

VISKASE COMPANIES, INC.

Financial report for the fiscal quarter ended September 30, 2014

This report has been prepared in accordance with Section 5.04 of the Credit Agreement dated as of January 30, 2014 among Viskase Companies, Inc. (the "Company") and UBS AG, Stamford Branch as administrative agent and as collateral agent (the "Agent").

CONSOLIDATED FINANCIAL STATEMENTS OF VISKASE COMPANIES, INC. AND
SUBSIDIARIES

1. Financial Statements:

Report of Independent Certified Public Accountants

Consolidated Balance Sheets as of September 30, 2014 (unaudited) and
December 31, 2013

Consolidated Statements of Operations for the three months and nine months
ended September 30, 2014 and September 30, 2013 (unaudited)

Consolidated Statements of Comprehensive (Loss) for the three months and
nine months ended September 30, 2014 and September 30, 2013 (unaudited)

Consolidated Statements of Stockholders' Equity for the nine months ended
September 30, 2014 (unaudited) and the year ended December 31, 2013

Consolidated Statements of Cash Flows for the nine months ended
September 30, 2014 and September 30, 2013 (unaudited)

2. Notes to Consolidated Financial Statements (unaudited)



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
Viskase Companies, Inc.**

We have reviewed the accompanying condensed consolidated interim financial statements of Viskase Companies, Inc. (a Delaware corporation) and subsidiaries (the Company), which comprise the condensed consolidated balance sheet, and the related condensed consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, as of September 30, 2014, and for the nine- and three-month periods ended September 30, 2014 and 2013, and the related notes to the interim financial statements.

Management's responsibility

The Company's management is responsible for the preparation and fair presentation of the condensed consolidated interim financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditor's responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on condensed consolidated balance sheet as of December 31, 2013

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2013, and the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 7, 2014. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Chicago, Illinois
November 3, 2014

VISKASE COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except for Number of Shares)

	(Unaudited)	
	<u>September 30, 2014</u>	<u>December 31, 2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$36,668	\$19,079
Restricted cash	1,364	1,262
Receivables, net	65,832	67,464
Inventories	75,801	72,139
Other current assets	30,177	30,133
Deferred income taxes	8,289	8,480
Total current assets	<u>218,131</u>	<u>198,557</u>
Property, plant and equipment	279,348	272,459
Less accumulated depreciation	<u>124,657</u>	<u>113,724</u>
Property, plant and equipment, net	154,691	158,735
Deferred financing costs	2,921	4,793
Other assets, net	6,968	371
Deferred income taxes	<u>39,765</u>	<u>39,572</u>
Total Assets	<u><u>\$422,476</u></u>	<u><u>\$402,028</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$3,379	\$12,690
Short-term portion of capital lease obligations	275	329
Accounts payable	26,254	33,516
Accrued liabilities	<u>38,763</u>	<u>47,158</u>
Total current liabilities	68,671	93,693
Long-term debt, net of current maturities	270,483	216,033
Capital lease obligations, net of current portion	326	412
Accrued employee benefits	27,051	32,819
Deferred income taxes	3,766	3,960
Stockholders' equity:		
Common stock, \$0.01 par value; 36,950,771 shares issued and 36,145,501 outstanding at September 30, 2014 and 36,901,249 shares issued and 36,095,979 outstanding at December 31, 2013	370	369
Paid in capital	32,876	32,839
Retained earnings	72,475	69,145
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	<u>(53,244)</u>	<u>(46,944)</u>
Total stockholders' equity	<u>52,179</u>	<u>55,111</u>
Total Liabilities and Stockholders' Equity	<u><u>\$422,476</u></u>	<u><u>\$402,028</u></u>

See notes to consolidated financial statements.

