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

General

As a result of the April 15, 1996 sale of the Aerospace Business to Parker-Hannifin, the Company has classified those operations as discontinued in the accompanying consolidated financial statements

Results of Operations

Three Months Ended June 30, 1996 Compared to the Three Months Ended June 30, 1995

General and administrative expenses from continuing operations were $0.3 million for the three months ended June 30, 1996, compared to $5 0 million for the three months ended June 30, 1995. The 1996 expenses primarily relate to on-going corporate costs. The 1995 expenses primarily relate to costs associated with the former Hampton, NH office of Abex before the Abex Transfer and the Merger.

Other income was $3.2 million for the three months ended June 30, 1996, compared to $3.0 million for the three months ended June 30, 1995. Other income during the 1996 period represents interest income on cash proceeds received from the Aerospace Sale and income recognized on the Company's overfunded pension plan. Other income during the 1995 period relates primarily to interest income on cash held by Abex before the Abex Transfer and Merger and income recognized on overfunded pension plans.

The Company recorded a gain of $153.7 million related to the Aerospace Sale, net of estimated transaction expenses, in the three 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

Six Months Ended June 30, 1996 Compared to the Six Months Ended June 30, 1995

General and administrative expenses from continuing operations were $0.6 million for the six months ended June 30, 1996, compared to $10.9 million for the six months ended June 30, 1995. The 1996 expenses primarily relate to on-going corporate costs The 1995 expenses primarily relate to costs associated with the former Hampton, NH office of Abex before the Abex Transfer and the Merger.

Other income was $3.8 million for the six months ended June 30, 1996, compared to $7.7 million for the six months ended June 30, 1995. Other income during the 1996 period reflects interest income on cash proceeds received from the Aerospace Sale and income recognized on the Company's overfunded pension plans. Other income during the 1995 period relates primarily to interest income on cash held by Abex before the Abex Transfer and Merger and income recognized on overfunded pension plans.