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

(Mark One)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1999
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from   to

Commission File Number 1-5005

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

Pennsylvania	23-1069060
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 X No

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

The aggregate market value, as of March 9, 2000, of the voting stock held by non-affiliates of the registrant was approximately $26,906,324 (Aggregate market value is estimated solely for the purposes of this report and shall not be construed as an admission for the purposes of determining affiliate status.)

At March 9, 2000, there were 5,125,014 of the Company's common shares outstanding (exclusive of 509,954 treasury shares).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's 1999 annual report to shareholders are incorporated by reference into Part II of this report. Portions of the Company's proxy statement for the 2000 annual meeting of shareholders are incorporated by reference into Part III of this report. Except for the parts of such documents that have been specifically incorporated herein by reference, such documents shall not be deemed "filed" for the purposes of this report.

PART I

ITEM 1. Business

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

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

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

HEAT TECHNOLOGY

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

CUSTOM-ENGINEERED FURNACES

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

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

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

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

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

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

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

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

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

Operations. The Company's custom-engineered furnace business is conducted principally by its wholly-owned subsidiaries, Selas S.A. (Paris), CFR, S.A. (Paris), Ermat S.A. (Lyon), Selas Waermetechnik GmbH (Ratingen), Selas Italiana, S.r.L. (Milan), Selas U.K. (Derbyshire), and CFR Portugal (Leiria). These subsidiaries currently employ approximately 183 persons, of whom 23 are administrative personnel, 31 are fabrication and assembly personnel, and 129 are sales, engineering and operations personnel. A small number of engineering and marketing management personnel located at the Company's Dresher, Pennsylvania headquarters facility are also involved from time to time in the custom-engineered furnace business.

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

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

On January 12, 2000, the Company's wholly-owned subsidiary, Selas S.A., acquired the stock of Ermat S.A., a Lyon, France firm engaged in the engineered industrial furnace business. This acquisition was made to complement the Company's existing heat technology operations in Europe, particularly the custom-engineered furnace business. Ermat engineers and designs batch and continuous furnaces that are used for heat treating both ferrous and non-ferrous metals. The Company believes that Ermat enjoys a good reputation in the French

market for engineered industrial furnaces. Ermat's sales have been primarily in France, although Ermat has some sales in other European countries. Ermat does have several European competitors for the products offered and some of its competitors are larger and have greater financial resources.

At its facilities in Lyon, France, Ermat employs approximately 24 full-time employees, of whom 2 are executive and administrative personnel and 22 are sales and engineering personnel.

Certain information regarding the acquisition of the Ermat business is set forth in note 2 to the Company's consolidated financial statements.

STANDARD-ENGINEERED SYSTEMS, BURNERS AND COMBUSTION CONTROL EQUIPMENT

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

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

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

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

these systems.

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

Burners and Combustion Control Equipment. The Company designs, manufactures and sells an array of original equipment and replacement gas-fired industrial burners for many applications. The Company is a producer of burners used in fluid processing furnaces serving the petrochemical industry. One type of fluid processing burner is capable of minimizing the emission of oxides of nitrogen as combustion products. As many jurisdictions reduce the permissable level of emissions of these compounds, the Company believes that the demand for "low NOx" burners will increase. The Company also produces burners suitable for creating a high temperature furnace environment desirable in steel and glass heat treating furnaces. The Company's burners accommodate a wide variety of fuel types, environmental constraints and customer production requirements.

The Company furnishes many industries with gas combustion control equipment sold both as component parts and as systems that have been custom-engineered to meet a particular customer's needs. This equipment is provided with the Company's original custom-engineered and standard heat treating equipment, as replacement or additional components for existing furnaces being refurbished or upgraded, and as original components for heat treating equipment manufactured by others. The components of the combustion control systems include mixing valves capable of mixing gas and air and controlling the air/gas ratio, pressure and total flow of the mixed gases. The Company also produces its Qual-O-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. At its Dresher facility, the Company employs approximately 66 persons, of whom 18 are executive and administrative personnel, 16 are sales and engineering personnel and 32 are personnel engaged in manufacturing. The hourly personnel are represented by a union, and the current union contract expires May 16, 2001. The Company considers its relations with its employees to be satisfactory.

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

Research and Development. The Company conducts research and development activities at its Dresher facility to support its heat processing services and products. The Company's research efforts are designed to develop new products and technology as well as to improve existing products and technology. The Company also conducts research on behalf of particular customers in connection with customers' unusual process needs. Research and development expenditures for heat processing aggregated

$38,000, $77,000 and $120,000 in 1999, 1998, 1997, respectively.

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

PRECISION MINIATURE MEDICAL AND ELECTRONIC PRODUCTS

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

Products and Industries Served. RTI is a leading manufacturer and supplier of microminiature electromechanical components to hearing instrument manufacturers. These components consist of volume controls, trimmer potentiometers and switches. RTI also manufactures hybrid amplifiers and integrated circuit components ("hybrid amplifiers"), along with faceplates for in-the-ear and in-the-canal hearing instruments. Components are offered in a variety of sizes, colors and capacities in order to accommodate a hearing manufacturer's individualized specifications. Sales to hearing instrument manufacturers represented approximately 65% of 1999 annual net sales for the Company's precision miniature medical and electronic products business.

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

The potential range of applications for RTI's molded plastic parts is broad. RTI has produced intravenous flow restrictors for a medical instruments manufacturer and cellular telephone battery sockets for a telecommunications equipment manufacturer. Sales by RTI to industries other than the hearing instrument industry represented approximately 15% of 1999 annual net sales for the Company's precision miniature medical and electronic products business.

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

RTIE 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 current limiting device used primarily in computer power supplies, represents approximately 50% of RTIE's sales. The balance of sales represent various industrial, commercial and military sales for thermistor and thermistor assemblies to domestic and international markets.

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

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

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

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

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

Marketing and Competition. RTI sells its hearing instrument components directly to domestic hearing instrument manufacturers through an internal sales force. Sales of molded plastic parts to industries other than hearing instrument manufacturers are made through a combination of independent sales representatives and internal sales force. In recent years, three companies have accounted for a substantial portion of the U.S. hearing instrument sales. In 1999, these three customers accounted for approximately 28% of RTI's net sales.

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

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

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

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

RTIE has many competitors, both domestic and foreign, that sell various thermistor and film capacitors and some of these competitors are larger and have greater financial resources. In addition, RTIE holds a relatively small market share in the world-market of thermistor and film capacitor products.

Operations. RTI currently employs 240 people, of whom 47 are executive and administrative personnel and 193 are sales, engineering and operations personnel at RTI's two facilities near Minneapolis, Minnesota. A small number of sales personnel employed by RT, GmbH are located in Munich, Germany and RTI Technologies employs 42 people at its Singapore location.

At its facilities in Anaheim, California, RTIE employs 103 full-time

employees, of which 7 are administrative and 96 are sales 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 $964,000, $1,290,000 and $1,154,000 in 1999, 1998 and 1997, respectively.

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

TIRE HOLDERS, LIFTS AND RELATED PRODUCTS

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

Products and Industries Served. Deuer is a leading supplier of spare tire holders used on light trucks and mini-vans manufactured by the major domestic automotive manufacturers. Deuer's spare tire holder holds the spare tire to the underbody of the vehicle by means of a steel cable running to the underside of the vehicle's frame. One end of the steel cable is attached to a hub placed through the center of the spare tire's rim, and the other end is attached to a hand-operated winch mounted at an accessible location on the vehicle. The spare tire holding system permits the spare tire to be stored in a remote location and to be easily removed without the need to crawl under the vehicle. During 1999, sales of spare tire holders accounted for approximately 92% of Deuer's net sales.

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

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

Marketing and Competition. Deuer sells its spare tire holders directly to domestic automotive manufacturers. Deuer's spare tire holders are sold to Chrysler Corporation, General Motors, Toyota, Ford Motor Company, New United Motor Manufacturing, Inc. and Mobile Home Manufacturers. 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 36 executive and administrative personnel and approximately 154 manufacturing employees.

Some of the manufacturing employees are represented by a union, and the current union contract expires in October 2002. Deuer considers its relations with its employees to be satisfactory.

Deuer's principal raw material is coil rolled steel and metal cable which is widely available. Deuer also conducts research and development activities which consist of the development of new products and technology and the modification of existing products. Deuer's research and development expenditures aggregated $258,000, $239,000 and $253,000 in 1999, 1998 and 1997, 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.

ITEM 2. Properties

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

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

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

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

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

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

Selas Italiana S.r.L., the Company's Italian subsidiary, Selas Waermetechnik GmbH, the Company's German subsidiary and Selas UK, the Company's United Kingdom subsidiary, lease facilities in Milan, Italy, Ratingen, Germany, and Derbyshire, UK, respectively. The Milan and Derbyshire facilities are comprised of engineering, sales and administrative offices with the leases expiring in October 2001 and a month to month basis, respectively. The Ratingen facilities are used for sales, administrative and engineering activities and assembly of small

furnaces and furnace components, with the lease expiring February, 2001. Resistance Technology, GmbH, leases office space in Munich, Germany, on a year-to-year basis, for its sales personnel. Management expects to be able to extend these leases.

RTI Technologies PTE LTD leases a building in Singapore which houses its production facilities and administrative offices. The building contains 6,000 square feet and its lease expires June, 2001.

CFR leases facilities in Paris and Maisse, both in France. The facilities in Paris house engineering, sales and administrative operations and has 10,000 square feet. The Maisse facility is 40,000 square feet and houses CFR's fabrication and assembly operations. The Paris lease expires January, 2003 and the Maisse lease expires February, 2001, each with two three-year optional renewal terms. Management expects to be able to extend these leases. CFR Portugal leases a building in Leiria, Portugal which houses its fabrication facilities and administrative offices.

ITEM 3. Legal Proceedings

The Company is a defendant along with a number of other parties in approximately 200 lawsuits as of December 31, 1999 (150 as of December 31, 1998) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 - July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

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

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

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

None

ITEM 4A. Executive Officers of the Company

The names, ages and offices (as of February 25, 2000) of the Company's officers were as follows:

Name	Age	Office
Stephen F. Ryan	64	Chairman, President and Chief Executive Officer; Director of the Company
Christian Bailliart	51	Vice President and Chairman-Director Generale of Selas S.A.
James C. Deuer	71	Vice President and President of Deuer Manufacturing, Inc.
Mark S. Gorder	53	Vice President and President of Resistance Technology, Inc.; Director of the Company
Robert W. Ross	51	Vice President and Secretary and President Heat Technology Group
Francis A. Toczylowski	49	Vice President and Treasurer

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

PART II

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

The Company's common shares are listed on the American Stock Exchange. The high and low sale prices during each quarterly period during the past two years were as follows:

MARKET AND DIVIDEND INFORMATION

	1999 Market Price Range		1998 Market Price Range	
QUARTER	HIGH	LOW	HIGH	LOW

First	8-3/8	4-7/8	12-5/8	9-1/8
Second	7	5-1/8	9-7/8	8-3/4
Third	7	4-1/2	9	6-7/16
Fourth	6-11/16	4-1/4	8-7/16	6-5/8

At February 8, 2000, the Company had 455 shareholders of record.