VISKASE COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands)
(Unaudited)

	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
NET SALES	\$94,725	\$94,957	\$275,708	\$275,595
Cost of sales	<u>71,574</u>	<u>73,141</u>	<u>207,268</u>	<u>209,331</u>
GROSS MARGIN	23,151	21,816	68,440	66,264
Selling, general and administrative	11,973	12,425	34,397	35,296
Tax amnesty settlement	-	-	-	23,482
Amortization of intangibles	4	3	14	124
OPERATING INCOME (LOSS)	<u>11,174</u>	<u>9,388</u>	<u>34,029</u>	<u>7,362</u>
Interest income	4	8	13	21
Interest expense	3,073	5,759	10,910	16,636
Loss on early extinguishment of debt	-	-	15,739	-
Other expense, net	<u>1,234</u>	<u>571</u>	<u>362</u>	<u>1,138</u>
INCOME (LOSS) BEFORE INCOME TAXES	6,871	3,066	7,031	(10,391)
Income tax provision (benefit)	<u>3,077</u>	<u>(464)</u>	<u>3,702</u>	<u>(783)</u>
NET INCOME (LOSS)	<u><u>\$3,794</u></u>	<u><u>\$3,530</u></u>	<u><u>\$3,329</u></u>	<u><u>(\$9,608)</u></u>

See notes to consolidated financial statements.

VISKASE COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands)
(Unaudited)

	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Net income (loss)	<u>\$3,794</u>	<u>\$3,530</u>	<u>\$3,329</u>	<u>(\$9,608)</u>
Other comprehensive (loss) income, net of tax				
Pension liability adjustment	245	1,018	735	3,181
Foreign currency translation adjustment	<u>(6,017)</u>	<u>(264)</u>	<u>(7,035)</u>	<u>(954)</u>
Other comprehensive (loss) income, net of tax	<u>(5,772)</u>	<u>754</u>	<u>(6,300)</u>	<u>2,227</u>
Comprehensive income (loss)	<u><u>(\$1,978)</u></u>	<u><u>\$4,284</u></u>	<u><u>(\$2,971)</u></u>	<u><u>(\$7,381)</u></u>

See notes to consolidated financial statements.

VISKASE COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In Thousands)
(Unaudited)

	Common stock	Paid in capital	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total stockholders' equity (deficit)
Balance December 31, 2012	\$369	\$32,791	\$24,462	(\$298)	(\$66,264)	(\$8,940)
Net income			44,683			44,683
Foreign currency translation adjustment					(993)	(993)
Pension liability adjustment, net of tax					20,313	20,313
Stock option expense		48				48
Balance December 31, 2013	\$369	\$32,839	\$69,145	(\$298)	(\$46,944)	\$55,111
Net income			3,329			3,329
Foreign currency translation adjustment					(7,035)	(7,035)
Pension liability adjustment, net of tax					735	735
Stock option expense		45				45
Stock option exercise	1	(8)				(7)
Balance September 30, 2014	\$370	\$32,876	\$72,474	(\$298)	(\$53,244)	\$52,178

See notes to consolidated financial statements.

VISKASE COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Cash flows from operating activities:		
Net income (loss)	\$3,329	(\$9,608)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	15,161	14,502
Stock-based compensation	45	33
Amortization of intangibles	14	124
Amortization of deferred financing fees	352	753
Increase (decrease) in deferred tax	12	(8)
Loss on extinguishment of debt	15,739	23
Non-cash interest on debt	57	69
Loss on disposition of assets	12	-
Bad debt provision	340	120
Changes in operating assets and liabilities:		
Receivables	(396)	(5,725)
Inventories	(5,953)	(10,288)
Other current assets	(604)	(4,229)
Other assets	(6,598)	958
Accounts payable	(6,124)	2,991
Accrued liabilities	(7,193)	(6,920)
Other	(4,656)	(1,811)
Total adjustments	208	(9,408)
Net cash provided by (used in) operating activities	3,537	(19,016)
Cash flows from investing activities:		
Capital expenditures	(15,865)	(12,175)
Proceeds from disposition of assets	-	136
Net cash used in investing activities	(15,865)	(12,039)
Cash flows from financing activities:		
Issuance of common stock	1	-
Deferred financing costs	(3,109)	(125)
Proceeds from long-term debt	274,313	-
Proceeds from revolving loan	-	14,011
Repayment of capital lease	(247)	(362)
Repayment of revolving loan	(12,510)	-
Repayment of long term debt	(225,617)	-
Repayment of short term debt	(2,064)	-
Restricted Cash	(102)	-
Net cash provided by financing activities	30,665	13,524
Effect of currency exchange rate changes on cash	(748)	91
Net increase (decrease) in cash and equivalents	17,589	(17,440)
Cash and equivalents at beginning of period	19,079	31,112
Cash and equivalents at end of period	\$36,668	\$13,672
Supplemental cash flow information:		
Interest paid less capitalized interest	\$10,774	\$21,217
Income taxes paid	\$4,352	\$841

