity interest in Nippon Selas, a Japanese sales and engineering firm previously accounted for on the equity method for \$50,000.

On January 12, 2000, the Company acquired the stock of Ermat S.A., a French furnace manufacturer. Ermat produces furnaces for heat treating both ferrous and non-ferrous metals. The purchase price was 11.5 million French francs (FF) or approximately \$1.8 million.

The acquisitions were accounted for as a purchase and the excess of the fair value of the assets (goodwill) recorded as a separate asset. The pro forma results of operations as if the acquisitions had occurred in the beginning of 2001 and 2000 have not been presented as the impact is not material.

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4. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
	----	----	----
Interest received	\$ 40,291	\$ 22,507	\$ 59,922
Interest paid	\$ 348,864	\$ 543,243	\$ 540,965
Income taxes paid	\$ 322,557	\$1,419,846	\$1,314,983

5. BUSINESS SEGMENT INFORMATION

The Company has two remaining operating segments (See note 2 to the consolidated financial statements). It engages in the manufacture of Precision Miniature Medical and Electronics Products, and providing engineered heat technology services and equipment, including replacement parts, to industries throughout the world. The results of operations and assets of these segments for the years ended December 31, 2002, 2001 and 2000 are prepared on the same basis as the consolidated financial statements. The accounting policies for each segment are described in the Company's summary of significant accounting policies. See note

1 to the consolidated financial statements 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, general and administrative expenses. Losses from discontinued operations have not been allocated to any one of the business segments.

FOR THE YEAR ENDED
DECEMBER 31, 2002

	SEGMENTS		
	PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS	HEAT (a) TECHNOLOGY	TOTAL
Sales, net	\$ 34,974,602	\$ 29,617,198	\$ 64,591,800
Operating costs and expenses	34,967,558	32,300,052	67,267,610
General corporate expenses, net	--	--	2,012,405
Operating income (loss)	7,044	(2,682,854)	(4,688,215)
Interest expense	155,547	147,244	302,791
Interest expense corporate	--	--	161,824
Interest (income)	(33,664)	(38,542)	(72,206)
Other (income) expense, net	(31,140)	(127,440)	(158,580)
(Loss) from continuing operations before income taxes	(83,699)	(2,664,116)	(4,922,044)
Income taxes (benefit)	(104,204)	187,361	83,157
Income taxes (benefit) general corporate expenses, net	--	--	(836,194)
Income (loss) from continuing operations	20,505	(2,851,477)	(4,169,007)
(Loss) from discontinued operations, net of income tax	--	--	(6,833,558)
Net income (loss) before change in accounting principle	20,505	(2,851,477)	(11,002,565)
Cumulative effect of change in accounting principle	(9,428,354)	(1,123,572)	(10,551,926)
Net (loss)	\$ (9,407,849)	\$ (3,975,049)	\$ (21,554,491)
Depreciation and amortization	\$ 2,551,659	\$ 394,040	\$ 2,945,699
Property, plant and equipment additions	\$ 1,731,599	\$ 170,592	\$ 1,902,191
Total assets - continuing operations ...	\$ 30,183,762	\$ 19,761,032	\$ 49,944,794
Total assets - discontinued operations .	--	--	13,610,601
Total assets	\$ 30,183,762	\$ 19,761,032	\$ 63,555,395

(a) For 2002, 2001 and 2000, the Company's large custom-engineered subsidiaries generated revenues of approximately \$13.5 million, \$15.6 million, and \$27.3 million, and losses from discontinued operations of approximately \$8.0 million, \$5.3 million, and \$69,000, respectively. These sales have been reclassified to discontinued operations.

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FOR THE YEAR ENDED
DECEMBER 31, 2001

	SEGMENTS		
	PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS	HEAT (a) TECHNOLOGY	TOTAL
Sales, net	\$ 37,786,762	\$ 33,515,080	\$ 71,301,842
Operating costs and expenses	36,924,326	31,967,080	68,891,406
General corporate expenses, net	--	--	1,260,594
Operating income	862,436	1,548,000	1,149,842
Interest expense	211,625	144,446	356,071
Interest expense corporate	--	--	159,276
Interest (income)	(80,355)	(17,046)	(97,401)
Other (income) expense, net	87,208	69,301	156,509
Income from continuing operations before income taxes	643,958	1,351,299	575,387
Income taxes	344,955	820,219	1,165,174
Income taxes (benefit) general corporate expenses, net	--	--	(567,948)
Income (loss) from continuing operations (Loss) from discontinued operations, net of income tax	299,003	531,080	(21,839)
Net Income	\$ 299,003	\$ 531,080	\$ (4,617,315)
Depreciation and amortization	\$ 3,354,751	\$ 471,439	\$ 3,826,190
Property, plant and equipment additions	\$ 2,118,913	\$ 193,629	\$ 2,312,542
Total assets - continuing operations ...	\$ 40,899,197	\$ 22,396,787	\$ 63,295,984
Total assets - discontinued operations .	--	--	23,305,372
Total assets	\$ 40,899,197	\$ 22,396,787	\$ 86,601,356

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FOR THE YEAR ENDED

	SEGMENTS		
	PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS	HEAT (a) TECHNOLOGY	TOTAL
Sales, net	\$ 39,662,563	\$ 31,857,192	\$ 71,519,755
Operating costs and expenses	36,308,306	31,405,853	67,714,159
General corporate expenses, net	--	--	980,580
Operating income	3,354,257	451,339	2,825,016
Interest expense	307,080	115,392	422,472
Interest expense corporate	--	--	151,421
Interest (income)	(24,563)	(20,009)	(44,572)
Loss of affiliate	--	9,341	9,341
Other (income) expense, net	6,643	(415,283)	(408,640)
Income from continuing operations before income taxes	3,065,097	761,898	2,694,994
Income taxes	1,216,265	295,498	1,511,763
Income taxes (benefit) general corporate expenses, net	--	--	(452,800)
Income from continuing operations	1,848,832	466,400	1,636,031
(Loss) from discontinued operations, net of income tax	--	--	1,299,755
Net Income	\$ 1,848,832	\$ 466,400	\$ 2,935,786
Depreciation and amortization	\$ 3,013,741	\$ 548,463	\$ 3,562,204
Property, plant and equipment additions	\$ 3,092,361	\$ 339,083	\$ 3,431,444
Total assets - continuing operations ...	\$ 40,127,165	\$ 26,628,396	\$ 66,755,561
Total assets - discontinued operations	--	--	29,575,579
Total assets	\$ 40,127,165	\$ 26,628,396	\$ 96,331,140

