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

Income from operations of discontinued aerospace business was $4 4 million in the six months ended June 30, 1996 and $8.0 million in the six months ended June 30, 1995. The 1996 period represents aerospace operations through the date of sale while the 1995 period represents aerospace operations for the full period.

The Company recorded a gain of $153.7 million related to the Aerospace Sale in the six months ended June 30, 1996 There were no income taxes provided in connection with the sale as the tax bases of the assets and liabilities sold approximated the net proceeds

Financial Condition, Liquidity and Capital Resources

The Company had cash and cash equivalents of $198.5 million at June 30, 1996.

In connection with the Aerospace Sale, on April 15, 1996, the Company terminated its existing Credit Agreement with Chemical Bank and Bank of America (the "Credit Agreement") and entered into an agreement with Chemical Bank pursuant to which certain letters of credit granted by Chemical Bank on behalf of the Company pursuant to the Credit Agreement will remain outstanding.

On February 5, 1996, the Company, through Pneumo Abex, entered into a Reimbursement Agreement with Chemical Bank and Mafco Consolidated. The Reimbursement Agreement provides for letters of credit totaling $20.8 million covering certain environmental issues not related to the Company's former Aerospace Business. In connection with the Abex Transfer, Mafco Consolidated has agreed to indemnify the Company for these contingent liabilities, which are generally paid by third party indemnitors and insurers, including the cost of the letters of credit.

At December 31, 1995, the Company had available federal net operating loss carryforwards of approximately $172.0 million.

The Company is considering alternatives for the investment of the net proceeds of the Aerospace Sale consistent with the Company's goal of enhancing shareholder value.