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policy

Nature of Operations

Viskase Companies, Inc. together with its subsidiaries (“we” or the “Company”) is a producer of non-edible cellulosic, fibrous and plastic casings used to prepare and package processed meat products, and provides value-added support services relating to these products, for some of the largest global consumer products companies. The Company operates nine manufacturing facilities, six distribution centers and three service centers in North America, Europe, South America, and Asia and, as a result, is able to sell its products in nearly one hundred countries throughout the world.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America and include the use of estimates and assumptions that affect a number of amounts included in the Company’s financial statements, including, among other things, pensions and other postretirement benefits and related disclosures, reserves for excess and obsolete inventory, allowance for doubtful accounts, and income taxes. Management bases its estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company’s results for the period in which the actual amounts become known. Historically, the aggregate differences, if any, between the Company’s estimates and actual amounts in any year have not had a significant effect on the Company’s consolidated financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash equivalents to consist of all highly liquid debt investments purchased with an initial maturity of approximately three months or less. Due to the short-term nature of these instruments, the carrying values approximate the fair market value. Cash equivalents include \$290 and \$207 of short-term investments at September 30, 2014 and December 31, 2013, respectively. Of the cash held on deposit, essentially all of the cash balance was in excess of amounts insured by the Federal Deposit Insurance Corporation or other foreign provided bank insurance. The Company performs periodic evaluations of these institutions for relative credit standing and has not experienced any losses as a result of its cash concentration. Consequently, no significant concentrations of credit risk are considered to exist.

Receivables

Trade accounts receivable are classified as current assets and are reported net of allowance for doubtful accounts and a reserve for returns. This estimated allowance is primarily based upon our evaluation of the financial condition of each customer, each customer’s ability to pay and historical write-offs.

Inventories

Inventories are valued at the lower of first-in, first-out (“FIFO”) cost or market.

Property, Plant and Equipment

The Company carries property, plant and equipment at cost less accumulated depreciation. Property and equipment additions include acquisition of property and equipment and costs incurred for computer software purchased for internal use including related external direct costs of materials and services and payroll costs for employees directly associated with the project. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Depreciation is computed on the straight-line

method using a half year convention over the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years, (iv) auto and trucks - 2 to 5 years, (v) data processing – 3 to 7 years and (vi) leasehold improvements - shorter of lease or useful life.

In the ordinary course of business, we lease certain equipment, consisting mainly of autos, and certain real property. Real property consists of manufacturing, distribution and office facilities.

Deferred Financing Costs

Deferred financing costs are amortized as expense using the effective interest rate method over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

Patents and Trademarks

Patents and trademarks are amortized on the straight-line method over an estimated average useful life of 10 years.

Long-Lived Assets

The Company continues to evaluate the recoverability of long-lived assets including property, plant and equipment and patents. Impairments are recognized when the expected undiscounted future operating cash flows derived from long-lived assets are less than their carrying value. If impairment is identified, valuation techniques deemed appropriate under the particular circumstances will be used to determine the asset's fair value. The loss will be measured based on the excess of carrying value over the determined fair value. The review for impairment is performed whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable.

Shipping and Handling

The Company periodically bills customers for shipping charges. These amounts are included in net revenue, with the associated costs included in cost of sales.

Pensions and Other Postretirement Benefits

The Company uses appropriate actuarial methods and assumptions in accounting for its defined benefit pension plans and non-pension postretirement benefits.

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits as of September 30, 2014 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company is using a long-term rate of return on U.S. plan assets of 7.75% for 2014. The Company is using a long-term rate of return on French plan assets of 3.50% for 2014. The German pension plan has no assets.
- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company is using a Mercer Bond yield curve in determining its pension

obligations. The Company is using a discount rate of 5.23% for 2014. The Company is using a weighted average discount rate of 3.32% on its non-U.S. pension plans for 2014.

Income Taxes

Deferred tax assets and liabilities are measured using enacted tax laws and tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more likely than not basis. Interest and penalties related to unrecognized tax benefits are included as a component of tax expense.

Other Comprehensive Income (Loss)

Comprehensive income (loss) includes all other non-stockholder changes in equity. Changes in other comprehensive income (loss) in 2014 and 2013 resulted from changes in foreign currency translation and minimum pension liability.