The geographical distribution of identifiable assets and net sales to geographical areas for the years ended December 31, 2002, 2001 and 2000 are set forth below:

IDENTIFIABLE ASSETS	2002	2001	2000
United States	\$33,462,158	\$52,175,996	\$52,540,067
Other	16,482,636	11,119,988	14,215,494
Discontinued operations	13,610,601	23,305,372	29,575,579
Consolidated	\$63,555,395	\$86,601,356	\$96,331,140

===== ===== =====

Discontinued operations are located primarily in the United States and France.

NET SALES TO GEOGRAPHICAL AREAS

	2002	2001	2000
	-----	-----	-----
United States	\$27,000,258	\$30,069,491	\$40,198,036
France	8,717,131	11,686,145	9,690,376
Germany	3,486,234	3,018,314	1,893,345
All other countries	25,388,177	26,527,892	19,737,998
	-----	-----	-----
Consolidated	\$64,591,800	\$71,301,842	\$71,519,755
	=====	=====	=====

Geographic net sales are allocated based on the location of the customer. All other countries include net sales primarily to Canada, Norway, Singapore and Japan.

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.

Consolidated net sales in the years presented did not result from sales to any one individual customer in excess of 10% of total sales. At December 31, 2002 and 2001, the Company had approximately \$3.3 million and \$4.0 million, respectively, of trade accounts receivable due from hearing aid manufacturers. Also, the Company had \$8.7 million and \$9.0 million at December 31, 2002 and 2001, respectively, in currently billed and unbilled receivables from Heat Technology customers in the aluminum and glassware industry in North America and Europe.

6. LONG-TERM CONTRACTS AND RECEIVABLES

Accounts and notes receivable at December 31, 2002 and 2001 include the following elements from long-term contracts:

	2002	2001
	-----	-----
Amounts billed	\$ 70,000	\$ 686,150
Unbilled receivables	1,447,004	1,118,641
	-----	-----
Total	\$ 1,517,004	\$ 1,804,791
	=====	=====

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 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, 2002 will be billed in 2003.

Inventories include \$345,331 relating to long-term sales contracts at December 31, 2002 and \$145,616 at December 31, 2001.

The following analysis provides a detail of revenue recognition methodology by segment for the years ended

December 31, 2002:

	HEAT TECHNOLOGY	MINIATURE MEDICAL AND ELECTRONIC PRODUCTS	TOTAL
Upon shipment	\$14,304,800	\$34,974,602	\$49,279,402
Percentage of completion ..	15,312,398	--	15,312,398
Total revenue	\$29,617,198	\$34,974,602	\$64,591,800

December 31, 2001:

	HEAT TECHNOLOGY	PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS	TOTAL
Upon shipment	\$ 9,853,850	\$37,786,762	\$47,640,612
Percentage of completion ..	3,661,230	--	23,661,230
Total revenue	\$33,515,080	\$37,786,762	\$71,301,842

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7. GOODWILL AND OTHER INTANGIBLE ASSETS

As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Statement 142 set forth new financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill no longer be amortized but tested for impairment on a periodic basis. The Company discontinued the amortization of goodwill effective January 1, 2002. The provisions of Statement 142 also required the completion of a transitional impairment test with any impairment identified accounted for as a cumulative effect of a change in accounting principle. As of the date of adoption, the Company had unamortized goodwill in the amount of \$15,632,000. The Company determined the goodwill associated with its European Heat Technology operations had been impaired and wrote-off the remaining goodwill of \$1,528,000, \$404,000 of negative goodwill pertaining to its Asian Heat Technology operations, and the Company recognized an impairment of \$9,428,000 associated with its Precision Miniature Medical and Electronics Products Business. The net charge totaling \$10,552,000 was recognized as a cumulative change in accounting principle in the 2002 consolidated statement of operations. The corresponding deferred tax asset of \$743,000 was offset by a valuation allowance, see note 11 to the consolidated financial statements. Changes in the estimated future cash flows from these businesses could have a significant impact on the amount of any future impairment, if any.

Prior to the adoption of Statement 142, the Company assessed the recoverability of intangible assets by determining whether the amortization of the balance over its remaining life could be recovered through projected undiscounted future cash flows of the business for which the intangible assets arose. No impairment was recognized in prior years. In accordance with Statement 142, the Company discontinued amortization of goodwill effective January 1, 2002. Amortization expense related to goodwill was approximately \$664,000 and \$733,000 for the year ended December 31, 2001 and 2000, respectively.