	1999	1998	1997
Dividends per share:			
First Quarter	$.045	$.045	$.043
Second Quarter	.045	.045	.045
Third Quarter	.045	.045	.045
Fourth Quarter	.045	.045	.045

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

ITEM 6. Selected Financial Data

Certain selected financial data is incorporated by reference to "Selas Corporation of America Five-Year Summary of Operations", page 4, and "Other Financial Highlights", page 5, of the Company's 1999 annual report to shareholders.

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

Management's Discussion and Analysis is incorporated by reference to page 6 through 10 of the Company's 1999 annual report to shareholders.

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

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

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

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

competitors.

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

The Company's precision miniature medical and electronics business has benefitted from its ability to automate and keep costs and prices low. There can be no assurance that the Company will be able to continue to achieve such automation and its historical profit margins particularly as the technology of hearing instruments changes and as the business expands into other product lines. The precision miniature medical and electronics business has also been affected by unfavorable conditions in the hearing health market and the impact of the Asian economic situation. The Company is unable to predict with any certainty when these conditions will improve.

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

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

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

Short-term exposures to changing foreign currency exchange rates are occasionally managed by financial market transactions, principally through the purchase of forward foreign exchange contracts (with maturities of six months or less) to offset the earnings and cash flow impact of the nonfunctional currency denominated receivables and payables relating to select custom engineered heat technology segment contracts. The decision by management to hedge any such transaction is made on a case-by-case basis. Foreign exchange forward contracts are denominated in the same currency as the receivable or payable being covered, and the term and amount of the forward foreign exchange contract substantially mirrors the term and amount of the underlying receivable or payable. The receivables and payables being covered arise from trade and intercompany transactions of and among the Company's foreign subsidiaries. At December 31, 1999 the Company did not have any forward foreign exchange contracts outstanding.

To manage exposure to interest rate movements and to reduce its borrowing costs, the Company's French subsidiary, Selas S.A., has entered into an interest rate swap agreement. Selas S.A. is exposed to changes in interest rates primarily due to its borrowing activities which are related to long term debt used to finance its office building. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May, 2006. A 100 (10% adverse change) basis point move in interest rates would affect the Company's floating and fixed rate instruments, including short and long-term debt

and derivative instruments, by approximately $41,000 at December 31, 1999. The fair value of the Company's variable rate debt is not significantly different from its recorded amount.

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

ITEM 8. Financial Statements and Supplementary Data

The Company's consolidated balance sheets as of December 31, 1999 and 1998, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the three years in the period ended December 31, 1999, and the report of independent auditors thereon and the quarterly results of operations (unaudited) for the two year period ended December 31, 1999 are incorporated by reference to pages 11 to 39 of the Company's 1999 annual report to shareholders.

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

None

PART III

The information called for by Items 10, 11, 12 and 13 (except the information concerning executive officers included in Item 4A) is incorporated by reference to the Company's definitive proxy statement relating to its 2000 Annual Meeting of Shareholders which the Company filed on March 13, 2000. However, the portions of such proxy statement constituting the report of the Compensation Committee of the Board of Directors and the graph showing performance of the Company's common shares and certain share indices shall not be deemed to be incorporated herein or filed for purposes of the Securities Exchange Act of 1934.

PART IV

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

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

1. Financial Statements - The Company's consolidated financial statements, as described below, are incorporated by reference to pages 11 through 39 of the Company's 1999 annual report to shareholders.

   Consolidated Balance Sheets at December 31, 1999 and 1998.

   Consolidated Statements of Operations for the years ended December 31, 1999, 1998 and 1997.

Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997.

Consolidated Statements of Shareholders' Equity for the years ended December 31, 1999, 1998 and 1997.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

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

2. Financial Statement Schedules

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

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

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

3. Exhibits

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

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

4A. Amended and Restated Credit Agreement dated July 31, 1998 among the Company, Deuer Manufacturing, Inc., Resistance Technology, Inc., RTI Export, Inc. and RTI Electronics, Inc. Exhibit 4A to the Company's report on Form 10-Q for the nine months ended September 30, 1999 is hereby incorporated by reference.

4B. 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 hereby incorporated by reference.

4C. 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, 1999 is hereby 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 31, 1997 is hereby incorporated by reference.

10A. Form of termination agreement between the Company and Messrs. Ryan, Deuer, Gorder, Ross and Toczylowski. Exhibit 10A to the Company's Report on Form 10-K for the year ended December 31, 1996 is hereby incorporated by reference.

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

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

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

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

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

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

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

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

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

13. "Selas Corporation of America Five-Year Summary of Operations" contained on page 4 of the Company's 1999 annual report to shareholders; "Other Financial Highlights" contained on page 5 of the Company's 1999 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 6-10 of the Company's 1999 annual report to shareholders; and the Company's consolidated financial statements, including the "Notes to Consolidated Financial Statements" and the "Report of Independent Auditors" contained on pages 11-39 of the Company's 1999 annual report to shareholders.

Form 8-K - (Continued)

21. List of significant subsidiaries of the Company.

23. Consent of Independent Auditors.

24. Powers of Attorney.

(b) Reports on Form 8-K - There were no reports on Form 8-K filed during the three months ended December 31, 1999.

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULES

The Board of Directors and Shareholders
Selas Corporation of America:

Under date of February 21, 2000, we reported on the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 1999 and 1998, 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, 1999, as contained in the 1999 annual report to shareholders. These consolidated financial statements and our reports thereon are incorporated by reference in the annual report on Form 10-K for the year 1999. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in the accompanying index (Item 14). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

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

/s/ KPMG LLP

KPMG LLP

Philadelphia, Pennsylvania
February 21, 2000

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Balance Sheets
December 31, 1999 and 1998

ASSETS	1999	1998

Current assets:		
Cash	$ 138,392	$ 70,837
Accounts receivable (including $4,450,272 and $5,862,697 due from subsidiaries in 1999 and 1998, respectively, eliminated in consolidation), less allowance for doubtful accounts of $10,000 in both years	5,572,399	8,892,207
Inventories, at cost	2,838,870	3,509,970
Prepaid expenses and other current assets	843,583	1,592,723
Total current assets	9,393,244	14,065,737
Investment in wholly-owned subsidiaries	56,453,522	53,697,350
Property and equipment, at cost	5,895,517	5,897,016
Less: accumulated depreciation	(4,861,481)	(4,713,782)
	1,034,036	1,183,234
Other assets and investment in unconsolidated affiliate	2,633,198	2,394,617
Total Assets	$69,514,000	$71,340,938
	===========	===========

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Balance Sheets
December 31, 1999 and 1998

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 5,119,933	$ 4,441,554
Accounts payable (including $14,478,429 and $13,503,551 due to subsidiaries in 1999 and 1998, respectively, eliminated in consolidation)	15,216,623	14,531,749
Accrued expenses	1,596,112	2,806,974
Total current liabilities	21,932,668	21,780,277
Long-term debt	816,667	2,170,024
Other postretirement benefit obligations	3,561,574	3,535,050
Deferred income taxes	180,167	227,347
Contingencies and commitments		
Shareholders' equity		
Common stock	5,634,968	5,615,081

Retained earnings and other equity	38,590,726	38,395,096
Less: 504,854 and 363,564 common shares held in treasury, at cost	(1,202,770)	(381,937)
Total shareholders' equity	43,022,924	43,628,240
Total Liabilities and Shareholders' Equity	$69,514,000	$71,340,938
	===========	===========

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Condensed Financial Information of Registrant
Statements of Operations
Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
Sales, net	$ 7,640,167	$13,431,912	$24,187,052
Add back: license fees and corporate charges paid by subsidiaries, eliminated in consolidation	1,013,208	805,796	618,366
	8,653,375	14,237,708	24,805,418
Costs and expenses:			
Cost of goods sold	4,805,422	9,582,358	19,344,767
Selling, general and administrative expenses	4,413,178	3,761,810	4,458,784
Rent and depreciation	372,942	360,801	375,156
	9,591,542	13,704,969	24,178,707
Income (loss) before income taxes (benefits) and equity in net income of subsidiaries	(938,167)	532,739	626,711
Provision for income taxes (benefits)	(241,315)	(753,789)	45,295
Income (loss) before equity in net income of subsidiaries	(696,852)	1,286,528	581,416
Equity in net income of subsidiaries	2,426,012	2,322,994	3,805,793
Net income	$ 1,729,160	$ 3,609,522	$ 4,387,209
	===========	===========	===========

See accompanying notes to the consolidated financial statements.

SCHEDULE I

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES
Condensed Financial Information of the Registrant
Statements of Cash Flows
Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 1,729,160	$ 3,609,522	$ 4,387,209
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	228,979	259,716	251,733
Other adjustments	(1,900,383)	(3,050,628)	(4,405,561)
Net changes in operating assets and liabilities	3,479,413	57,727	2,507,566
Net cash provided by operating activities	3,537,169	876,337	2,740,947
INVESTING ACTIVITIES			
Dividend from unconsolidated affiliate	14,476	--	--
Acquisition of subsidiary company	--	--	(5,152,840)
Purchase of property, plant and equipment	(70,377)	(93,415)	(259,787)
Additional investment in subsidiary company	(1,067,140)	--	--
Net cash (used) by investing activities	(1,123,041)	(93,415)	(5,412,627)
FINANCING ACTIVITIES			
Proceeds from borrowings used to acquire subsidiary	--	--	3,500,000
Proceeds from exercise of stock options	83,540	10,196	155,519
Proceeds from short term borrowings	1,901,446	2,091,554	--
Payment of dividends	(934,302)	(941,954)	(929,685)
Repayments of long term debt	(2,576,424)	(2,350,000)	(2,521,645)
Purchase of treasury stock	(820,833)	--	--
Net cash provided (used) by financing activities	(2,346,573)	(1,190,204)	204,189
Increase (decrease) in cash and cash equivalents	67,555	(407,282)	(2,467,491)
Cash and cash equivalents, beginning of year	70,837	478,119	2,945,610
Cash and cash equivalents, end of year	$ 138,392	$ 70,837	$ 478,119

See accompanying notes to the consolidated financial statements.