Revenue Recognition

Revenues are recognized at the time products are shipped to the customer, under F.O.B shipping point or F.O.B port terms, which is the point at which title is transferred, the customer has the assumed risk of loss, and when payment has been received or collection is reasonably assured. Revenues are net of discounts, rebates and allowances. Viskase records all labor, raw materials, in-bound freight, plant receiving and purchasing, warehousing, handling and distribution costs as a component of costs of sales.

Financial Instruments

The Company routinely enters into fixed price natural gas agreements which require us to purchase a portion of our natural gas each month at fixed prices. These fixed price agreements qualify for the "normal purchases" scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. As of September 30, 2014, future annual minimum purchases remaining under the agreement are \$3,460.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and debt. The carrying amounts of these financial assets and liabilities approximate fair value due to the short maturities of these instruments. The fair value of the Company's revolving loans approximate the carrying value due to credit risk or current market rates, which approximate the effective interest rates on those instruments. The fair value of the Company's Term Loan is estimated by discounting the future cash flow using the Company's current borrowing rates for similar types and maturities of debt.

New Accounting Pronouncements

In July 2013, the FASB issued ASU No. 2013-11, which amends FASB ASC Topic 740, Income Taxes. This ASU requires that unrecognized tax benefits, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except in certain cases. This ASU is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. Earlier adoption is permitted. The adoption of this ASU will not have any impact on our consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09), Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine

when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. The adoption of ASU 2014-09 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued amendments that provide guidance on disclosure of uncertainties about an entity's ability to continue as a going concern. Under the new guidance, management will be required to evaluate at every interim and annual reporting period whether conditions or events exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued. In addition, certain disclosure in the financial statements will be required when substantial doubt about the entity's ability to continue as a going concern exists. These amendments are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2016. Management does not expect the adoption of this guidance to have a material impact on the financial statements.

2. Cash and cash equivalents

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Cash and cash equivalents	\$36,668	\$19,079
Restricted cash	1,364	1,262
	<u>\$38,032</u>	<u>\$20,341</u>

As of September 30, 2014 and December 31, 2013, cash held in foreign banks was \$14,059 and \$11,028, respectively.

Letters of credit in the amount of \$1,364 as of September 30, 2014 and \$1,262 at December 31, 2013 were outstanding under facilities with a commercial bank, and were cash collateralized in a restricted account.

3. Inventory

Inventory consisted of:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Raw materials	\$12,334	\$12,126
Work in process	27,197	31,119
Finished products	<u>36,270</u>	<u>28,894</u>
	<u>\$75,801</u>	<u>\$72,139</u>

4. Debt Obligations

Outstanding long-term debt consisted of:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Short-term debt:		
Bank Term Loan	\$2,750	\$ -
Europe line of credit	629	690
Revolving credit facility	-	12,000
Total short-term debt	<u>\$3,379</u>	<u>\$12,690</u>
Long-term debt:		
9.875% Senior secured notes, net of discount	\$ -	\$214,505
Bank Term Loan, net of discount	269,557	-
Europe line of credit	633	1,207
Other, net of discount	<u>293</u>	<u>321</u>
Total long-term debt	<u>\$270,483</u>	<u>\$216,033</u>

Revolving Credit Facility

On January 30, 2014, the Company entered into an Amendment Agreement to the \$25,000 Revolving Credit Facility, together with an amended Loan Agreement, with Icahn Enterprises Holdings L.P. Drawings under the amended Revolving Credit Facility bear interest at Daily Three Month LIBOR plus 2.0%. The amended Revolving Credit Facility also provides for an unused line fee of 0.375% per annum.

Indebtedness under the amended Revolving Credit Facility is secured by liens on substantially all of the Company's domestic and Mexican assets, with liens on (i) accounts, inventory, lockboxes, deposit accounts and investment property (the "ABL Priority Collateral") to be contractually senior to the liens securing the Term Loan (as hereafter defined) pursuant to an intercreditor agreement, (ii) real property, fixtures and improvements thereon, equipment and proceeds thereof (the "Fixed Asset Priority Collateral"), to be contractually subordinate to the liens securing the Term Loan pursuant to such intercreditor agreement, and (iii) all other assets, to be contractually pari passu with the liens securing the Term Loan pursuant to such intercreditor agreement. Our future direct or indirect material domestic subsidiaries are required to guarantee the obligations under the amended Revolving Credit Agreement, and to provide security by liens on their assets as described above.

