November 25, 1996, Mafco and Power Control Technologies, Inc., a Delaware corporation ("PCT"), consummated the transactions contemplated by a Stock and VSR Purchase Agreement (the "Purchase Agreement"), dated as of October 23, 1996, by and among Mafco, PCT and PCT International Holdings Inc., ("Purchaser") a Delaware corporation and wholly owned subsidiary of PCT. Pursuant to the Purchase Agreement, Purchaser acquired from Mafco, all the issued and outstanding shares (the "Shares") of capital stock of Flavors Holdings Inc., a Delaware corporation and wholly owned subsidiary of Mafco ("Flavors"), and 23,156,502 Value Support Rights (each a "VSR").

In consideration for the Shares and VSRs, Purchaser paid Mafco cash in the amount of $180. In addition, Purchaser will pay Mafco deferred cash payments of $3.7 on June 30, 1997 and $3.5 on December 31, 1997.

Mafco owns approximately 29% of the outstanding shares of PCT common stock.

Immediately following the acquisition of Flavors, Purchaser contributed all outstanding shares of common stock of Pneumo Abex Corporation, a Delaware corporation ("Pneumo Abex" or the "Company"), to Flavors and Flavors contributed such shares to Mafco Worldwide, which resulted in Pneumo Abex becoming a wholly owned subsidiary of Mafco Worldwide. On November 25, 1996, Mafco Worldwide merged with and into Pneumo Abex (the "Merger") with Pneumo Abex being the surviving corporation, the directors of Mafco Worldwide becoming the directors of Pneumo Abex and Pneumo Abex becoming a wholly owned subsidiary of Flavors. Since Mafco Worldwide and Pneumo Abex were under common control at the time of the Merger, the Merger has been accounted for in a manner similar to a pooling-of-interests from November 25, 1996 with Mafco Worldwide as the predecessor company. In addition, Purchaser's basis of accounting is not reflected in these financial statements due to the Company's public debt.

Pneumo Abex was incorporated in Delaware on June 30, 1986, and is an indirect wholly-owned subsidiary of PCT.

PCT has been a public company since June 15, 1995 when shares of its common stock, par value $.01 per share (the "PCT Common Stock"), were publicly distributed (the "PCT Distribution") to existing stockholders of Abex Inc., PCT's former parent ("Abex"), in connection with the Abex Merger and the related transfer (the "Transfer") to a subsidiary of Mafco of substantially all of Abex's consolidated assets and liabilities, other than those relating to Abex NWL Aerospace Division ("Aerospace"), which continued to be owned by the Company. On July 16, 1992, Abex was spun off (the "Abex Distribution") from the Henley Group Inc. ("Henley Group"). Following the Abex Distribution and prior to the PCT Distribution, Abex, through the Company, sold three of its five operating divisions and combined the two others to form Aerospace. Prior to July 16, 1992, PCT was an indirect wholly owned subsidiary of Henley Group. On April 15, 1996, the Company sold to Parker Hannifin Corporation ("Parker Hannifin") its entire Aerospace operations including substantially all of its assets (the "Aerospace Sale").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS)

The Company and its predecessors have been in the business of producing licorice extract since 1850.

The Company produces a variety of licorice products from licorice root,