SCHEDULE II

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts
Years Ended December 31, 1999, 1998 and 1997

Column A	Column B	Column C	
		Additions	
Classification	Balance at Beginning of Period	Charged to Costs and Expenses	Other
Year ended December 31, 1999:			
Reserve deducted in the balance sheet from the asset to which it applies:			
Allowance for doubtful accounts	$1,993,733	$ 800,812	$(217,768) (a)
Deferred tax asset valuation allowance	$1,620,162	$ (155,255)	
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$2,294,889	$ (22,498)	$(131,001) (a)
Year ended December 31, 1998:			
Reserves deducted in the balance sheet from the asset to which they apply:			
Allowance for doubtful accounts	$ 681,356	$1,324,093	$106,973 (a)
Deferred tax asset valuation allowance	$1,696,824	$ (76,662)	
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$2,705,293	$ 355,013	$51,393 (a)
Year ended December 31, 1997:			
Reserve deducted in the balance sheet from the asset to which they apply:			
Allowance for doubtful accounts	$ 787,121	$ 15,833	$(93,153) (a)
Deferred tax asset valuation allowance	$2,315,437	$ (618,613)	
Reserve not shown elsewhere:			
Reserve for estimated future costs of service and guarantees	$1,725,690	$1,287,940	$(118,806) (a)

(Continued)

SELAS CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

Valuation and Qualifying Accounts
Years Ended December 31, 1999, 1998 and 1997

Column A	Column D	Column E
Classification	Deductions	Balance at End of Period

Year ended December 31, 1999:		
Reserve deducted in the balance sheet from the asset to which it applies:		
Allowance for doubtful accounts	$1,599,220 (b)	$ 977,557
Deferred tax asset valuation allowance		$1,464,907
Reserve not shown elsewhere:		
Reserve for estimated future costs of service and guarantees	$ 657,766 (c)	$1,483,624
Year ended December 31, 1998:		
Reserves deducted in the balance sheet from the asset to which they apply:		
Allowance for doubtful accounts	$ 118,689 (b)	$1,993,733
Deferred tax asset valuation allowance		$1,620,162
Reserve not shown elsewhere:		
Reserve for estimated future costs of service and guarantees	$ 816,810 (c)	$2,294,889
Year ended December 31, 1997:		
Reserve deducted in the balance sheet from the asset to which they apply:		
Allowance for doubtful accounts	$ 28,445 (b)	$ 681,356
Deferred tax asset valuation allowance		$1,696,824
Reserve not shown elsewhere:		
Reserve for estimated future costs of service and guarantees	$ 189,531 (c)	$2,705,293

(a) Represents difference between translation rates of foreign currency at beginning and end of year and average rate during year.
(b) Uncollectible accounts charged off.
(c) "After job" costs charged to reserve.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SELAS CORPORATION OF AMERICA
(Registrant)

By:
Francis A. Toczylowski
Vice President and
Treasurer

Dated: March 22, 2000

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

*By:

Stephen F. Ryan Attorney-In-Fact March 22, 2000	Stephen F. Ryan Chairman, President, Chief Executive Officer and Director March 22, 2000
* John H. Austin, Jr. Director March 22, 2000	Francis A. Toczylowski Vice President and Treasurer March 22, 2000
* Frederick L. Bissinger Director March 22, 2000	
* Roy C. Carriker Director March 22, 2000	
* Mark S. Gorder Director March 22, 1999	
* Michael J. McKenna Director March 22, 1999	

EXHIBIT INDEX

EXHIBITS:

13. "Selas Corporation of America Five-Year Summary of Operations" contained on page 4 of the Company's 1999 annual report to shareholders; "Other Financial Highlights" contained on page 5 of the company's 1999 annual report to shareholders; "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained on pages 6-10 of the Company's 1999 annual report to shareholders; and the Company's consolidated financial statements, including the "Notes to Consolidated Financial Statements" and the "Report of Independent Auditors" contained on pages 11-39 of the Company's 1999 annual report to shareholders.

21. List of significant subsidiaries of the Company.

23. Consent of Independent Auditors.

24. Powers of Attorney.

March 23, 2000

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

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

Gentlemen:

The Company's 1999 Annual Report on Form 10-K has been filed electronically, via Edgar.

The financial statements for the year ended December 31, 1999 do not reflect any changes in accounting principles or practices, or the method of applying any such principles or practices from the preceding year.

Very truly yours,
Francis A. Toczylowski
Vice President and Treasurer

FAT:jc

Enclosures

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, 1999 and 1998, 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, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Selas Corporation of America and subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP

Philadelphia, Pennsylvania
February 21, 2000

EXHIBIT 21

Significant Subsidiaries of Selas Corporation of America

SUBSIDIARY	PLACE OF INCORPORATION
CFR, S.A.	France
CFR Portugal	Portugal
Deuer Manufacturing, Inc.	Ohio
Ermat S.A.	France
Resistance Technology GmbH Vertrieb von Elecktronikteilen	Germany
Resistance Technology, Inc.	Minnesota
RTI Electronics, Inc.	Delaware
RTI Technologies PTE LTD	Singapore
SEER	France
Selas S.A.	France
Selas Italiana, S.A.	Italy
Selas Engineering UK Ltd.	England
Selas Waermetechnik, GmbH	Germany

EXHIBIT 23

SELAS CORPORATION OF AMERICA

Exhibit 23

Consent of Independent Auditors

The Board of Directors
Selas Corporation of America:

We consent to the incorporation by reference in the Registration Statements No. 33-33712 on Form S-3, No. 33-35802 on Form S-8, No. 333-16377 on Form S-8, and No. 333-66433 on Form S-8 of Selas Corporation of America and subsidiaries of our reports dated February 21, 2000 relating to the consolidated balance sheets of Selas Corporation of America and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of operations, shareholders' equity, and cash flows and related financial statement schedules for each of the years in

the three-year period ended December 31, 1999, which reports are included in or incorporated by reference in the December 31, 1999 annual report on Form 10-K of Selas Corporation of America.

/s/ KPMG LLP

KPMG LLP

Philadelphia, Pennsylvania
March 27, 2000

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned does hereby consent and appoint Stephen F. Ryan and Francis A. Toczylowski, or either of them, his attorney to do any and all acts, including the execution of documents, which said attorneys, or either of them, may deem necessary or advisable to enable Selas Corporation of America (the "Company") to comply with the Securities Exchange Act of 1934, as amended, and the rules, regulations and requirements of the Securities and Exchange Commission, in connection with the filing under said Act of an annual report of the Company on Form 10-K for the year ended December 31, 1999, including the power and authority to sign in the name and on behalf of the undersigned, in any and all capacities in which the signature of the undersigned would be appropriate, such annual report and any and all amendments thereto and generally to do and perform all things necessary to be done in the premises as fully and effectually in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal this 22rd day of March, 2000.

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

/s/ Frederick L. Bissinger
Frederick L. Bissinger

/s/ Roy C. Carriker
Roy C. Carriker

/s/ Mark S. Gorder
Mark S. Gorder

/s/ Michael J. McKenna
Michael J. McKenna

EXHIBIT 13

SELAS CORPORATION OF AMERICA
is a diversified firm with international operations and sales that engages in the design, development, engineering and manufacturing of a range of products. The Company, headquartered in Dresher, Pennsylvania with subsidiaries in Minnesota, Ohio, California, England, France,

Germany, Italy, Portugal, and Singapore (and a 50% joint venture in Japan), operates directly or through subsidiaries in three business segments.

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

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31	1999	1998
Net sales	$102,753,000	$ 99,555,000
Operating income	$ 4,077,000	$ 4,858,000
Net income	$ 1,729,000	$ 3,610,000
Earnings per share:		
Basic	$.33	$.69
Diluted	$.33	$.68
Working capital	$ 13,729,000	$ 16,490,000
Total assets	$ 85,050,000	$ 87,623,000
Total shareholders' equity . . .	$ 43,023,000	$ 43,628,000

MARKET AND DIVIDEND INFORMATION

	1999 Market Price Range		1998 Market Price Range	
QUARTER	HIGH	LOW	HIGH	LOW
First	8-3/8	4-7/8	12-5/8	9-1/8
Second	7	5-1/8	9-7/8	8-3/4
Third	7	4-1/2	9	6-7/16
Fourth	6-11/16	4-1/4	8-7/16	6-5/8

At February 8, 2000, the Company had 455 shareholders of record.

	1999	1998	1997
Dividends per share:			
First Quarter	$.045	$.045	$.043
Second Quarter	.045	.045	.045
Third Quarter	.045	.045	.045
Fourth Quarter	.045	.045	.045

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

Selas is an equal opportunity employer.

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

ABOUT THE COVER: This year's annual report cover communicates the global reach of Selas Corporation of America.

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

Years ended December 31	1999	1998 (a)	1997 (b)
Sales, net	$ 102,753	$ 99,555	$ 111,165
Cost of sales	81,231	76,832	87,704
Selling, general and administrative expenses	17,445	17,864	16,289
Interest expense	1,063	1,139	1,040
Interest (income)	(78)	(145)	(237)
Other (income) expense, net	400	(85)	8

Income before income taxes	2,692	3,950	6,361
Income taxes	963	340	1,974
Net income	$ 1,729	$ 3,610	$ 4,387
Earnings per share:			
Basic	$.33	$.69	$.84
Diluted	$.33	$.68	$.82
Comprehensive income	$ 1,059	$ 3,996	$ 3,520
Weighted average number of shares outstanding during year			
Basic	5,196,072	5,233,016	5,213,124
Diluted	5,208,090	5,310,354	5,354,978

SELAS CORPORATION OF AMERICA
FIVE-YEAR SUMMARY OF OPERATIONS (CONTINUED)

(In thousands, except for share and per share data)

Years ended December 31	1996	1995
Sales, net	$ 103,426	$ 71,215
Cost of sales	80,870	52,060
Selling, general and administrative expenses	15,034	14,397
Interest expense	1,212	1,336
Interest (income)	(298)	(340)
Other (income) expense, net	83	36
Income before income taxes	6,525	3,726
Income taxes	2,395	1,426
Net income	$ 4,130	$ 2,300
Earnings per share:		
Basic	$.80	$.44
Diluted	$.78	$.44
Comprehensive income	$ 3,833	$ 2,322
Weighted average number of shares outstanding during year		
Basic	5,190,075	5,189,048
Diluted	5,271,959	5,202,411

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

On May 27, 1998, a subsidiary of the Company acquired the stock of

IMB Electronic Products, Inc.

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

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

OTHER FINANCIAL HIGHLIGHTS

Years ended December 31 (In thousands, except for share and per share data)	1999	1998 (a)	1997 (b)
Working capital	$13,729	$16,490	$18,642
Total assets	$85,050	$87,623	$81,795
Long-term debt	$ 3,695	$ 6,266	$ 7,015
Long-term benefit obligations	$ 4,130	$ 4,096	$ 4,081
Shareholders' equity:			
Capital stock and additional paid-in capital	$17,647	$17,556	$17,382
Retained earnings	26,593	25,798	23,130
Accumulated other comprehensive income (loss)	(14)	656	269
Treasury stock	(1,203)	(382)	(382)
Total shareholders' equity	$43,023	$43,628	$40,399
Depreciation and amortization	$ 3,956	$ 3,809	$ 3,469
Dividends per share	$ .18	$ .18	$.178

OTHER FINANCIAL HIGHLIGHTS

Years ended December 31 (In thousands, except for share and per share data)	1996	1995
Working capital	$19,822	$15,751
Total assets	$91,162	$67,960
Long-term debt	$ 6,837	$ 9,100
Long-term benefit obligations	$ 4,310	$ 4,409
Shareholders' equity:		
Capital stock and additional paid-in capital	$17,214	$17,214
Retained earnings	19,673	16,390
Accumulated other comprehensive income (loss)	1,136	1,434
Treasury stock	(382)	(382)
Total shareholders' equity	$37,641	$34,656
Depreciation and amortization	$ 2,826	$ 2,771
Dividends per share	$.163	$.154

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

1999 COMPARED WITH 1998

Consolidated net sales increased 3.2% to $102.8 million in 1999 from $99.5 million in 1998. Net sales from the heat technology segment increased to $48.9 million in 1999 compared to $46.4 million in 1998. The increase in sales in 1999 is attributable to several large engineered contracts completed during the year and higher revenues generated by CFR,

the French subsidiary acquired in February, 1998, partially offset by decreased spare and replacement part sales. Sales and earnings of large custom engineered contracts are recognized on the percentage-of-completion method and generally require more than twelve months to complete. The Company is not dependent on any one heat technology customer on an ongoing basis. Backlog for the heat technology segment was $46.2 million as of December 31, 1999 compared to $24.8 million as of December 31, 1998.

