Interest expense was $24 6 million and $27.2 million in 1996 and 1995, respectively. The decrease of $2.6 million was due to a lower average amount of debt outstanding in 1996 as compared to 1995.

Interest and investment income was $13.0 million and $6 0 million in 1996 and 1995, respectively. The increase primarily reflects interest income on invested cash acquired in connection with the Merger, the Cigar IPO and the Flavors Disposition

Equity in earnings from continuing operations and preferred dividends of PCT represents the Company's common equity interest in the continuing operations of PCT since July 1995 and preferred dividends on the Company's investment in PCT Preferred Stock from June 1995.

Equity in discontinued operations of PCT, net of income taxes, was $15 1 million and $1.3 million in 1996 and 1995. The increase reflects the gain recorded by PCT on the sale of its aerospace business.

The Company recorded gains of $151.7 million and $127.8 million in 1996 related to the Flavors Disposition and the Cigar IPO, respectively.

The provision for income taxes as a percentage of income from continuing operations before income taxes was 30 1% and 29.6% in 1996 and 1995, respectively The increase in the effective rate is due to an increase in income subject to U.S taxation in 1996, partially offset by a tax benefit associated with the Company's operations in Puerto Rico and a permanent benefit on basis differences associated with the Flavors Disposition In addition, the 1995 tax provision also reflects a tax benefit associated with the utilization of Consolidated Cigar's net operating loss carryforwards

Year Ended December 31, 1995 Compared to the Year Ended December 31, 1994

Net sales were $261.1 million and $226 9 million in 1995 and 1994, respectively, an increase of $34 2 million or 15 1% The increase in net sales reflected a $26 7 million increase in sales of cigar products from $131 5 million in 1994 to $158.2 million in 1995 due primarily to an increase m cigar unit volume and a sales mix shift to higher priced cigars and a $7 5 million or 7.9% increase in sales of flavorings due primarily to increased U.S and foreign shipment volume

Cost of sales were $154.0 million and $136.0 million in 1995 and 1994, respectively, an increase of $18 0 million or 13.2%. The increase m cost of sales for 1995 was due primarily to the increase in sales As a percentage of sales, cost of sales decreased to 59.0% in 1995 from 59.9% in 1994, primarily due to fixed manufacturing costs spread over increased unit volume and lower materials costs.

SG&A expenses were $51.4 million and $37 9 million in 1995 and 1994, respectively, an increase of $13.5 million or 35 6% As a percentage of net sales, SG&A expenses increased to 19 7% in 1995 from 16.7% in 1994 The mcrease primarily reflects compensation, public company and other incremental expenses incurred by the Company since the Merger and increased marketing and selling expenses of the Company's operating businesses A significant portion of these marketing and selling expenses varies with sales volume The Company expects marketing and selling expenses of the Company's operating business to continue to increase if net sales continue to increase, and expects to continue to mcur compensation costs in future periods.

Interest expense was $27 2 million and $27.5 million in 1995 and 1994, respectively The decrease of $0 3 million was due to a lower amount of debt outstanding in 1995, partially offset by interest accretion