The amended Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, create liens on our assets, make investments, enter into merger, consolidation or acquisition transactions, dispose of assets (other than in the ordinary course of business), make certain restricted payments, enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The amended Revolving Credit Facility also requires that we comply with certain financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures, in the event our usage of the Revolving Credit Facility exceeds 90% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of September 30, 2014.

The amended Revolving Credit Facility had no borrowings as of September 30, 2014.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately \$8,000 of availability. There were borrowings of \$1,262 under the lines of credit at September 30, 2014. The borrowing has an interest rate of 3 month EUR LIBOR plus a margin of 2.16% with quarterly installments due through July 15, 2016.

Term Loan Facility

On January 30, 2014, the Company entered into a Credit Agreement with UBS AG, Stamford Branch ("UBS"), as Administrative Agent and Collateral Agent, and the Lenders parties thereto, providing for a \$275,000 senior secured covenant lite term loan facility ("Term Loan"). The Term Loan bears interest at a LIBOR Rate plus 3.25% (with the LIBOR Rate carrying a 1.00% floor) as of September 30, 2014, or at a Base Rate equal to the sum of (1) the greatest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, (c) one-month LIBOR plus 1.0%, or (d) 2.0%, plus (2) 2.25%. The Term Loan has a 1% per annum amortization with a maturity date of January 30, 2021. The Term Loan is subject to certain additional mandatory prepayments upon asset sales, incurrence of indebtedness not otherwise permitted, and based upon a percentage of excess cash flow. Prepayments on the Term Loan may be made at any time, subject to a prepayment premium of 1% for certain prepayments during the first six months of the term.

Indebtedness under the Term Loan is secured by liens on substantially all of the Company's domestic and Mexican assets, with liens on (i) the Fixed Asset Priority Collateral, to be contractually senior to the liens securing the Revolving Credit Facility pursuant to the intercreditor agreement, (ii) the ABL Priority Collateral, to be contractually subordinate to the liens securing the Revolving Credit Facility pursuant to the intercreditor agreement, and (iii) all other assets, to be contractually pari passu with the liens securing the Revolving Credit Facility pursuant to the intercreditor agreement. Our future direct or indirect material domestic subsidiaries are required to guarantee the obligations under the Term Loan, and to provide security by liens on their assets as described above.

9.875% Senior Secured Notes due 2018

In December 2009, Viskase issued \$175 million of 9.875% Senior Secured Notes due 2018 (the "Viskase 9.875% Notes"). The Viskase 9.875% Notes bore interest at a rate of 9.875% per annum, payable semi-annually in cash on January 15 and July 15, commencing on July 15, 2010. In May 2010, Viskase issued an additional \$40 million aggregate principal amount of Viskase 9.875% Notes under the indenture governing the Viskase 9.875% Notes Indenture (the "Viskase 9.875% Notes Indenture"). The Viskase 9.875% Notes had a maturity date of January 15, 2018. In connection with certain financing transactions, the Viskase 9.875% Notes were paid off in full on January 30, 2014. The Company incurred a loss of \$15,739 on early redemption consisting of the premium on early redemption and the write off of the remaining deferred fees and discount related to the Viskase 9.875% Notes.

Letter of Credit Facility

Letters of credit in the amount of \$1,364 were outstanding under facilities with a commercial bank, and were cash collateralized at September 30, 2014.

Debt Maturity

The aggregate maturities of debt ⁽¹⁾ for each of the next five years are:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Thereafter</u>
Term Loan Facility	\$ 688	\$ 2,750	\$ 2,750	\$ 2,750	\$ 2,750	\$ 261,250
Europe lines of credit	158	631	473	-	-	-
Other	-	-	-	-	-	1,012
	<u>\$ 846</u>	<u>\$ 3,381</u>	<u>\$ 3,223</u>	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 262,262</u>

(1) The aggregate maturities of debt represent amounts to be paid at maturity and not the current carrying value of the debt.

5. Capital Lease Obligations

The Company has entered into capital lease obligations to acquire certain equipment and building improvements for its manufacturing facilities. The equipment leases have a term of 3 to 5 years and the building improvement lease has a term of 5 years. The Company has determined that automobiles leased by the Company are capital leases with an average term of 4 years. The depreciation of capital leases is included in depreciation expense.