The Company's precision miniature medical and electronic products segment net sales decreased to $35.3 million in 1999 from $37 million in 1998. Sales decreased compared to 1998 due to the unfavorable conditions in the hearing health market, offset by increased revenue from RTI Technologies PTE LTD, the Singapore company acquired in October, 1998. Sales of electronic products were also lower in 1999 compared to 1998 due to increased price competition and the Asian economic situation, slightly offset by sales related to IMB Electronic Products, which was acquired in May, 1998 and merged with RTI Electronics as of the beginning of 1999.

Net sales for the tire holders, lifts and related products segment increased to $18.5 million in 1999 compared to $16.1 million in 1998. The increase in revenue is due to higher unit sales of tire lifts to the automotive industry.

The Company's gross profit margin as a percentage of sales decreased to 20.9% in 1999 from 22.8% in 1998. Gross profit margins for the heat technology segment decreased to 14.3% for 1999 compared to 18.7% in 1998. Heat technology gross profit margins vary markedly from contract to contract, depending on customer specifications and other conditions related to the contract. The gross profit margins for 1999 were impacted by revenue recognized on several large engineered contracts whose margins were not as profitable as contracts completed in 1998 and by several other contracts that had higher than expected costs. Also affecting the results were reduced sales of spare and replacement parts, which generally have higher profit margins. Heat technology reserves for guarantee obligations and estimated future costs of services decreased to $1.5 million in 1999 from $2.3 million in 1998 due to the completion of the warranty period of several contracts during the year. Guarantee obligations and estimated future service costs on these contracts extend for up to one year from completion.

Gross profit margins for the precision miniature medical and electronic products segment increased slightly to 30.2% in 1999 from 29.3% in 1998. The improvement in 1999 results partially from the implementation of cost reduction programs within the segment offset by the decrease in sales in 1999. Also impacting the margins in 1999 are costs relating to the combination of the RTI Electronics and IMB Electronic Products operations into one facility and the mix of sales between 1999 and 1998 as hearing health and electronic products have varying profit margins.

Gross profit margins for the tire holders, lifts and related products segment improved to 20.9% in 1999 from 19.8% in 1998. The improvement in 1999 is due to efficiencies from higher production through the increased sale of tire lifts.

Selling, general and administrative expenses decreased 2.3% to $17.4 million in 1999 as compared to $17.9 million in expenses in 1998. The decrease results from cost reductions in various areas of the Company's operations.

Research and development costs decreased to $1.3 million in 1999 compared to $1.6 million in 1998. Interest expense, which amounted to $1.1 million in both 1999 and 1998, was impacted in 1999 by higher average borrowings of notes payable offset by increased repayments of long-term debt and slightly lower average interest rates. Interest income decreased to $78,000 in 1999 compared to $145,000 in 1998, due to lower average funds available for investment in 1999.

Other (income) expense includes losses on foreign exchange of $297,000 in 1999 and gains on foreign exchange of $176,000 in 1998.

The effective tax rate in 1999 and 1998 on income before income taxes was 35.8% and 8.6%, respectively. The rate of tax in relation to pre-tax income in 1998 is low because the Company reduced the valuation allowance applied against deferred tax benefits associated with domestic postretirement benefit obligations by $724,512 and against certain domestic employee pension plan obligations by $33,694. The Company had determined that it is more likely than not that the $758,206 of deferred tax assets will be realized.

Consolidated net income of $1.7 million in 1999 decreased 52.1% from $3.6 million in 1998. The Company's heat technology segment had a loss of $.3 million in 1999 compared to earnings of $1.8 million in 1998 due to the lower margins on several contracts completed in 1999 and some contracts with higher than expected costs. The precision miniature medical and electronic products segment's income decreased to $1.3 million in 1999 from $1.6 million in 1998 as a result of the lower sales and the change in the product mix of those sales. The Company's tire holders, lifts and related products segment increased its net income in 1999 to $1.3 million compared to $.9 million in 1998 as a result of its increased efficiency of tire lift production due to increased sales. General corporate expenses, net of tax, decreased to $574,000 in 1999 from $632,000 in 1998.

In 1999, the Company was informed by an automotive customer that the Company will not supply the tire lift for the 2001 model year vehicle. The Company will continue to supply the tire lift for the current vehicle model on a declining volume basis through 2002. The Company continues to pursue tire lift orders for other vehicles with this customer as well as other customers during the year 2000.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated net working capital decreased to $13.7 million at December 31, 1999 from $16.5 million at December 31, 1998. The lower working capital was due in part to capital expenditures, repayment of long-term debt obligations, payment of dividends and repurchase of common stock, partially offset by the earnings for the year. The major changes in the components of working capital were a decrease in cash of $1 million, a decrease in accounts receivable of $1.7 million, decreased accounts payable of $2.2 million, increased notes payable of $4.7 million and decreased current maturities of long-term debt of $1.2 million. These changes relate to the ongoing operations of the Company for the year.

The Company's long-term debt at December 31, 1999 was $3.7 million. The decrease in long-term debt is due to repayments during the year. The increase in notes payable results from additional borrowings during 1999 due to the decrease in funds generated from operations and the Company's capital requirements. Under the terms of Selas' credit facility, there are covenants that may restrict the payment of future dividends. The credit facility required the Company to maintain consolidated tangible capital funds of approximately $24.8 million through December 31, 1999 consisting of shareholders' equity, plus subordinated debt, less intangible assets increased annually by 60% of net income and 60% of the aggregate amount of contributions to capital. At December 31, 1999 the Company exceeded the amount required to satisfy this covenant in the credit facility by $1.8 million.

In June, 1999, the Company refinanced existing mortgage debt of $900,000 with a commercial bank. The original mortgage was assumed at the date of acquisition of Resistance Technology, Inc. (RTI) and was secured by certain land and building of RTI. The refinanced debt is payable in monthly installments of $7,500, excluding interest, and is set to mature on July 1, 2004. The mortgage carries an interest rate at the Market Index London Interbank Offered Rate (LIBOR) plus 1.25%. The agreement is subject to the same financial reporting requirements and maintenance of certain financial ratios as the Company's other term loan agreements with the commercial bank.

The Company's French subsidiary, Selas S.A., has an interest rate swap agreement for the purpose of managing interest rate expense. The total

notional amount of $1.5 million will decrease consistent with the terms of the related long-term debt agreement. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May 2006. Additional

interest incurred during 1999 and 1998 in connection with the swap arrangement amounted to $69,293 and $81,512, respectively.

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

A significant portion of the heat technology segment sales are denominated in foreign currencies, primarily the French franc. Generally, the income statement effect of changes in foreign currencies is partially or wholly offset by the European subsidiaries' ability to make corresponding price changes in the local currency. 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 consolidated financial statements.

The Company is a defendant along with a number of other parties in approximately 200 lawsuits as of December 31, 1999 (150 as of December 31, 1998) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 - July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

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

The Company assessed computer systems for year 2000 readiness, and replaced all systems and software found to be not compliant. These replacements were generally part of a regular upgrade program. The Company then tested all systems and software, and also obtained verifications from vendors that any systems that they supplied are year 2000 ready. The Company has a contingency plan to provide for disaster recovery and continuation of critical computer and communications in case of a power loss. The Company has not incurred any material extraordinary expense in connection with the year 2000 program. The Company believes that any year 2000 problem is unlikely to arise in the future, and that

if any problem does arise, it will be able to fix the problem without material expenses.

To date, the Company has not experienced any disruptions of operations due to year 2000 problems.

Actual costs associated with implementation of the Company's Year 2000 program were approximately $200,000, primarily for software and outside services.

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

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 the year. As of December 31, 1999, the Company has repurchased a total of 141,290 shares of its common stock at a cost of $820,833.

In 1999, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133, Accounting for Derivative Instrument and Hedging Activities." SFAS No. 137 delays the effective date of SFAS No. 133 to be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 standardizes the accounting for derivative instruments, including derivative instruments embedded

in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. Management has not yet determined the impact that the adoption of this statement may have on earnings, financial condition and liquidity of the Company. The Company plans to adopt SFAS No. 133 by January 1, 2001 as permitted by this standard.

1998 COMPARED WITH 1997

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

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

component sales to its hearing health customers, which were partially offset by lower sales in the electronic products segment due to the Asian economic situation.

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

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

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

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

Gross profit margins for the tire holders, lifts and related products segment improved to 19.8% in 1998 from 17% in 1997. The improvement in 1998 is due to efficiencies from higher production through the increased sale of tire lifts.

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

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

Consolidated net income of $3.6 million in 1998 decreased 17.7% from $4.4 million in 1997. The Company's heat technology segment had lower earnings of $1.8 million in 1998 compared to $2.5 million in 1997 due to lower sales and several contracts that had higher costs. The precision miniature medical and electronic products segment's income decreased to $1.6 million in 1998 from $2.1 million in 1997, as a result of the change in the product mix of sales and increased competition. The Company's tire holders, lifts and related products segment increased its net income in 1998 to $.9 million compared to $.5 million in 1997 as a result of its increased tire lift production and sales. Net income was also impacted by the reduction of the valuation allowance applied against deferred tax benefits of $.8 million. General corporate expenses, net of tax, decreased to $632,000 in 1998 from $729,000 in 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Certain statements herein that include forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "estimate", "plan" or "continue" or the negative thereof or other variations thereon are, or could be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are affected by known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to differ materially from the results, performance and achievements expressed or implied in the Company's forward-looking statements. These risks, uncertainties and factors include competition by competitors with more resources than the Company, foreign currency risks arising from the Company's foreign operations, and the cyclical nature of the market for large heat technology contracts. Reference is made to the Company's 1999 Annual Report on Form 10-K regarding other important factors that could cause the actual results, performance or achievement of the Company to differ materially from those contained in or implied by any forward-looking statement made by or on behalf of the Company, including forward-looking statements contained herein.