A reconciliation of previously reported net earnings (loss) per share adjusted for goodwill, net of the related income tax effects, follows:

	DECEMBER 31		
	2002	2001	2000
Net income (loss) before accounting change	\$ (11,002,565)	\$ (4,617,315)	\$ 2,935,786

Cumulative effect in change in accounting	(10,551,926)	--	--
Add: Goodwill amortization, net of tax	--	572,205	640,573
	-----	-----	-----
Adjusted net income (loss)	\$ (21,554,491)	\$ (4,045,110)	\$ 3,576,359
	=====	=====	=====
Earnings per share:			
Net income (loss) before accounting change	\$ (2.15)	\$ (.90)	\$.57
Cumulative effect of change in accounting	(2.06)	--	--
Goodwill amortization, net of tax	--	.11	.13
	-----	-----	-----
Adjusted net income (loss)	\$ (4.21)	\$ (.79)	\$.70
	=====	=====	=====

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The changes in the carrying amount of goodwill for the year ended December 31, 2002, are as follows:

	HEAT TECHNOLOGY	PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS	TOTAL
	-----	-----	-----
Balance as of January 1, 2002 ...	\$ 1,004,740	\$ 14,626,762	\$ 15,631,502
Translation and reclassification adjustment ..	230,564	66,177	296,741
Transitional test impairment loss	(1,123,572)	(9,428,354)	(10,551,926)
	-----	-----	-----
Goodwill at December 31, 2002 ..	\$ 111,732	\$ 5,264,585	\$ 5,376,317
	=====	=====	=====

Due to the poor performance of the Company's foreign industrial heat processing systems over the past two years and lowered future expectations, a goodwill impairment loss of \$1,124,000 was recognized for this unit representing the full carrying value of its goodwill. Due to the sluggish economy in the semiconductor and electronics industry, the five year forecast for the electronics products unit was revised downward and an impairment loss of \$2,887,000 was recognized. After taking into consideration the negative growth in the overall hearing health market during 2002, downwardly revised future industry estimates, and the overall market capitalization of the Company, the earnings forecast for the Precision Miniature Medical and Electronics Products for the next five years was revised and, as such, a goodwill impairment of \$6,541,000 was recognized in the reporting unit. The fair value of each reporting unit was estimated using the expected present value of future cash flows. In determining the discount factor for the Precision Miniature Medical and Electronics Products unit, the Company obtained the assistance of a valuation specialist in developing discount rates. Only interest on debt associated with the specific operating unit was taken into consideration.

8. INVENTORIES

Inventories consist of the following:

DECEMBER 31	RAW MATERIALS	WORK-IN PROCESS	FINISHED PRODUCTS AND COMPONENTS	TOTAL
	-----	-----	-----	-----
2002				
Domestic	\$ 1,379,508	\$ 2,326,969	\$ 4,229,483	\$ 7,935,960
Foreign	674,260	547,156	236,426	1,457,842
	-----	-----	-----	-----
Total	\$ 2,053,768	\$ 2,874,125	\$ 4,465,909	\$ 9,393,802
	=====	=====	=====	=====

2001				
Domestic	\$ 2,674,084	\$ 2,944,176	\$ 3,445,981	\$ 9,064,241
Foreign	551,315	1,270,233	238,608	2,060,156
	-----	-----	-----	-----
Total	\$ 3,225,399	\$ 4,214,409	\$ 3,684,589	\$11,124,397
	=====	=====	=====	=====

9. NOTES PAYABLE AND LONG-TERM DEBT

NOTES PAYABLE

Notes payable at December 31, 2002 and 2001 are summarized below:

	2002	2001
	-----	-----
Notes payable:		
Short term borrowings, Europe	\$ 6,427,529	\$ 6,140,731
Short-term borrowings, domestic	3,982,137	2,977,526
Short-term borrowings, Asia	511,318	303,945
	-----	-----
Total notes payable	\$10,920,984	\$ 9,422,202
	=====	=====

Consolidated European subsidiaries have working arrangements with European banks aggregating \$8,697,000. Of this amount, \$6,537,000 may be used to borrow funds for working capital or guarantee customer advance payments on contracts. The remaining \$2,160,000 may be used only for guaranteeing customer advance payments, of which \$2,160,000 was utilized at December 31, 2002 at interest rates ranging from 0.50% to 2.00%. At December 31, 2002 the Company's European subsidiaries had borrowings of \$6,428,000, which bear interest at annual rates ranging from 3.92% to 9.10%.

Certain of these credit arrangements have no expiration dates and are guaranteed by the Company. The primary European working capital credit arrangements have been extended to the earlier of January 1, 2004 or the sale of assets from discontinued operations in 2003.

The maximum amounts of short-term borrowings and bank guarantees at any month end were \$14,923,000 in 2002, \$10,055,000 in 2001, and \$3,439,000 in 2000. Working capital arrangements were reduced after the sale of the custom engineered furnace business, in December of 2002. The average short-term borrowings and bank guarantees outstanding during 2002, 2001 and 2000 amounted to \$11,850,000, \$8,264,000, and \$2,665,000, respectively. The average short-term interest rates in 2002, 2001 and 2000 for outstanding borrowings were 6.5%, 5.0%, and 7.9%, respectively.

The Company and its domestic subsidiaries, entered into a revolving credit loan facility and a supplemental facility for which borrowings of \$6,500,000 could be outstanding at any one time. The revolving facility, which had a maximum limit of \$4,500,000, had borrowings of \$2,622,000 as of December 31, 2002 bearing an interest rate of 3.92% (LIBOR plus 2.5%). The loan carries a commitment fee of .25% per annum, payable on the unborrowed portion of the line. The domestic revolving loan credit facilities have been extended to April 1, 2004.

The supplemental facility, which had a maximum limit of \$2,000,000, had borrowings of \$1,360,000 as of December 31, 2002 bearing interest at a rate of 4.67% (LIBOR plus 3.25%). The loan carries a commitment fee of .25% per annum, payable on the unborrowed portion of the line. In addition, the Company paid a commitment fee of \$150,000 following the sale of the Large Furnace Operations, in December 2002. The domestic supplemental loan credit facility has been extended to the earlier of January 1, 2004 or the sale of assets from discontinued operations in 2003.

The maximum amounts of short-term borrowings on the two domestic facilities at any month end in 2002 were \$4,457,000. The average short-term borrowings outstanding during 2002 were \$3,586,000. The average short-term interest rate in

2002 was 4.05%.