The following is an analysis of leased property under capital leases by major classes.

	<u>2014</u>	<u>2013</u>
Building and improvements	\$492	\$543
Machinery and equipment	3,028	2,832
Less: Accumulated depreciation	<u>(2,897)</u>	<u>(2,514)</u>
	<u>\$623</u>	<u>\$861</u>

The following is a schedule by years of minimum future lease payments as of September 30, 2014.

2014	\$136
2015	303
2016	181
2017	100
2018	19
Thereafter	<u>2</u>
Total minimum payments required	741
Less amount representing interest	<u>(140)</u>
Present value of net minimum lease payments	<u>\$601</u>

6. Accrued Liabilities

Accrued liabilities consisted of:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Compensation and employee benefits	\$17,537	\$18,295
Taxes payable	14,731	13,765
Accrued volume and sales rebates	1,098	1,852
Accrued interest payable	1,926	9,825
Other	<u>3,471</u>	<u>3,421</u>
	<u>\$38,763</u>	<u>\$47,158</u>

7. Income Taxes

The Company's effective tax rate for 2014 is impacted by an adjustment for the tax effect of state net operating losses (NOL) offset by the reversal of a Brazilian FIN48 item. The net effect is an increase to our tax expense by \$554 through September 30, 2014.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recorded adjustments for interest and potential penalties related to these unrecognized tax benefits, and in total, as of September 30, 2014, the Company has recorded a liability for interest and potential penalties of \$1,067.

Approximately \$4,100 of the total unrecognized tax benefits represents the amount that, if recognized, would affect the effective income tax rate in future periods. The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has been audited by the IRS through 2010 which resulted in no additional tax liability. The Company will continue to utilize net operating loss carryforwards from periods prior to 2010. Substantially all material state and local and foreign income tax matters have been concluded for years through 2009. U.S. federal income tax returns for 2011, 2012 and 2013 are currently open for examination. Based on the expiration of the statute of limitations for certain jurisdictions, it is reasonably possible that the unrecognized tax benefits will decrease in the next twelve months by approximately \$2,100.

8. Pension and Postretirement

The Company paid \$4,142 toward pension benefits in the U.S. during the nine months ended September 30, 2014, and expects to contribute an additional \$871 during the remainder of the year.

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013
Component of net period benefit cost				
Service cost	\$ -	\$ -	\$118	\$104
Interest cost	1,812	1,656	91	98
Expected return on plan assets	(2,264)	(1,969)	(45)	(49)
Amortization of actuarial loss	220	1,060	25	22
	<u>(\$233)</u>	<u>\$747</u>	<u>\$189</u>	<u>\$175</u>

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013	9 Months Ended September 30, 2014	9 Months Ended September 30, 2013
Component of net period benefit cost				
Service cost	\$ -	\$ -	\$359	\$307
Interest cost	5,435	4,968	277	289
Expected return on plan assets	(6,791)	(5,908)	(136)	(144)
Amortization of actuarial loss	659	3,181	77	65
	<u>(\$698)</u>	<u>\$2,241</u>	<u>\$577</u>	<u>\$517</u>

9. Contingencies

The Company from time to time is involved in various other legal proceedings, none of which are expected to have a material adverse effect upon results of operations, cash flows or financial condition.

10. Stock-Based Compensation (Dollars in Thousands, Except Per Share Amounts)

Stock-based compensation cost is measured at the grant date based on fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period. Included in net income is non-cash compensation expense of \$45 for the nine months ended September 30, 2014 and \$33 for the nine months ended September 30, 2013.

The fair values of the options granted during 2013, 2009, 2007 and 2005 were estimated on the date of grant using the binomial option pricing model. The assumptions used and the estimated fair values are as follows:

	2013	2009	2007	2005
Expected term	5 years	10 years	10 years	10 years
Expected stock volatility	17.33%	35.10%	23.04%	14.88%
Risk-free interest rate	1.75%	2.87%	4.39%	4.17%
Expected forfeiture rate	0.00%	0.00%	14.00%	35.00%
Fair value per share	\$0.51	\$0.09	\$0.77	\$1.09

In April 2013, the Company granted non-qualified stock options to its current chief administrative officer for the purchase of 325,000 shares of its common stock under an employment agreement. Options were granted at the fair market value at date of grant and will vest one third each on December 31, 2013, December 31, 2014 and December 31, 2015. The options for the chief administrative officer expire on April 16, 2018.