SELAS CORPORATION OF AMERICA
CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31	1999	1998	1997
Sales, net	$102,753,059	$ 99,554,554	$111,164,563
Operating costs and expenses			
Cost of sales	81,231,316	76,832,570	87,703,693
Selling, general and administrative expenses	17,444,755	17,863,587	16,289,388

Operating income	4,076,988	4,858,397	7,171,482
Interest expense	1,062,821	1,139,274	1,039,524
Interest (income).	(77,899)	(145,047)	(237,592)
Other (income) expense, net	399,831	(85,677)	8,385
Income before income taxes	2,692,235	3,949,847	6,361,165
Income taxes	963,075	340,325	1,973,956
Net income	$ 1,729,160	$ 3,609,522	$ 4,387,209
Earnings per share			
Basic	$.33	$.69	$.84
Diluted	$.33	$.68	$.82
Comprehensive income . . .	$ 1,058,889	$ 3,996,304	$ 3,519,950

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS	1999	1998
Current assets		
Cash, including cash equivalents of $151,000 in 1999 and $313,000 in 1998	$ 1,756,008	$ 2,784,284
Accounts and notes receivable, (including unbilled receivables of $6,043,000 in 1999 and $3,898,000 in 1998) less allowance for doubtful accounts of $978,000 in 1999 and $1,994,000 in 1998	28,795,466	30,494,933
Inventories	12,769,618	12,628,623
Deferred income taxes	2,428,243	2,882,961
Other current assets	2,181,281	1,332,135
Total current assets	47,930,616	50,122,936
Investment in unconsolidated affiliate . . .	588,965	538,913
Property, plant and equipment		
Land	1,005,537	1,077,522
Buildings	11,435,428	12,129,811
Machinery and equipment	28,794,569	25,788,736

	41,235,534	38,996,069
Less: Accumulated depreciation	22,441,750	20,038,177
Net property, plant and equipment. . .	18,793,784	18,957,892
Excess of cost over net assets of acquired subsidiaries, less accumulated amortization of $3,165,000 and $2,452,000	16,214,999	16,813,073
Deferred income taxes	562,243	563,165
Other assets, less amortization	959,093	627,009
	$85,049,700	$87,622,988
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See accompanying notes to the consolidated financial statements.

December 31, 1999 and 1998

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
Current liabilities		
Notes payable	$ 9,417,666	$ 4,701,279
Current maturities of long-term debt . . .	1,958,951	3,178,241
Accounts payable	13,191,213	15,410,642
Federal, state and foreign income taxes . .	679,997	838,634
Customers' advance payments on contracts .	1,221,946	697,270
Guarantee obligations and estimated future costs of service	1,483,624	2,294,889
Other accrued liabilities	6,247,938	6,512,016
Total current liabilities	34,201,335	33,632,971
Long-term debt	3,695,181	6,265,720
Other postretirement benefit obligations . .	4,130,261	4,096,057
Contingencies and commitments		
Shareholders' equity		
Common shares, $1 par; 10,000,000 shares authorized; 5,634,968 and 5,615,081 shares issued, respectively	5,634,968	5,615,081
Additional paid-in capital	12,012,541	11,941,498
Retained earnings	26,592,680	25,797,823
Accumulated other comprehensive income (loss)	(14,496)	655,775
	44,225,693	44,010,177
Less: 504,854 and 363,564 common shares, respectively, held in treasury, at cost .	1,202,770	381,937
Total shareholders' equity	43,022,923	43,628,240
	$85,049,700	$87,622,988

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See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31,1999

Cash flows from operating activities:	
Net income	$ 1,729,160
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,955,979
Equity in (income) loss of unconsolidated affiliate	2,181
Losses on sale of property and equipment . . .	22,299
Deferred taxes	234,461
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable .	(2,254,436)
(Increase) in inventories	(516,097)
(Increase) decrease in other assets	(1,682,801)
Increase (decrease) in accounts payable . .	1,186,263
Increase (decrease) in accrued expenses . .	130,183
Increase (decrease) in customer advances .	653,658
Increase (decrease) in other liabilities .	(25,661)
Net cash provided by operating activities	3,435,189
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,894,165)
Proceeds from sales of property and equipment. . . .	120,815
Dividend from unconsolidated affiliate	14,476
Acquisition of subsidiary companies, net of cash acquired	(37,895)
Net cash (used) by investing activities .	(3,796,769)
Cash flows from financing activities:	
Proceeds from short-term borrowings	4,644,595
Repayments of short-term borrowings	--
Proceeds from borrowings used to acquire subsidiaries	--
Proceeds from long-term debt	1,014,186
Repayments of long-term debt	(4,354,037)
Proceeds from exercise of stock options	83,540
Purchase of treasury shares	(820,833)
Payment of dividends	(934,303)
Net cash provided (used) by financing activities	(366,852)
Effect of exchange rate changes on cash	(299,844)
(Decrease) in cash and cash equivalents	(1,028,276)
Cash and cash equivalents beginning of year.	2,784,284
Cash and cash equivalents end of year.	$ 1,756,008
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See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1998

Cash flows from operating activities:	
Net income	$ 3,609,522
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,809,245
Equity in (income) loss of unconsolidated affiliate	(2,924)
Losses on sale of property and equipment	999
Deferred taxes	(2,013,714)

Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable .	2,036,197
(Increase) in inventories	(609,863)
(Increase) decrease in other assets	47,134
Increase (decrease) in accounts payable . .	280,579
Increase (decrease) in accrued expenses . .	(2,513,121)
Increase (decrease) in customer advances .	(1,108,010)
Increase (decrease) in other liabilities .	115,049
Net cash provided by operating activities	3,651,093
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,554,540)
Proceeds from sales of property and equipment. . . .	18,837
Dividend from unconsolidated affiliate	--
Acquisition of subsidiary companies, net of cash acquired	(2,776,230)
Net cash (used) by investing activities .	(6,311,933)
Cash flows from financing activities:	
Proceeds from short-term borrowings	4,095,199
Repayments of short-term borrowings	--
Proceeds from borrowings used to acquire subsidiaries	2,542,373
Proceeds from long-term debt	--
Repayments of long-term debt	(3,483,296)
Proceeds from exercise of stock options	10,196
Purchase of treasury shares	--
Payment of dividends	(941,954)
Net cash provided (used) by financing activities	2,222,518
Effect of exchange rate changes on cash	187,703
(Decrease) in cash and cash equivalents	(250,619)
Cash and cash equivalents beginning of year.	3,034,903
Cash and cash equivalents end of year.	$ 2,784,284
	===========

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31,1997

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

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 1999, 1998 and 1997

	Common Stock		Additional
	Number of Shares	Amount	Paid-In Capital
Balance, January 1, 1997	5,553,639	$5,553,639	$11,660,792
Net income			
Translation (loss)			
Exercise of 35,685 stock options	35,685	35,685	132,086
Cash dividends paid ($.178 per share)			
Comprehensive income			
Balance, December 31, 1997	5,589,324	5,589,324	11,792,878
Net income			
Translation gain			
Exercise of 2,200 stock options	2,200	2,200	8,505
Issuance of 23,557 shares for acquisition	23,557	23,557	140,115
Cash dividends paid ($.18 per share)			
Comprehensive income			
Balance, December 31, 1998	5,615,081	5,615,081	11,941,498
Net income			
Translation (loss)			
Exercise of 19,887 stock options	19,887	19,887	71,043
Purchase of 141,290 treasury shares			
Cash dividends paid ($.18 per share)			
Comprehensive income			

Balance, December 31, 1999	5,634,968	$5,634,968	$12,012,541
	==========	==========	===========

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 1999, 1998 and 1997

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income
Balance, January 1, 1997	$19,672,730	$1,136,252	
Net income	4,387,209		$ 4,387,209
Translation (loss)		(867,259)	(867,259)
Exercise of 35,685 stock options			
Cash dividends paid ($.178 per share)	(929,684)		
Comprehensive income			$ 3,519,950
			===========
Balance, December 31, 1997	23,130,255	268,993	
Net income	3,609,522		$ 3,609,522
Translation gain		386,782	386,782
Exercise of 2,200 stock options			
Issuance of 23,557 shares for acquisition			
Cash dividends paid ($.18 per share)	(941,954)		
Comprehensive income			$ 3,996,304
			===========
Balance, December 31, 1998	25,797,823	655,775	
Net income	1,729,160		$ 1,729,160
Translation (loss)		(670,271)	(670,271)
Exercise of 19,887 stock options			
Purchase of 141,290 treasury shares			
Cash dividends paid ($.18 per share)	(934,303)		
Comprehensive income			$ 1,058,889
			===========
Balance, December 31, 1999	$26,592,680	$ (14,496)	
	==========	==========	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Years ended December 31, 1999, 1998 and 1997

	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 1997	$ (381,937)	$37,641,476
Net income		4,387,209
Translation (loss)		(867,259)
Exercise of 35,685 stock options		167,771
Cash dividends paid ($.178 per share)		(929,684)
Comprehensive income		

Balance, December 31, 1997	(381,937)	40,399,513
Net income		3,609,522
Translation gain		386,782
Exercise of 2,200 stock options		10,705
Issuance of 23,557 shares for acquisition		163,672
Cash dividends paid ($.18 per share)		(941,954)
Comprehensive income		
Balance, December 31, 1998	(381,937)	43,628,240
Net income		1,729,160
Translation (loss)		(670,271)
Exercise of 19,887 stock options		90,930
Purchase of 141,290 treasury shares	(820,833)	(820,833)
Cash dividends paid ($.18 per share)		(934,303)
Comprehensive income		
Balance, December 31, 1999	$(1,202,770)	$43,022,923
	===========	===========

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

Patents and other intangible assets are valued at the lower of amortized cost or fair market value and are amortized on a straight-line basis over the expected periods to be benefited, which currently is 5 to 20 years. Costs related to start-up activities and organization costs are expensed as incurred.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

RESEARCH AND DEVELOPMENT COSTS - Research and development costs, including supporting services, amounted to $1,260,000 in 1999, $1,606,000 in 1998 and $1,527,000 in 1997. Such costs are charged to expense when incurred.

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

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 generally accepted accounting principles. Actual results could differ from those estimates.

COMPREHENSIVE INCOME - Comprehensive income consists of net income and foreign currency translation adjustments and is presented in the Consolidated Statement of Shareholders' Equity.

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.

2. ACQUISITIONS

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

On May 27, 1998, a subsidiary of the Company acquired the stock of IMB Electronic Products, Inc., (IMB) a manufacturer of film capacitors, which are energy storage devices used primarily to resist changes in voltage. The purchase price of $1.3 million was funded through the domestic line of credit. The acquisition was accounted for as a purchase and the excess of the fair value of the assets (goodwill) is being

amortized on a straight line basis over 20 years.

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

The following table presents the unaudited proforma results of operations as if the acquisition of CFR, IMB and RTIT had occurred at the beginning of 1998 presented after giving effect to certain adjustments, including amortization of goodwill, increased interest expense on acquisition debt and related income tax effects. These proforma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made as of those dates or results which may occur in the future.

	Year Ended December 31 1998
Net sales	$103,636,000
Net income	$ 3,872,000
Earnings per share:	
Basic	$.74
Diluted	$.73

2. ACQUISITIONS - (Continued)

On January 12, 2000, the Company acquired the stock of Ermat SA, 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 total purchase price was funded by additional bank borrowings. This borrowing carries interest at a variable rate which is 4.82% from January to April of 2000. The acquisition was accounted for as a purchase and the excess of the fair value of the assets (goodwill) will be amortized on a straight line basis over 20 years.

3. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

	Years ended December 31		
	1999	1998	1997
Interest received	$ 77,732	$ 156,968	$ 218,061
Interest paid	$ 975,572	$1,078,324	$ 913,312
Income taxes paid	$1,235,279	$2,011,520	$2,311,305

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

4. BUSINESS SEGMENT INFORMATION

During 1998, the Company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information". The Company has three operating segments. The Company is engaged in providing engineered heat

technology equipment and services to industries throughout the world, the manufacture of precision miniature medical and electronic products and the manufacture of spare tire holders and lifts for U.S. manufacturers of original equipment for light trucks and vans. The results of operations and assets of these segments for the years ended December 31, 1999, 1998 and 1997 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 for further information. Interest expense has been allocated to the segments based on the specific loan balance outstanding during the year. The corporate component of operating income represents corporate selling, general and administrative expenses.