A subsidiary of the Company located in Singapore has two credit facilities with a combined limit totaling \$862,000 of which \$511,000 was outstanding at December 31, 2002. Maximum borrowings were \$511,000 and average borrowings were \$373,000. Borrowings under the two facilities on December 31, 2002 carried an

average interest rate of 5.86%, payable monthly. The Singapore credit facilities have no specific term date, but are reviewed annually.

LONG-TERM DEBT

Long-term debt at December 31, 2002 and 2001 is summarized below:

	2002	2001
	-----	-----
Long-term debt:		
Term loans, domestic	\$ 2,722,249	\$ 1,783,333
Term loans, Europe	1,581,889	2,918,865
Other borrowings	5,814	8,769
	-----	-----
	4,309,952	4,710,967
Less: current maturities	1,573,716	1,496,033
	-----	-----
	\$ 2,736,236	\$ 3,214,934
	=====	=====

The terms of the domestic loan agreements require monthly principal payments of approximately \$64,000 through April 2004, with a balloon payment due at the end of the loans. At December 31, 2002, the borrowings under the credit agreement bore interest, payable monthly, at an interest rate of 3.92% (LIBOR plus 2.50%). The credit agreement is subject to a prepayment penalty of 3%.

The Company's French subsidiary, Selas (SAS), financed its premises outside of Paris with bank borrowings maturing August 31, 2006, which require quarterly installments of principal of \$46,000 (44,000 Euros). The loan carries interest payable quarterly. The interest rate on December 31, 2002 was 3.62% (the Euro Interbank Offered Rate [EURIBOR] plus .7%). The loan balance as of December 31, 2002 was \$672,000 (640,000 Euros). The loan is subject to a prepayment penalty of 3%. The debt is secured by the land and building of Selas S.A. The land and building are for sale and the expected proceeds will be used to pay down liabilities.

The aggregate maturities of long-term debt for the five years ending December 31, 2007 and thereafter are as follows:

YEARS ENDING DECEMBER 31	AGGREGATE MATURITY
-----	-----
2003	\$ 1,573,716
2004	2,478,182
2005	183,352
2006	74,702
2007	--
2008 and thereafter	--

	\$ 4,309,952
	=====

CREDIT FACILITIES

In 2002, the Company did not meet certain covenants during the 3rd and 4th quarters, for which the Company obtained waivers from the bank.

In March 2003, the Company entered into an amended agreement for its domestic and foreign revolving credit and term loan facilities and obtained a new facility in the amount of 1,000,000 euros (approximately \$1,090,000) for the

issuance of advance payment guarantees. The new facility can be expanded to 1,750,000 euros (approximately \$1,908,000) after the sale of discontinued operations and the payoff of the French Overdraft and Domestic Supplemental Facilities. APG's bear an interest rate of 3% per annum.

Borrowings under the revolving credit facilities bear interest at LIBOR plus 2.5% to 3.75%. A commitment fee of .25% per annum is payable on the unborrowed portion of the credit facilities. In addition, the Company paid

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an up front commitment fee of \$50,000. The agreement requires the Company to use a significant portion of proceeds from asset disposals to make permanent reductions in its credit facilities.

In connection with the amended agreement, the Company has pledged as collateral substantially all of the assets of the Company's domestic subsidiaries with a book value totaling approximately \$28,086,000.

The domestic term loans, the revolving credit facility and supplemental loan facility are secured by the Company's domestic assets, and the Company's domestic subsidiaries' stock. The agreements contain restrictive covenants regarding the payment of cash dividends, maintenance of working capital, net worth, shareholders' equity, and capital equipment expenditures along with the maintenance of certain financial ratios. The Company and its domestic subsidiaries are required to maintain consolidated tangible capital funds of approximately \$10 million through March 31, 2004 consisting of shareholders' equity, plus subordinated debt, less intangible assets, increased annually by 100% of net income and 100% of the aggregate amount of contributions to capital. At December 31, 2002 the Company was in compliance with all covenants of the amended agreement.

Management believes that the Company will be able to maintain the amended covenants through March 30, 2004.

Our ability to pay the principal and interest on our indebtedness as it comes due will depend upon our current and future performance. Our performance is affected by general economic conditions and by financial, competitive, political, business and other factors. Many of these factors are beyond our control. We believe that the amended credit facility combined with funds expected to be generated from operations, the sale of assets, the available borrowing capacity through its revolving credit loan facilities, the potential sale of certain assets, curtailment of the dividend payment and control of capital spending will be sufficient to meet its anticipated cash requirements for operating needs. If, however, we do not generate sufficient cash or complete such financings on a timely basis, we may be required to seek additional financing or sell equity on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition.

The fair value of Company's debt and interest rate swap agreements are estimated using standard pricing models that take into consideration the present value of future cash flows as of the balance sheet date. Since the interest rates on the majority of the Company's long-term debt at December 31, 2002 were renegotiated in March 2003 and mature within sixteen months of the balance sheet date, the carrying value approximates the fair value. At December 31, 2001 the carrying value of long-term debt was \$3,215,000 with an estimated fair value of \$3,335,000.