In February 2009, the Company granted non-qualified stock options to its former chief financial officer for the purchase of 300,000 shares of its common stock. Options were granted at the fair market value at date of grant and are fully vested. The options were exercised during the second quarter of 2012.

In October 2007, the Company granted non-qualified stock options to its current chief executive officer for the purchase of 1,500,000 shares of its common stock under an employment agreement. Options were granted at the fair market value at date of grant and are fully vested. The options for the chief executive officer expire on October 29, 2017.

The Company has outstanding non-qualified stock options granted to other members of management for the purchase of 95,000 shares of its common stock. Options were granted at, or above, the fair market value at date of grant and are fully vested. The options granted to other members of management expire ten years from the date of grant.

The Company's outstanding options were:

	Shares Under Option	Weighted Average Exercise Price
Outstanding, December 31, 2013	2,005,000	\$2.83
Granted	-	-
Exercised	(49,546)	\$2.90
Forfeited	(35,454)	\$2.90
Outstanding, September 30, 2014	1,920,000	\$2.83

Vested and exercisable options as of September 30, 2014 were 1,703,000 with a weighted average share price of \$2.17.

11. Fair Value Measures

U.S. GAAP requires enhanced disclosures about investments and non-recurring non-financial assets and non-financial liabilities that are measured and reported at fair value and has established a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments or non-financial assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and non-financial assets and/or liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include listed equities and listed derivatives. We do not adjust the quoted price for these investments, even in situations where we hold a large position.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. The inputs and assumptions of our Level 2 investments are derived from market observable sources including reported trades, broker/dealer quotes and other pertinent data.

Level 3 - Pricing inputs are unobservable for the investment and non-financial asset and/or liability and include situations where there is little, if any, market activity for the investment or non-financial asset and/or liability. The inputs into the determination of fair value require significant management judgment or estimation. Fair value is determined using comparable market transactions and other valuation methodologies, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment. Significant transfers, if any, between the levels within the fair value hierarchy are recognized at the beginning of the reporting period when changes in circumstances require such transfers.

Fair Value Measurement at December 31, 2013				
<u>Liability Category</u>	Total	(Level 1)	(Level 2)	(Level 3)
Derivative contracts	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

Fair Value Measurement at September 30, 2014				
<u>Liability Category</u>	Total	(Level 1)	(Level 2)	(Level 3)
Derivative contracts	\$51	\$51	\$ -	\$ -
Total	\$51	\$51	\$ -	\$ -

12. Financial Instruments

Foreign Currency Risk

Viskase manufactures and sells its products in North America, South America, Asia, Europe and Africa. As a result, Viskase financial results can be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which Viskase manufactures and sells its products.

Viskase generally tries to use natural hedges within its foreign currency activities, including the matching of revenues and costs, to minimize foreign currency risk. Where natural hedges are not in place, Viskase considers managing certain aspects of its foreign currency activities through the use of foreign currency forward contracts. The principal currency hedged currently is the Mexican peso. Viskase had notional values of \$1,926 foreign currency hedge contracts outstanding at September 30, 2014. We did not have any foreign currency contracts outstanding at December 31, 2013.

Unrealized net loss of \$51 was recorded in net income as of September 30, 2014, for these foreign currency contracts.

The following table presents the consolidated fair values of our derivative instruments that are not designated as cash flow hedging instruments:

	<u>Liability Derivatives</u>	
Derivatives Not Designated as Cash Flow Hedging Instruments	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Foreign exchange contracts	\$51	\$ -
Total	<u>\$51</u>	<u>\$ -</u>

	<u>Loss Recognized in Cost of Sales</u>	
Derivatives Not Designated as Cash Flow Hedging Instruments	<u>Three Months Ended September 30, 2014</u>	<u>Three Months Ended September 30, 2013</u>
Foreign currency contracts	\$78	\$ -
	<u>\$78</u>	<u>\$ -</u>

	<u>Loss Recognized in Cost of Sales</u>	
Derivatives Not Designated as Cash Flow Hedging Instruments	<u>Nine Months Ended September 30, 2014</u>	<u>Nine Months Ended September 30, 2013</u>
Foreign currency contracts	\$51	\$ -
	<u>\$51</u>	<u>\$ -</u>

13. Related-Party Transactions

As of September 30, 2014, Icahn Enterprises L.P. owned approximately 73.5% of our outstanding common stock. There were no new shares of common stock purchased during the quarter ended September 30, 2014.