For the year ended December 31, 1999	Segments	
	Heat Technology	Tire Holders Lifts and Related Products
Sales, net	$ 48,933,698	$ 18,527,089
Operating costs and expenses	48,413,387	16,405,974
General corporate expenses, net	--	--
Operating income	520,311	2,121,115
Interest expense	643,008	--
Interest (income)	(44,336)	--
Losses of affiliate	2,181	--
Other (income) expense, net	296,340	(1,575)
Income (loss) before income taxes (benefits)	(376,882)	2,122,690
Income taxes (benefits)	(41,508)	774,212
Income taxes (benefits) general corporate expenses, net	--	--
Net income (loss)	$ (335,374)	$ 1,348,478
Depreciation and amortization	$ 708,731	$ 210,848
Property, plant and equipment additions	$ 820,601	$ 147,614
Total assets	$ 41,684,756	$ 6,291,998

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1999	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales, net	$ 35,292,272	$102,753,059
Operating costs and expenses	32,900,251	97,719,612
General corporate expenses, net	--	956,459
Operating income	2,392,021	4,076,988

Interest expense	419,813	1,062,821
Interest (income)	(33,563)	(77,899)
Losses of affiliate	--	2,181
Other (income) expense, net	102,885	397,650
Income (loss) before income taxes (benefits)	1,902,886	2,692,235
Income taxes (benefits)	612,955	1,345,659
Income taxes (benefits) general corporate expenses, net	--	(382,584)
Net income (loss)	$ 1,289,931	$ 1,729,160
Depreciation and amortization	$ 3,036,400	$ 3,955,979
Property, plant and equipment additions	$ 2,925,950	$ 3,894,165
Total assets	$ 37,072,946	$ 85,049,700

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1998

	Segments	
	Heat Technology	Tire Holders, Lifts and Related Products
Sales, net	$46,404,713	$16,155,730
Operating costs and expenses	45,001,082	14,782,644
General corporate expenses, net	--	--
Operating income	1,403,631	1,373,086
Interest expense	628,362	313
Interest (income)	(122,948)	--
(Earnings) of affiliate	(2,924)	--
Other (income) expense, net	(69,325)	(27,409)
Income before income taxes (benefits)	970,466	1,400,182
Income taxes (benefits)	(816,400)	523,799
Income taxes (benefits) general corporate expenses, net	--	--
Net income	$ 1,786,866	$ 876,383
Depreciation and amortization	$ 636,323	$ 221,320
Property, plant and equipment additions	$ 298,274	$ 157,928
Total assets	$43,949,158	$ 6,481,758

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED

December 31, 1998	Segments Precision Miniature Medical and Electronic Products	Total
Sales, net	$36,994,111	$99,554,554
Operating costs and expenses	33,858,895	93,642,621
General corporate expenses, net	--	1,053,536
Operating income	3,135,216	4,858,397
Interest expense	510,599	1,139,274
Interest (income)	(22,099)	(145,047)
(Earnings) of affiliate	--	(2,924)
Other (income) expense, net	13,981	(82,753)
Income before income taxes (benefits)	2,632,735	3,949,847
Income taxes (benefits)	1,054,340	761,739
Income taxes (benefits) general corporate expenses, net	--	(421,414)
Net income	$ 1,578,395	$ 3,609,522
Depreciation and amortization	$ 2,951,602	$ 3,809,245
Property, plant and equipment additions	$ 3,098,338	$ 3,554,540
Total assets	$37,192,072	$87,622,988

4. BUSINESS SEGMENT INFORMATION (CONTINUED)
FOR THE YEAR ENDED

December 31, 1997	Segments	
	Heat Technology	Tire Holders, Lifts and Related Products
Sales, net	$62,971,797	$14,938,301
Operating costs and expenses	59,255,515	14,114,362
General corporate expenses, net	--	--
Operating income	3,716,282	823,939
Interest expense	396,578	1,174
Interest (income)	(236,353)	--
Losses of affiliate	4,715	--
Other (income) expense, net	113,357	(35,500)
Income before income taxes (benefits)	3,437,985	858,265
Income taxes	962,417	318,601
Income taxes (benefits) general corporate expenses, net	--	--

Net income	$ 2,475,568	$ 539,664
Depreciation and amortization	$ 511,014	$ 241,708
Property, plant and equipment additions	$ 370,235	$ 342,649
Total assets	$42,487,156	$ 5,922,281

4. BUSINESS SEGMENT INFORMATION (CONTINUED)

FOR THE YEAR ENDED December 31, 1997	Segments	
	Precision Miniature Medical and Electronic Products	Total
Sales, net	$33,254,465	$111,164,563
Operating costs and expenses	29,407,506	102,777,383
General corporate expenses, net	--	1,215,698
Operating income	3,846,959	7,171,482
Interest expense	641,772	1,039,524
Interest (income)	(1,239)	(237,592)
Losses of affiliate	--	4,715
Other (income) expense, net	(74,187)	3,670
Income before income taxes (benefits)	3,280,613	6,361,165
Income taxes	1,179,217	2,460,235
Income taxes (benefits) general corporate expenses, net	--	(486,279)
Net income	$ 2,101,396	$ 4,387,209
Depreciation and amortization	$ 2,715,776	$ 3,468,498
Property, plant and equipment additions	$ 2,949,899	$ 3,662,783
Total assets	$33,385,627	$ 81,795,064

4. BUSINESS SEGMENT INFORMATION - (Continued)

The geographical distribution of identifiable assets and net sales to geographical areas for the years ended December 31, 1999, 1998, and 1997 are set forth below:

Identifiable Assets

	1999	1998	1997
United States	$ 54,083,677	$58,806,813	$58,660,565
France	30,588,181	31,066,873	25,311,908
Other	5,880,803	2,815,754	3,432,986

Eliminations	(5,502,961)	(5,066,452)	(5,610,395)
Consolidated	$ 85,049,700	$87,622,988	$81,795,064

Net Sales to Geographical Areas

United States	$ 47,338,457	$46,037,182	$ 55,833,866
Austria	184,303	1,336,418	21,033,610
France	9,830,126	9,911,425	571,618
Germany	14,787,167	8,660,921	2,132,966
All other countries	30,613,006	33,608,608	31,592,503
Consolidated	$102,753,059	$99,554,554	$111,164,563

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

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

Consolidated net sales in 1999 include approximately $11,211,000 or 10.9% from a contract with one customer executed by the Company's heat technology group. Approximately $22,412,000 of consolidated net sales were attributable to customers in the steel industry.

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

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

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1999 and 1998. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash, including cash equivalents . . .	$ 1,756,008	$ 1,756,008	$ 2,784,284	$ 2,784,284
Accounts and notes receivables . .	28,795,466	28,795,466	30,494,933	30,494,933
Financial liabilities				
Notes payable . .	9,417,666	9,417,666	4,701,279	4,701,279
Trade accounts payables. . . .	13,191,213	13,191,213	15,410,642	15,410,642
Customer advance payments on contracts . . .	1,221,946	1,221,946	697,270	697,270
Other accrued liabilities . .	6,247,938	6,247,938	6,512,016	6,512,016

Long-term debt. . . .	5,654,132	5,612,851	9,443,961	9,184,268

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

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

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

5. FAIR VALUE OF FINANCIAL INSTRUMENTS - (CONTINUED)

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

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

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

6. INVENTORIES

Inventories consist of the following:

December 31	Raw materials	Work-in-process	Finished products and components	Total
1999				
Domestic	$2,516,829	$2,501,805	$3,904,974	$ 8,923,608
Foreign	341,367	3,018,902	485,741	3,846,010
Total	$2,858,196	$5,520,707	$4,390,715	$12,769,618
	==========	==========	==========	===========
1998				
Domestic	$3,226,583	$2,514,280	$4,657,729	$10,398,592
Foreign	192,308	1,772,286	265,437	2,230,031
Total	$3,418,891	$4,286,566	$4,923,166	$12,628,623
	==========	==========	==========	===========

7. LONG-TERM CONTRACTS AND RECEIVABLES

Accounts and notes receivable at December 31, 1999 and 1998 include the following elements from long-term contracts:

	1999	1998
Amounts billed	$ 5,093,792	$ 8,443,357
Retainage, due upon completion	788,155	398,664
Unbilled receivables	6,043,273	3,897,965
Total	$11,925,220	$12,739,986
	===========	===========

The balances billed but not paid by customers, pursuant to retainage provisions included in long-term contracts, will be due upon completion of the contracts and acceptance by the customer. The retainage balances

at December 31, 1999 are anticipated to be collected in 2000.

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, 1999 will be billed in 2000.

Inventories include no costs relating to long-term sales contracts in 1999, however, $203,132 was included at December 31, 1998.

At December 31, 1999 and 1998, the Company had $1,947,307 and $1,793,489, respectively, of trade accounts receivable due from major U.S. automotive manufacturers. At December 31, 1999 and 1998, the Company had $3,577,992 and $4,218,009, respectively, of trade accounts receivable due from hearing aid manufacturers. The Company also had $9,006,413 and $11,886,926 at December 31, 1999 and 1998, respectively, in currently billed and unbilled receivables from long-term contracts for customers in the steel industry in North America and Europe.

8. NOTES PAYABLE AND LONG-TERM DEBT

NOTES PAYABLE

Notes payable at December 31, 1999 and 1998 are summarized below:

	1999	1998
Notes payable:		
Short term borrowings, European banks	$5,424,666	$2,609,725
Short term borrowings, domestic banks	3,993,000	2,091,554
Total notes payable	$9,417,666	$4,701,279
	==========	==========

Consolidated European subsidiaries have working capital credit arrangements with European banks aggregating $17,878,000. Of this amount, $6,484,000 may be used to borrow funds for working capital or guarantee customer advance payments on contracts. The remaining $11,394,000 may be used only for guaranteeing customer advance payments, of which $6,716,000 was utilized at December 31, 1999 at interest rates ranging from .6% to .75%. At December 31, 1999 the Company's European subsidiaries had borrowings of $5,424,666, which bear interest at annual rates ranging from 4.98% to 8.5%. These credit arrangements have no expiration dates and are guaranteed by the Company.

The maximum amounts of short-term borrowings and bank guarantees at any month end were $12,141,000 in 1999, $7,447,000 in 1998 and $15,002,000 in 1997. The average short-term borrowings and bank guarantees outstanding during 1999, 1998 and 1997 amounted to $7,281,000, $4,865,000 and $8,498,000, respectively. The average short-term interest rates in 1999, 1998 and 1997 for outstanding borrowings were 5.5%, 6% and 9%, respectively.