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities at December 31, 2002 and 2001 are as follows:

	2002	2001
	-----	-----
Salaries, wages and commissions	\$ 1,756,308	\$ 1,676,144
Taxes, including payroll withholdings		

and VAT, excluding income taxes	1,501,165	982,042
Accrued severance benefits	389,642	--
Accrued pension costs	1,084,833	951,923
Accrued professional fees	1,100,639	548,200
Accrued insurance	67,813	73,000
Other	294,279	670,480
	-----	-----
	\$ 6,194,679	\$ 4,901,789
	=====	=====

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11. DOMESTIC AND FOREIGN INCOME TAXES

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

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
	-----	-----	-----
Current			
Federal	\$ (699,360)	\$ 423,201	\$ 900,867
State	(98,261)	14,887	210,226
Foreign	145,690	212,577	269,390
	-----	-----	-----
	(651,931)	650,665	1,380,483
	-----	-----	-----
Deferred			
Federal	(227,231)	(55,857)	(61,764)
State	(57,586)	(15,359)	(5,964)
Foreign	183,711	17,777	(253,792)
	-----	-----	-----
	(101,106)	(53,439)	(321,520)
	-----	-----	-----
Income taxes (benefit)	\$ (753,037)	\$ 597,226	\$ 1,058,963
	=====	=====	=====
Income (loss) before income taxes is as follows:			
Foreign	\$ (2,131,549)	\$ (284,348)	\$ 162,322
Domestic	(2,790,495)	859,735	2,532,672
	-----	-----	-----
	\$ (4,922,044)	\$ 575,387	\$ 2,694,994
	=====	=====	=====

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		
	2002	2001	2000
	-----	-----	-----
Tax provision at statutory rate	34.0%	34.0%	34.0%
Valuation allowances - foreign losses	(21.4)	50.0	2.2
Effect of foreign tax rates	--	6.9	(1.7)
Goodwill amortization	--	24.0	3.3
State taxes net of federal benefit ..	1.9	.2	5.1
Tax benefits related to export sales	1.5	(19.2)	(4.5)
Other	(.7)	7.9	.9
	-----	-----	-----
Domestic and foreign income tax rate	15.3%	103.8%	39.3%
	=====	=====	=====

The significant components of deferred income taxes (benefits) for the years ended December 31, 2002, 2001, and 2000 are as follows:

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
Deferred income tax (benefit)	\$ (2,377,993)	\$ (57,614)	\$ (314,534)
Increase (decrease) in beginning-of-the year balance of the valuation allowance for deferred tax assets	2,252,143	20,153	(15,661)
Currency translation adjustment	24,744	(15,978)	8,675
	=====	=====	=====
	\$ (101,106)	\$ (53,439)	\$ (321,520)
Continuing operations income tax (benefit)	\$ (753,037)	\$ 597,226	\$ 1,058,963
Discontinued operations income tax	526,170	1,765,273	768,415
	=====	=====	=====
Total income tax	\$ 226,867	\$ 2,362,499	\$ 1,827,378

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2002 and 2001 are presented below:

	2002	2001
Deferred tax assets:		
Postretirement benefit obligations	\$1,307,302	\$1,197,427
Net operating loss carryforwards	2,588,779	1,386,218
State income taxes	605,554	460,863
Guarantee obligations and estimated future costs of service accruals	337,978	167,595
Employee pension plan obligations	368,843	323,654
Compensated absences, principally due to accrual for financial reporting purposes	184,667	204,508
Goodwill	743,859	
Other	404,267	217,786
	=====	=====
Total gross deferred tax assets	6,541,249	3,958,051
Less: valuation allowance	3,358,012	1,105,870
	=====	=====
Net deferred tax assets	3,183,237	2,852,181
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation and capitalized interest	757,923	730,367
Other	258,218	188,489
	=====	=====
Total gross deferred tax liabilities	1,016,141	918,856
	=====	=====
Net deferred tax assets	\$2,167,096	\$1,933,325

Domestic and foreign deferred taxes are comprised as follows:

DECEMBER 31, 2002	FEDERAL	STATE	FOREIGN	TOTAL
Current deferred asset	\$1,311,818	\$ 269,665	\$ 236,901	\$1,818,384
Non-current deferred asset (liability)	178,866	287,297	(117,451)	348,712
	=====	=====	=====	=====

Net deferred tax asset	\$1,490,684 =====	\$ 556,962 =====	\$ 119,450 =====	\$2,167,096 =====
DECEMBER 31, 2001	FEDERAL -----	STATE -----	FOREIGN -----	TOTAL -----
Current deferred asset	\$1,011,680	\$ 118,681	\$ 331,395	\$1,461,756
Non-current deferred asset (liability)	253,322	288,752	(70,505)	471,569
Net deferred tax asset	\$1,265,001 =====	\$ 407,433 =====	\$ 260,891 =====	\$1,933,325 =====

The valuation allowance for deferred tax assets as of January 1, 2002 was \$1,105,870. The net change in the total valuation allowance for the year ended December 31, 2002 was an increase of \$2,252,142. The remaining valuation allowance of \$3,358,012 as of December 31, 2002, is maintained against deferred tax assets which the Company has determined are not 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 statements of operations.

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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, 2002.

At December 31, 2002 the Company has net operating loss carryforwards for foreign income tax purposes of \$7,167,396 of which \$723,264 expire in 2005, \$1,071,010 expire in 2006, \$3,383,448 expire in 2007 and \$1,989,674 have no expiration date and are available to offset future foreign taxable income. The Company has recognized a valuation allowance for certain net operating loss carryforwards at foreign operations where utilization will not be realized.

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, 2002, the Company has not recognized a deferred tax liability of approximately \$77,000 on undistributed retained earnings of such subsidiaries of \$228,000.