Insight Portfolio Group LLC (“Insight Portfolio Group”) is an entity formed and controlled by Mr. Icahn in order to maximize the potential buying power of a group of entities with which Mr. Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property at negotiated rates.

On January 1, 2013, Viskase acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group’s operating expenses, which is approximately \$197 in 2014. A number of other entities with which Mr. Icahn has a relationship also acquired equity interests in Insight Portfolio Group and also agreed to pay certain of Insight Portfolio Group’s operating expenses in 2014.

During the periods ended September 30, 2014 and September 30, 2013, the Company purchased \$33 and \$29, respectively, in telecommunication services in the ordinary course of business from XO Communications, Inc., an affiliate of Icahn Enterprises L.P.

Icahn Enterprises L.P. was the lender on the Company’s Revolving Credit Facility as of September 30, 2014. The Company paid Icahn Enterprises L.P. service, commitment fees, interest and amendment fees of \$211 and \$330 during each of the periods ended September 30, 2014 and 2013.

14. Business Segment Information and Geographic Area Information

The Company primarily manufactures and sells cellulosic food casings. The Company's operations are primarily in North America, South America, Europe and Asia. Intercompany sales and charges (including royalties) have been reflected as appropriate in the following information. Certain items are maintained at the Company's corporate headquarters and are not allocated geographically. They include most of the Company's debt and related interest expense and income tax benefits.

Reporting Segment Information:

	<u>9 Months Ended</u> <u>September 30, 2014</u>	<u>9 Months Ended</u> <u>September 30, 2013</u>
Net sales by reporting segment		
North America	\$149,803	\$152,005
South America	38,243	40,063
Europe	109,066	108,625
Asia	21,500	16,620
Other and eliminations	<u>(42,904)</u>	<u>(41,718)</u>
	<u>\$275,708</u>	<u>\$275,595</u>
Operating income		
North America	\$20,682	\$19,171
South America	1,592	(21,985)
Europe	7,236	7,795
Asia	<u>4,519</u>	<u>2,381</u>
	<u>\$34,029</u>	<u>\$7,362</u>
	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Identifiable assets		
North America	\$215,658	\$164,137
South America	55,154	40,716
Europe	118,119	110,836
Asia	<u>33,544</u>	<u>30,996</u>
	<u>\$422,475</u>	<u>\$346,685</u>
	<u>9 Months Ended</u> <u>September 30, 2014</u>	<u>9 Months Ended</u> <u>September 30, 2013</u>
Net Sales by market		
Emerging	\$135,985	\$136,033
Mature	<u>139,723</u>	<u>139,562</u>
	<u>\$275,708</u>	<u>\$275,595</u>
Net Sales from operations by country		
United States	\$78,483	\$79,022
Brazil	22,463	20,195
Italy	23,969	23,009
Germany	9,973	9,370
France	11,694	11,272
Other international	<u>129,126</u>	<u>132,727</u>
	<u>\$275,708</u>	<u>\$275,595</u>

15. Changes in Accumulated Other Comprehensive Loss

	Accrued Employee Benefits	Translation Adjustments	Total
Balance at December 31, 2013	(\$37,191)	(\$9,753)	(\$46,944)
Reclassifications from accumulated other comprehensive loss to earnings	735	(7,035)	(6,300)
Balance at September 30, 2014	(\$36,456)	(\$16,788)	(\$53,244)

	Amounts Reclassified from Accumulated Other Comprehensive Loss	Affected Line Items in the Consolidation Statement of Operations and Comprehensive Loss
Accrued Employee Benefits		
Amortization of net actuarial loss	\$588	Cost of Sales
Amortization of net actuarial loss	147	Selling, General & Administrative expense
	<u>\$735</u>	

16. Subsequent Events

Viskase evaluated its September 30, 2014 consolidated financial statements for subsequent events through November 3, 2014, the date the consolidated financial statements were available to be issued. There were no subsequent events requiring disclosure identified.