The Company and its domestic subsidiaries entered into revolving credit loan facilities under which borrowings or letters of credit aggregating $4,000,000 could be outstanding at any one time. At December 31, 1999, the borrowings on $1,100,000 bear a 60 day London Interbank Offered Rate (LIBOR) plus 1.25% variable rate. At December 31, 1999, the rate was 7.45%. Borrowings under the facility, excluding the $1,100,000 portion, bear interest at a rate of 1.25% above LIBOR (7.0725% at December 31, 1999) and a commitment fee of 1/4% per annum is payable on the unborrowed portion of the line. The credit facility expires in January, 2001.

The maximum amounts of short term borrowings at any month end 1999 were $3,993,000. The average short term borrowings outstanding during 1999 were $3,278,000. The average short term interest rate in 1999 was 6.5%.

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

LONG-TERM DEBT

Long-term debt at December 31, 1999 and 1998 is summarized below:

	1999	1998
Long-term debt:		
Term loans, domestic banks	$ 1,943,600	$ 4,520,024
Term loans, European banks	2,817,114	3,926,376
Mortgage notes	862,500	906,584
Other borrowings	30,918	90,977
	5,654,132	9,443,961
Less: current maturities	1,958,951	3,178,241
	$ 3,695,181	$ 6,265,720

The terms of the domestic loan agreement require monthly principal payments of approximately $196,000 through March, 2000 when the principal payments are reduced to $58,000 for the remaining term of the loan through February, 2002. Additional payments of principal are required depending upon the annual earnings of the Company's domestic operations and as a result of this requirement, the Company had an additional principal payment of approximately $226,000 in 1999. At December 31, 1999, the borrowings under the credit agreement bore interest, payable monthly, at an interest rate ranging from of 6-3/4% to a rate of 1.5% above LIBOR (7.9625% at December 31, 1999). The credit agreement is subject to a prepayment penalty of 3%, to the extent the loan is paid off with additional borrowings.

The domestic loan and the revolving credit loan facilities 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, and shareholders' equity, along with the maintenance of certain financial ratios. The Company and its domestic subsidiaries are required to maintain consolidated tangible capital funds of approximately $24.8 million through December 31, 1999 consisting of shareholders' equity, plus subordinated debt, less intangible assets, increased annually after December 31, 1999 by 60% of net income and contributions to capital. At December 31, 1999, the Company exceeded the amount required to satisfy this covenant in the loan agreement by $1.8 million.

The Company's French subsidiary, Selas S.A., financed its premises outside of Paris with bank borrowings maturing August 31, 2006 with required quarterly installments of principal of $46,192 (FF 300,000). The loan carries interest payable quarterly at the Paris Interbank Offered Rate (PIBOR) plus .7% (4.04% at December 31, 1999). The loan balances as of December 31, 1999 and 1998 were $1,200,998 (FF 7,800,000) and $1,607,143 (FF 9,000,000), respectively. This loan can be prepaid, subject to a premium of 3% of the amount prepaid. The debt is secured by the land and building of Selas S.A.

The Company assumed a mortgage at the date of acquisition of RTI. This borrowing was repaid on July 1, 1999 with additional borrowings of $900,000 payable monthly at $7,500 per month and carries a variable interest rate of LIBOR plus 1.25%. At December 31, 1999 the principal balance was $862,500 and the interest rate was 7.7212%.

In February, 1998 the Company's French subsidiary utilized the proceeds of a loan to purchase the assets of CFR. See note 2 regarding the acquisition. Under the terms of the loan agreement, principal amounts are repayable over the next four years on a quarterly basis of $115,481 (FF 750,000). The loan carries interest at a fixed rate of 5.65%. The loan balance at December 31, 1999 was $1,501,247 (FF 9,750,000).

The aggregate maturities of long-term debt for the five years ending December 31, 2004 and thereafter are as follows:

Years ending December 31	Aggregate Maturity
2000	$ 1,958,951
2001	1,471,297
2002	856,768
2003	393,659
2004	278,179
2005 and thereafter	695,278
	$ 5,654,132

9. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap agreements are used to reduce the potential impact of increases in interest rates on floating-rate long-term debt. At December 31, 1999, the Company's French subsidiary was a party to one interest rate swap agreement. The interest rate swap agreement is with major European financial institutions having a total notional amount of $1.5 million at December 31, 1999. The notional amount will decrease consistent with the terms of the related long-term debt agreement. The swap agreement requires fixed interest payments based on an effective rate of 8.55% for the remaining term through May, 2006. The subsidiary continually monitors its position and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties. Additional interest incurred during 1999, 1998 and 1997 in connection with the swap agreement amounted to $69,293, $81,512 and $95,584, respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS - (Continued)

The fair value of the interest rate swap agreement was $1.4 million at December 31, 1999. The fair value of this financial instrument (used for hedging purposes) represents the aggregate replacement cost based on financial institution quotes. The Company is exposed to market risks from changes in interest rates and fluctuations in foreign exchange rates.

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities at December 31, 1999 and 1998 are as follows:

	1999	1998
Salaries, wages and commissions . . .	$ 2,025,608	$ 2,652,296
Taxes, including payroll withholdings and VAT, excluding income taxes . .	1,722,761	1,696,040
Accrued pension costs	829,238	611,794
Accrued professional fees	436,015	748,464
Accrued insurance	324,943	306,585
Other	909,373	496,837
	$ 6,247,938	$ 6,512,016

11. DOMESTIC AND FOREIGN INCOME TAXES

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

	Years ended December 31		
	1999	1998	1997
Current			
Federal	$ 501,519	$ 1,296,209	$ 2,222,160
State	7,194	246,035	197,799
Foreign	219,901	811,795	237,612
	728,614	2,354,039	2,657,571
Deferred			
Federal	496,490	(476,590)	(543,436)

State	125,358	(220,237)	(130,176)
Foreign	(387,387)	(1,316,887)	(10,003)
	234,461	(2,013,714)	(683,615)
Income taxes	$ 963,075	$ 340,325	$ 1,973,956
	===========	===========	===========

Income (loss) before income taxes is as follows:

Foreign	$ (194,731)	$ (758,980)	$ 938,388
Domestic	2,886,966	4,708,827	5,422,777
	$ 2,692,235	$ 3,949,847	$ 6,361,165
	===========	===========	===========

11. DOMESTIC AND FOREIGN INCOME TAXES - (Continued)
The following is a reconciliation of the statutory federal income tax rate to the effective tax rate based on income (loss):

	Years ended December 31		
	1999	1998	1997
Tax provision at statutory rate	34.0%	34.0%	34.0%
Net foreign operating loss carryforwards	2.6	(1.3)	(1.5)
Effect of foreign tax rates .	(6.4)	(5.0)	--
Change in domestic valuation allowance	--	(19.2)	--
Goodwill amortization	5.2	3.2	1.8
State taxes net of federal benefit	3.2	0.4	0.7
Tax benefits related to export sales	(5.0)	(3.6)	(3.2)
Other	2.2	0.1	(0.8)
Domestic and foreign income tax rate	35.8%	8.6%	31.0%
	======	====	====

The significant components of deferred income taxes (benefits) for the years
ended December 31, 1999, 1998 and 1997 are as follows:

	Years ended December 31		
	1999	1998	1997
Deferred income tax (benefit)	$ 610,893	$(1,894,475)	$(38,853)
(Decrease) in beginning-of-the-year balance of the valuation allowance for deferred tax assets	(155,255)	(76,664)	(618,613)
Currency translation adjustment	(221,177)	(42,575)	(26,149)
	$ 234,461	$(2,013,714)	$(683,615)
	===========	===========	=========

11. DOMESTIC AND FOREIGN INCOME TAXES - (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1999 and 1998 are presented below:

	1999	1998
Deferred tax assets:		
Postretirement benefit obligations	$1,339,778	$1,353,770

Net operating loss carryforwards	2,648,520	2,613,379
State income taxes	353,014	432,762
Guarantee obligations and estimated future costs of service accruals	504,872	749,147
Employee pension plan obligations	325,337	208,011
Compensated absences, principally due to accrual for financial reporting purposes	270,787	285,780
Other	527,022	1,021,777
Total gross deferred tax assets	5,969,330	6,664,626
Less: valuation allowance	1,464,907	1,620,162
Net deferred tax assets	4,504,423	5,044,464
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation and capitalized interest	1,338,333	1,389,500
Other	175,604	208,838
Total gross deferred tax liabilities	1,513,937	1,598,338
Net deferred tax assets	$2,990,486	$3,446,126

Domestic and foreign deferred taxes are comprised as follows:

December 31, 1999	Federal	State	Foreign	Total
Current deferred asset (liability)	$ 983,825	$ (8,535)	$1,452,953	$2,428,243
Non-current deferred asset	117,641	283,343	161,259	562,243
Net deferred tax asset	$1,101,466	$ 274,808	$1,614,212	$2,990,486

December 31, 1998	Federal	State	Foreign	Total
Current deferred asset	$1,573,791	$ 78,192	$1,230,978	$2,882,961
Non-current deferred asset	66,841	279,298	217,026	563,165
Net deferred tax asset	$1,640,632	$ 357,490	$1,448,004	$3,446,126

At December 31, 1999, the Company had $557,046 of income tax receivable included in accounts and notes receivable.

The valuation allowance for deferred tax assets as of January 1, 1999 was $1,620,162. The net change in the total valuation allowance for the year ended December 31, 1999 was a decrease of $155,255. The remaining valuation allowance of $1,464,907 is maintained against deferred tax assets which the Company has determined are not more than likely to be realized. Subsequently recognized tax benefits, if any, relating to the valuation allowance for deferred tax assets will be reported in the consolidated statement of operations.

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, 1999.

At December 31, 1999 the Company has net operating loss carryforwards for foreign income tax purposes of $7,432,849 of which $301,116 expire in 2001, $430,813 expire in 2002, $2,208,227 expire in 2003, $1,159,359 expire in 2004 and $3,333,333 have no expiration date and are available to offset future foreign taxable income.

No provision has been made for United States income tax which may be payable on undistributed income of the Company's foreign subsidiaries since it is the Company's intention to reinvest the unremitted earnings. Furthermore, based on current federal income tax laws, the federal income tax on future dividends will be offset by foreign tax credits in certain instances. At December 31, 1999 the Company has not recognized a deferred tax liability of approximately $1,935,000 on undistributed retained earnings of such subsidiaries of $5,692,000.

12. EMPLOYEE BENEFIT PLANS

The Company has two defined benefit pension plans. One covers salaried employees and the other plan covers union employees. The following table sets forth the plans' funded status and amounts recognized in the Company's statements of financial position at December 31, 1999 and 1998:

	December 31	
	1999	1998
Change in Projected Benefit Obligation		
Projected benefit obligation at January 1	$ 5,298,307	$ 4,854,807
Service cost (excluding administrative expenses)	205,780	190,634
Interest cost	330,527	327,160
Actuarial (gain)/loss	(492,895)	246,923
Benefits paid	(345,691)	(321,217)
Projected benefit obligation at December 31	4,996,028	5,298,307
Change in Fair Value of Plan Assets		
Fair value of plan assets at January 1	4,864,437	4,125,563
Actual return on plan assets	917,772	804,213
Employer contribution	40,000	289,627
Expenses	(25,942)	(33,749)
Benefits paid	(345,692)	(321,217)
Fair value of plan assets at December 31	5,450,575	4,864,437
Funded status	454,547	(433,870)
Unrecognized net actuarial (gain)/loss	(1,344,839)	(304,525)
Unrecognized net obligation	55,124	110,245
Unrecognized prior service cost	5,930	16,356
(Accrued) pension cost at December 31	$ (829,238)	$ (611,794)

12. EMPLOYEE BENEFIT PLANS- (Continued)

Net periodic pension cost for these plans for the years 1999, 1998 and 1997 included the following components:

	Years ended December 31		
	1999	1998	1997
Service cost - benefits earned during the period	$ 240,928	$ 220,141	$ 182,973
Interest cost on projected benefit obligation	330,527	327,160	319,109
Expected return on assets	(376,931)	(323,648)	(285,980)
Amortization of net obligation	55,121	55,121	55,121
Amortization of prior service cost	10,427	10,427	10,427
Recognized net actuarial (gain)	(2,628)	--	--
Net periodic pension cost	$ 257,444	$ 289,201	$ 281,650

The discount rate used to determine the projected benefit obligation for both the salaried and union plans was 7.25% for 1999, 6.5% for 1998 and 7% for 1997.