12. EMPLOYEE BENEFIT PLANS

The Company has two domestic 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, 2002 and 2001:

	DECEMBER 31	
	2002	2001
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	\$ 5,422,319	\$ 5,185,872
Service cost (excluding administrative expenses)	152,152	157,664
Interest cost	328,936	358,074

Actuarial (gain) loss	(436,237)	74,144
Benefits paid	(370,568)	(353,435)
	-----	-----
Projected benefit obligation at December 31	5,096,602	5,422,319
	-----	-----
Change in Fair Value of Plan Assets		
Fair value of plan assets at January 1	4,664,297	5,345,128
Actual return on plan assets	(436,875)	(387,451)
Employer contributions	--	93,069
Expenses	(31,513)	(33,014)
Benefits paid	(370,568)	(353,435)
	-----	-----
Fair value of plan assets at December 31	3,825,341	4,664,297
	-----	-----
Funded status	(1,271,261)	(758,022)
Unrecognized net actuarial (gain) loss	184,551	(196,216)
Unrecognized prior service cost	1,877	2,315
	-----	-----
(Accrued) pension cost at December 31	\$ (1,084,833)	\$ (951,923)
	=====	=====

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Net periodic pension cost for these plans for the years 2002, 2001 and 2000 included the following components:

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
	-----	-----	-----
Service cost - benefits earned during the period	\$ 186,291	\$ 185,465	\$ 217,458
Interest cost on projected benefit obligation	328,936	358,074	347,668
Expected return on assets	(358,799)	(410,366)	(421,230)
Amortization of net obligation	--	--	55,124
Amortization of prior service cost	438	1,468	2,146
Recognized net actuarial (gain)	(23,956)	(54,607)	(65,446)
	-----	-----	-----
Net periodic pension cost	\$ 132,910	\$ 80,034	\$ 135,720
	=====	=====	=====

The discount rate used to determine the projected benefit obligation for both the salaried and union plans was 6.75%, 7.00% and 7.25% for 2002, 2001 and 2000, respectively.

The projected benefit obligation was determined by using an assumed rate of increase in compensation levels of 5% for the years 2002, 2001 and 2000 for the salaried plan. The expected long-term rate of return on assets for both plans was 8%.

The Company's French subsidiary, CFR, 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. There was no contribution to profit sharing in 2002, 2001 or 2000.

The Company has defined contribution plans for most of its domestic employees. 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 2002, 2001 and 2000 was \$303,437, \$347,016 and \$294,665 respectively.

The Company provides postretirement medical benefits to certain domestic full-time employees who meet minimum age and service requirements. In 1999 a plan amendment was instituted which limits the liability for postretirement

benefits beginning January 1, 2000 for certain employees who retire after that date. This plan amendment resulted in a \$1.1 million unrecognized prior service cost reduction, which will be recognized as employees render the services necessary to earn the postretirement benefit. 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, 2002 and 2001 for post-retirement medical benefits:

Accumulated postretirement medical benefit obligation:

	DECEMBER 31	
	2002	2001
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	\$ 1,381,608	\$ 1,377,085
Service cost (excluding administrative expenses)	29,676	35,802
Interest cost	132,800	94,401
Amendments	20,602	--
Actuarial (gain) loss	617,367	33,941
Benefits paid	(165,058)	(159,621)
Projected benefit obligation at December 31	2,016,995	1,381,608
Change in Fair Value of Plan Assets		
Employer contribution	165,058	159,621
Benefits paid	(165,058)	(159,621)
Fair value of plan assets at December 31	--	--
Funded status	2,016,995	1,381,608
Unrecognized net actuarial gain (loss)	(11,048)	606,319
Unrecognized prior service cost	891,859	984,036
Accrued postretirement benefit cost	\$ 2,897,806	\$ 2,971,963

Accrued postretirement medical benefit costs are classified as other postretirement benefit obligations as of December 31, 2002 and 2001.

Net periodic postretirement medical benefit costs for 2002, 2001 and 2000 include the following components:

	YEARS ENDED DECEMBER 31		
	2002	2001	2000
Service cost	\$ 29,676	\$ 35,802	\$ 33,382
Interest cost	132,800	94,401	98,656
Amortization of unrecognized prior service cost	(71,575)	(75,695)	(75,695)
Amortization of unrecognized gain	--	(35,896)	(31,168)
Net periodic postretirement medical benefit cost	\$ 90,901	\$ 18,612	\$ 25,175

For measurement purposes, an 11.0% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 2002; the rate was assumed to decrease gradually to 5% by the year 2009 and

remain at that level thereafter. The health care cost trend rate assumption may have 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, 2002 by \$89,743 and the aggregate of the service and interest cost components of net periodic postretirement medical benefit cost for the year ended December 31, 2002 by \$7,085.

The weighted-average discount rate used in determining the accumulated postretirement medical benefit obligation was 6.75%, 7.00% and 7.25% at December 31, 2002, 2001 and 2000, respectively.

The Company provides retirement related benefits to former executive employees, and to certain foreign subsidiary employees in accordance with industry-wide collective labor agreements. The liabilities established for these benefits at December 31, 2002 and 2001 were \$968,348 and \$906,985 respectively, and are classified as other postretirement benefit obligations as of December 31, 2002 and 2001.

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 European euro, Singapore dollar, Portugal escudo 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 included in the statements of operations for 2002, 2001 and 2000 were \$333,000, \$46,000 and \$38,000 respectively.

14. COMMON STOCK AND STOCK OPTIONS

Under the various plans, executives, employees and outside directors receive awards of options to purchase common stock. Under all awards, the terms are fixed at the grant date. Generally, the exercise price equals the market price of the Company's stock on the date of the grant. Options under the plans generally vest from one to five years, and the option's maximum term is ten years. Options issued to directors vest from one to three years.

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted-average Exercise Price
	-----	-----
Outstanding at January 1, 2001	570,400	\$ 8.27
Options forfeited	(26,400)	9.35
Options expired	(3,750)	11.42
Options granted	131,700	3.13

Outstanding at December 31, 2001	671,950	\$ 7.20
Options forfeited	(14,550)	8.04
Options expired	(78,000)	9.46
Options granted	40,000	3.09

Outstanding at December 31, 2002	619,400	\$ 6.63
Options forfeited	(100,350)	5.99
Options expired	--	--
Options granted	192,500	1.99

Outstanding at December 31, 2002	711,550	\$ 5.48
	=====	=====
Exercisable at end of year	443,880	
	=====	
Available for future grant at end of year	1,438,450	
	=====	

