

POWER CONTROL TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Power Control Technologies Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for interim periods are not necessarily indicative of the results which might be expected for a full year. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1995 annual report on Form 10-K and proxy statement for the Company's 1996 Annual Meeting of Stockholders. All terms used but not defined elsewhere herein have the meanings ascribed to them in the Company's 1995 annual report on Form 10-K.

On April 15, 1996, the Company sold substantially all of its operating assets and related liabilities (see Note 4). Accordingly, the consolidated financial statements for all periods presented reflect such assets and liabilities and related results of operations as discontinued operations.

NOTE 2. INCOME (LOSS) PER COMMON SHARE

Income (loss) per common share for the three-month and six-month periods ended June 30, 1995 is based on 19.9 million and 19.8 million shares of common stock, respectively. Income (loss) per common share for the three-month and six-month periods ended June 30, 1996 is based on 20.7 million outstanding shares of common stock. In connection with the Aerospace Sale (see Note 4), all of the outstanding stock options were canceled in April 1996.

Fully diluted income per common share assumes the conversion of preferred stock into 2.5 million common shares from June 15, 1995.

NOTE 3. INCOME TAXES

At December 31, 1995 the Company had available federal net operating loss carryforwards of approximately \$172.0 million and therefore the Company has not provided for federal income taxes for the three-month and six-month periods ended June 30, 1996.

NOTE 4. SALES AND DISPOSITIONS OF ASSETS AND LIABILITIES

On April 15, 1996, the Company received the necessary approval from its stockholders and consummated the Aerospace Sale pursuant to the terms of the Master Asset Purchase Agreement for aggregate cash consideration of \$201.1 million, before estimated transaction costs of approximately \$4.2 million. The Company recorded a gain of \$153.7 million related to this sale, net of estimated transaction costs. In connection with the Aerospace Sale, Parker-Hannifin assumed the operating liabilities of the Aerospace Business, including the existing debt of the Company. For additional