The projected benefit obligation was determined by using an assumed rate of increase in compensation levels of 5% for 1999, 1998 and 1997 for the salaried plan. The expected long-term rate of return on assets for both plans was 8%.

The Company's French subsidiaries, Selas S.A. and CFR, are obligated to contribute to an employee profit sharing plan under which annual contributions are determined on the basis of a prescribed formula using capitalization, salaries and certain revenues. Amounts are paid into a bank trust fund the year following the contribution calculation. Profit sharing expense for 1999 was $110,337. No contribution was recognized in 1998 or 1997.

The Company has defined contribution plans for most of its domestic employees not covered by collective bargaining agreements. Under these plans, eligible employees may contribute amounts through payroll deductions supplemented by employer contributions for investment in various investments specified in the plans. The Company contribution to these plans for 1999, 1998 and 1997 was $383,015, $377,447 and $362,292, 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. 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, 1999 and 1998 for postretirement medical benefits:

Accumulated postretirement medical benefit obligation:

Change in Projected Benefit Obligation	December 31 1999	1998
Projected benefit obligation at January 1	$ 2,867,101	$ 2,801,051
Service cost (excluding administrative expenses)	34,920	30,611
Interest cost	170,180	187,324
Plan amendment	(1,135,426)	--
Actuarial (gain)/loss	(228,820)	71,387
Benefits paid	(231,454)	(223,272)
Projected benefit obligation at December 31	1,476,501	2,867,101
Change in Fair Value of Plan Assets		
Employer contribution	231,454	223,272
Benefits paid	(231,454)	(223,272)
Fair value of plan assets at December 31	--	--
Funded status	1,476,501	2,867,101
Unrecognized net actuarial gain	615,170	403,329
Unrecognized prior service cost	1,135,426	--
Accrued postretirement benefit cost	$ 3,227,097	$ 3,270,430
	===========	===========

Accrued postretirement medical benefit costs are classified as other postretirement benefit obligations as of December 31, 1999 and 1998.

12. EMPLOYEE BENEFIT PLANS - (Continued)

Net periodic postretirement medical benefit costs for 1999, 1998 and 1997 include the following components:

	Years ended December 31 1999	1998	1997
Service cost	$ 34,920	$ 30,611	$ 27,707
Interest cost	170,180	187,324	192,610
Amortization of unrecognized gain	(16,979)	(14,970)	(18,702)
Net periodic postretirement medical benefit cost	$188,121	$202,965	$201,615
	========	========	========

For measurement purposes, a 9.5% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 1999; the rate was assumed to decrease gradually to 6% by the year 2007 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, 1999 by $2,059 and the aggregate of the service and interest cost components of net periodic postretirement medical benefit cost for the year ended December 31, 1999 by $11,560.

The weighted-average discount rate used in determining the accumulated postretirement medical benefit obligation at December 31, 1999 and 1998 was 7.25% and 6.5%, respectively.

The Company provides retirement related benefits to a former employee, and to certain foreign subsidiary employees in accordance with industry-wide collective labor agreements. The liabilities established for these benefits at December 31, 1999 and 1998 were $903,164 and $825,627, respectively, and are classified as other postretirement benefit obligations as of December 31, 1999 and 1998.

13. CURRENCY TRANSLATION ADJUSTMENTS

All assets and liabilities of foreign operations are translated into U.S.

dollars at prevailing rates of exchange in effect at the balance sheet date. Revenues and expenses are translated using average rates of exchange for the year. The functional currency of the Company's foreign operations is the currency of the country in which the entity resides; such currencies are the French franc, German mark, Italian lira, British pound, Singapore dollar, 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 (losses) included in the statements of operations for 1999, 1998 and 1997 were ($296,583), $175,609 and $13,819, respectively.

14. COMMON STOCK AND STOCK OPTIONS

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

At December 31, 1999, there were 122,800 additional shares available for grant under the 1994 plan and 55,000 additional shares available for grant under the 1998 plan. The per share weighted-average fair values of stock options granted during 1998 ranged from $3.07 to $4.25 on the date of grants using the Black Scholes option-pricing model with the following weighted-average assumptions: 1998 - expected dividend yield 1.9%; risk free interest rates ranged from 4.39% to 5.71%; expected life of 6 years and expected volatility of the stock over the life of the options which is based on the past 9 years of the stock's activity.

The Company applies APB Opinion No. 25 in accounting for its Plans, and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock options under SFAS No. 123, the Company's net income would have been reduced to the proforma amount indicated below:

	1999	1998	1997
Net income as reported	$1,729,160	$3,609,522	$4,387,209
Net income proforma	$1,510,137	$3,297,704	$4,346,245
Basic earnings per share as reported	$.33	$.69	$.84
Basic earnings per share proforma	$.29	$.63	$.83

Options of 225,000 were granted in 1998. No options were granted in 1999 and 1997. Proforma net income reflects options granted in 1998 and 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the proforma net income amounts presented above because compensation cost is reflected over the options vesting periods of 2 to 5 years and compensation cost for options granted prior to January 1, 1995 is not considered.

14. COMMON STOCK AND STOCK OPTIONS- (Continued)

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted-average Exercise Price

Outstanding at January 1, 1997	418,988	$ 6.99
Options exercised	(35,700)	4.35
Outstanding at December 31, 1997	383,288	$ 7.24
Options granted	225,000	9.61
Options exercised	(2,200)	4.63
Options forfeited	(2,200)	6.10
Outstanding at December 31, 1998	603,888	$ 8.14
Options exercised	(19,888)	4.20
Options forfeited	(13,600)	8.40
Outstanding at December 31, 1999	570,400	$ 8.27
	========	

14. COMMON STOCK AND STOCK OPTIONS- (Continued)

The following summarizes information about the Company's stock options outstanding at December 31, 1999:

Options Outstanding

Range of Exercise Prices	Number Outstanding at 12/31/99	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$5.35- 7.75	227,800	5.10	$6.35
9.06-11.42	342,600	4.54	9.79

The following summarizes information about the Company's stock options outstanding at December 31, 1999:

Options Exercisable

Number Exercisable at 12/31/99	Weighted-Average Exercise Price
185,240	$6.19
216,086	9.57

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

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

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$24,053,000	$25,391,000	$26,166,000	$27,143,000
	===========	===========	===========	===========
Gross profit	$ 4,521,000	$ 4,963,000	$ 6,001,000	$ 6,036,000
	===========	===========	==========	===========
Net income (loss) . .	$ (354,000)	$ 32,000	$ 1,142,000	$ 910,000
	===========	===========	===========	===========
Earnings (loss) per share				
Basic	($.07)	$.01	$.22	$.18

Diluted	($.07)	$.01	$.22	$.18

1998	First Quarter	Second Quarter (1)	Third Quarter	Fourth Quarter
Net sales	$21,867,000	$25,222,000	$25,203,000	$27,263,000
Gross profit	$ 5,256,000	$ 6,487,000	$ 5,783,000	$ 5,196,000
Net income	$ 559,000	$ 1,766,000	$ 918,000	$ 367,000
Earnings per share				
Basic	$.11	$.34	$.18	$.07
Diluted	$.10	$.33	$.17	$.07

(1) In the second quarter 1998, the Company reduced the valuation allowance applied against deferred tax benefits associated with domestic postretirement benefit and employee pension plan obligations by $758,000.

16. EARNINGS PER SHARE

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

	Income Numerator	1999 Shares Denominator	Per Share Amount
Basic Earnings Per Share			
Income available to common shareholders	$1,729,160	5,196,072	$0.33
Effect of Dilutive Securities			
Stock options		12,018	
Earnings contingency		--	
Diluted Earnings Per Share	$1,729,160	5,208,090	$0.33

For additional disclosures regarding the earnings contingency and stock

options, see notes 3 and 14, respectively.

16. EARNINGS PER SHARE (CONTINUED)

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

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

For additional disclosures regarding the earnings contingency and stock options, see notes 3 and 14, respectively.

16. EARNINGS PER SHARE (CONTINUED)

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

	1997		
	Income Numerator	Shares Denominator	Per Share Amount
Basic Earnings Per Share			
Income available to common shareholders	$4,387,209	5,213,124	$0.84
Effect of Dilutive Securities			
Stock options		141,063	
Earnings contingency		791	
Diluted Earnings Per Share	$4,387,209	5,354,978	$0.82

For additional disclosures regarding the earnings contingency and stock options, see notes 3 and 14, respectively.

17. CONTINGENCIES AND COMMITMENTS

The Company is a defendant along with a number of other parties in approximately 200 lawsuits as of December 31, 1999 (150 as of December 31, 1998) alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. Due to the noninformative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. The lead insurance carrier has informed the Company that the primary policy for the period July 1, 1972 - July 1, 1975 has been exhausted and that the lead carrier will no longer provide a defense under that policy. The Company has requested that the lead carrier substantiate this situation. The Company has contacted representatives of the Company's excess insurance carrier for some or all of this period. The Company does not believe that the asserted exhaustion of the primary insurance coverage for this period will have a material adverse effect on the financial condition, liquidity, or results of operations of the Company. Management is of the opinion that the number of insurance carriers involved in the defense of the suits and the significant number of policy years and policy limits to which these insurance carriers are insuring the Company make the ultimate disposition of these lawsuits not material to the Company's consolidated financial position or results of operations.

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

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

17. CONTINGENCIES AND COMMITMENTS - (Continued)

Total rent expense for 1999, 1998 and 1997 under leases pertaining primarily to engineering, manufacturing, sales and administrative facilities, with an initial term of one year or more, aggregated $1,384,000, $1,020,000 and $873,000, respectively. Remaining rentals payable under such leases are as follows: 2000 - $1,299,000; 2001 - $1,265,000; 2002 - $1,154,000; 2003 - $996,000; 2004 and thereafter - $2,228,000.

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 1999, 1998 and 1997. Annual lease commitments approximate $330,000 through December, 2000.

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, 1999 and 1998, 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, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Selas Corporation of America and subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Philadelphia, Pennsylvania
February 21, 2000

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This schedule contains summary financial information extracted from the
financial statements of Selas Coporation of America for the year
ended December 31, 1999 and is qualified in its entirety by reference to
such financial statements.
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