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The following summarizes information about the Company's stock options outstanding at December 31, 2002:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT 12/31/02	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/02	WEIGHTED AVERAGE EXERCISE PRICE
\$1.55 - 2.30	187,500	9.92	\$1.99	15,000	\$ 2.06
\$3.12 - 3.70	144,200	8.17	3.22	54,030	3.18
\$5.35 - 6.94	180,000	2.00	6.15	180,000	6.15
\$9.06 - 10.50	199,850	5.16	9.77	199,850	9.77

Pro Forma Information

The Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Therefore, no compensation expense has been recognized for the stock option plans. SFAS No. 123, amended by SFAS 148, requires the Company to disclose pro forma net income and pro forma earnings per share amounts as if compensation expense was recognized for options granted after 1995. Using this approach, net income and earnings per share would have been reduced to the pro forma amounts indicated in the table:

	YEAR ENDED DECEMBER		
	2002	2001	2000
Net income (loss) as reported	\$ (21,554,491)	\$ (4,617,315)	\$ 2,935,786
Deduct: Total stock-based employee compensation expense determined fair value based method for all awards, net of related tax effects	(152,335)	(59,203)	(97,149)
Pro forma net income	\$ (21,706,826)	\$ (4,676,518)	\$ 2,838,637
Earnings per share:			
Basic-as reported	\$ (4.21)	\$ (.90)	\$.57
Basic-pro forma	\$ (4.24)	\$ (.91)	\$.55

Reported basic and diluted earnings are the same for all periods presented.

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2001	2000
Dividend yield	--	2.2%	2.1%

Expected volatility	55.4%	45.5%	41.7%
Risk-free interest rate	3.71%	4.79%	5.21%
Expected life (years)	6.2	6.5	6.0

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics different from those of traded options, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

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15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

2002(a)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales, net(b)	\$ 16,695,000	\$ 17,962,000	\$ 14,991,000	\$ 14,945,000
Gross Profit	\$ 3,613,000	\$ 3,866,000	\$ 2,571,000	\$ 2,091,000
Income (loss) from continuing operations net of tax	\$ 19,000	\$ 75,000	\$ (1,511,000)	\$ (2,752,000)
Income (loss) from discontinued operations net of tax	(156,000)	156,000	(4,993,000)	(1,840,000)
Net income (loss) before change in accounting principle	(137,000)	231,000	(6,504,000)	(4,592,000)
Cumulative effective of change in accounting principle(c)	(10,552,000)	--	--	--
Net income (loss)	\$ (10,689,000)	\$ 231,000	\$ (6,504,000)	\$ (4,592,000)
Earnings (loss) per share:				
Basic income (loss) per share				
Continuing operations	\$ --	\$.02	\$ (.29)	\$ (.54)
Discontinued operations	(.03)	.03	(.98)	(.36)
Accounting principle change	(2.06)	--	--	--
Net income (loss)	\$ (2.09)	\$.05	\$ (1.27)	\$ (.90)
Diluted income (loss) per share				
Continuing operations	\$ --	\$.02	\$ (.29)	\$ (.54)
Discontinued operations	(.03)	.03	(.98)	(.36)
Accounting principle change	(2.06)	--	--	--
Net income (loss)	\$ (2.09)	\$.05	\$ (1.27)	\$ (.90)

a) Per share amounts for the quarters have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the average common shares outstanding during each period. Additionally, in regard to diluted per share amounts only, quarterly amounts may not add to the annual amounts.

b) The Company has reclassified two of its businesses as discontinued operations - the large custom-engineered furnace subsidiaries, which were sold in December 2002, and the subsidiary that manufactures tire holders, lifts and related products. For 2002 and 2001, the large custom-engineered furnace subsidiaries had revenue of \$13.5 and \$15.6 million and net losses of \$8.0 million and \$5.3 million, respectively. For those same years, the subsidiary that manufactures tire holders, lifts and related products had revenue of \$16.8 and \$15.0 million and net income of \$1.2 million and \$0.7 million.

c) In 2002, the Company adopted SFAS No. 142. See note 7 to the consolidated financial statements for further explanation.

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2001(a)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER(b)
Sales, net	\$ 20,224,000	\$ 20,965,000	\$ 14,864,000	\$ 15,248,000
Gross Profit	\$ 5,225,000	\$ 5,043,000	\$ 2,548,000	\$ 4,083,000
Income from continuing operations net of tax	\$ 698,000	\$ 664,000	\$ (1,176,000)	\$ (208,000)
Income (loss) from discontinued operations net of tax	(400,000)	(530,000)	(200,000)	(3,466,000)
Net income	\$ 298,000	\$ 134,000	\$ (1,376,000)	\$ (3,674,000)
Earnings (loss) per share:				
Basic income (loss) per share				
Continuing operations	\$.14	\$.13	\$ (.23)	\$ (.04)
Discontinued operations	(.08)	(.10)	(.04)	(.68)
Net income (loss)	\$.06	\$.03	\$ (.27)	\$ (.72)
Diluted income (loss) per share				
Continuing operations	\$.14	\$.13	\$ (.23)	\$ (.04)
Discontinued operations	(.08)	(.10)	(.04)	(.68)
Net income (loss)	\$.06	\$.03	\$ (.27)	\$ (.72)

Note: The sum of quarterly earnings may differ from full year amounts due to rounding.

- a) Per share amounts for the quarters have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the average common shares outstanding during each period. Additionally, in regard to diluted per share amounts only, quarterly amounts may not add to the annual amounts.
- b) In the fourth quarter of 2001, the Company determined that the realizability of the deferred tax assets associated with their European discontinued operations were not recoverable. The Company recognized a valuation allowance of approximately \$2.7 million.

16. EARNINGS PER SHARE

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

	2002			2001		
	Income Numerator	Shares Denominator	Per Share Amount	Income Numerator	Shares Denominator	Per Share Amount
BASIC EARNINGS PER SHARE						
Income (loss) available to common shareholders ..	\$ (21,554,491)	5,119,214	\$ (4.21)	\$ (4,617,315)	5,119,214	\$ (.90)
EFFECT OF DILUTIVE SECURITIES						
Stock options					14,870	

DILUTED EARNINGS PER SHARE	\$(21,554,491)	5,119,214	\$ (4.21)	\$ (4,617,315)	5,134,494	\$ (.90)
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[WIDE TABLE CONTINUED FROM ABOVE]

	2000		
	Income Numerator	Shares Denominator	Per Share Amount
BASIC EARNINGS PER SHARE			
Income (loss) available to common shareholders ..	\$ 2,935,786	5,121,513	\$ 0.57
EFFECT OF DILUTIVE SECURITIES			
Stock options		12,981	
DILUTED EARNINGS PER SHARE	\$ 2,935,786	5,134,084	\$ 0.57

For additional disclosures regarding the stock options, see note 14 to the consolidated financial statements.

17. CONTINGENCIES AND COMMITMENTS

The Company is a defendant along with a number of other parties in approximately 108 lawsuits as of December 31, 2002 (approximately 87 lawsuits as of December 31, 2001) 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 non-informative 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 believes 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 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.

Total rent expense for 2002, 2001, and 2000 under leases pertaining primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more, aggregated \$1,398,000, \$1,487,000, and \$1,309,000, respectively. Remaining rentals payable under such leases are as follows: 2003 - \$1,427,000; 2004 - \$1,275,000; 2005 - \$1,047,000; 2006 - \$844,000; 2007 -

\$784,000 and thereafter - \$1,793,000.

In 1999, one of the Company's subsidiaries entered a contractual obligation with one of its suppliers to pay minimum royalties of \$450,000 and to guarantee minimum purchases of \$2,400,000. As of December 31, 2002 the Company has purchased an aggregate of \$698,000 as follows: 2000 - \$164,000; 2001 - \$114,000; 2002 - \$420,000. The remaining \$1,702,000 of purchases due the supplier are as follows: 2003 - \$1,181,000; 2004 - \$521,000.

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 2002, 2001 and 2000. Annual lease commitments approximate \$368,000 through October, 2011.

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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, 2002 and 2001, 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, 2002. 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 auditing standards generally accepted in the United States of America. 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 as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002 and Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 17, 2003

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DIRECTORS

Michael J. McKenna
Chairman
Retired Vice Chairman, President
and Director, Crown Cork &
Seal Company, Inc.

Frederick L. Bissinger
Retired Vice Chairman, President and
Director, Allied Signal Corporation

Nicholas A. Giordano
Former Chairman and Chief Executive Officer
Philadelphia Stock Exchange

Mark S. Gorder
President and Chief Executive Officer
Selas Corporation of America

Robert N. Masucci
Chairman of Montgomery
Capital Advisors, Inc.

EXECUTIVE OFFICERS

Mark S. Gorder
President and Chief Executive
Officer
Selas Corporation of America

Christian Bailliart
Vice President
Chairman, Selas SAS

Gerald H. Broecker
Vice President of
Administration

James E. Deuer
Vice President
President, Deuer
Manufacturing, Inc.

Robert F. Gallagher
Chief Financial Officer,
Treasurer and Secretary

LEGAL COUNSEL

Blank Rome LLP

Philadelphia, Pennsylvania

AUDITORS

KPMG LLP
Philadelphia, Pennsylvania

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RTI Electronics, Inc.
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RTI Tech PTE LTD
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Resistance Technology GmbH
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HEAT TECHNOLOGY-
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CORPORATION OF AMERICA

WORLDWIDE HEADQUARTERS ST. PAUL, MN 55112

PHONE 651-636-9770 FAX 651-636-8944

www.selas.com

EXHIBIT 21

SIGNIFICANT SUBSIDIARIES OF SELAS CORPORATION OF AMERICA

SUBSIDIARY	PLACE OF INCORPORATION
CFR-CECF Forumi-Ripoche	France
CFR Portugal	Portugal
Deuer Manufacturing, Inc.	Ohio
Nippon Selas	Japan
Resistance Technology GmbH Vertrieb von Elektronikteilen	Germany
Resistance Technology, Inc.	Minnesota
RTI Electronics, Inc.	Delaware
RTI Tech PTE LTD.	Singapore
RTI Export, Inc.	Barbados
SEER	France
Ermata S.A.	France
Selas SAS	France
Selas Italiana, S.r.L.	Italy
Selas Waermetechnik, GmbH	Germany

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Selas Corporation of America:

We consent to the incorporation by reference in the registration statement No. 33-33712 on Form S-3, and in the registration statements (No. 333-16377, No. 333-66433, and No. 333-59694) on Form S-8 of Selas Corporation of America and subsidiaries of our reports dated March 17, 2003, relating to the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of operations, shareholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended December 31, 2002, which reports are included in the December 31, 2002 annual report on Form 10-K of Selas Corporation of America.

Our report dated March 17, 2003 on the consolidated financial statements of Selas Corporation of America and subsidiaries as of and for the year ended December 31, 2002 contains an explanatory paragraph that the company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" on January 1, 2002 and Statement of Financial Accounting Standards No. 133 "Accounting for Derivative and Hedging Activities" on January 1, 2001.

/s/KPMG LLP
Philadelphia, Pennsylvania
March 20, 2003

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is intended to accompany the Annual Report of Selas Corporation of America (the "Company") on Form 10-K for the period ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and is given solely for the purpose of satisfying the requirements of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The undersigned, in my capacity as set forth below, hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark S. Gorder

Date: March 20, 2003

Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is intended to accompany the Annual Report of Sela Corporation of America (the "Company") on Form 10-K for the period ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and is given solely for the purpose of satisfying the requirements of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The undersigned, in my capacity as set forth below, hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert F. Gallagher

Date: March 20, 2003

Chief Financial Officer