

**VISKASE COMPANIES, INC.**

Financial report for the fiscal quarter ended March 31, 2015

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 March 31, 2015 (unaudited) and  
December 31, 2014

Consolidated Statements of Operations for the three months ended March 31,  
2015 and March 31, 2014 (unaudited)

Consolidated Statements of Comprehensive Loss for the three months ended  
March 31, 2015 and March 31, 2014 (unaudited)

Consolidated Statements of Stockholders' Equity for the three months ended  
March 31, 2015 (unaudited) and the year ended December 31, 2014

Consolidated Statements of Cash Flows for the three months ended  
March 31, 2015 and March 31, 2014 (unaudited)

2. Notes to Consolidated Financial Statements (unaudited)



Grant Thornton LLP  
175 W Jackson Boulevard, 20<sup>th</sup> Floor  
Chicago, IL 60604-2687

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

T 312.856.0200  
F 312.565.4719  
[www.GrantThornton.com](http://www.GrantThornton.com)  
[liknd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

**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 March 31, 2015, and for the three-month periods ended March 31, 2015 and 2014, 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, 2014

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, 2014, and the related consolidated statements of income, comprehensive 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 February 27, 2015. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Chicago, Illinois

May 7, 2015

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

	March 31, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$39,130	\$39,310
Restricted cash	1,364	1,364
Receivables, net	61,543	63,313
Inventories	78,709	77,117
Other current assets	25,427	27,088
Deferred income taxes	10,503	11,868
Total current assets	216,676	220,060
Property, plant and equipment	277,807	282,124
Less accumulated depreciation	126,996	126,228
Property, plant and equipment, net	150,811	155,896
Deferred financing costs	2,839	2,859
Other assets, net	7,070	6,582
Deferred income taxes	43,456	43,580
Total Assets	\$420,852	\$428,977
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$3,288	\$3,357
Short-term portion of capital lease obligations	236	271
Accounts payable	28,693	27,997
Accrued liabilities	33,410	33,381
Deferred income taxes	152	152
Total current liabilities	65,779	65,158
Long-term debt, net of current maturities	268,774	269,660
Capital lease obligations, net of current portion	260	321
Accrued employee benefits	49,900	51,825
Deferred income taxes	2,766	3,123
Stockholders' equity:		
Common stock, \$0.01 par value; 36,989,711 shares issued and 36,184,441 outstanding at March 31, 2015 and 36,984,817 shares issued and 36,179,547 outstanding at December 31, 2014	370	370
Paid in capital	32,816	32,801
Retained earnings	79,484	78,975
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(78,999)	(72,958)
Total stockholders' equity	33,373	38,890
Total Liabilities and Stockholders' Equity	\$420,852	\$428,977

*See notes to consolidated financial statements.*

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

	3 Months Ended March 31, 2015	3 Months Ended March 31, 2014
NET SALES	\$85,380	\$88,450
Cost of sales	<u>65,995</u>	<u>65,948</u>
GROSS MARGIN	19,385	22,502
Selling, general and administrative	11,301	11,109
Amortization of intangibles	4	6
Restructing expense	<u>355</u>	<u>-</u>
OPERATING INCOME	7,725	11,387
Interest income	19	6
Interest expense	3,007	4,836
Loss on early extinguishment of debt	-	15,739
Other expense, net	<u>3,041</u>	<u>343</u>
INCOME (LOSS) BEFORE INCOME TAXES	1,696	(8,839)
Income tax provision (benefit)	<u>1,187</u>	<u>(2,741)</u>
NET INCOME (LOSS)	<u><u>\$509</u></u>	<u><u>(\$6,098)</u></u>

*See notes to consolidated financial statements.*

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

	3 Months Ended March 31, 2015	3 Months Ended March 31, 2014
Net income (loss)	<u>\$509</u>	<u>(\$6,098)</u>
Other comprehensive (loss) income, net of tax		
Pension liability adjustment	1,021	246
Foreign currency translation adjustment	<u>(7,062)</u>	<u>767</u>
Other comprehensive (loss) income, net of tax	<u>(6,041)</u>	<u>1,013</u>
Comprehensive loss	<u><u>(\$5,532)</u></u>	<u><u>(\$5,085)</u></u>

*See notes to consolidated financial statements.*

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

	Common stock	Paid in capital	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
Balance December 31, 2013	\$369	\$32,839	(\$298)	\$69,145	(\$46,944)	\$55,111
Net income				9,830		9,830
Foreign currency translation adjustment					(9,530)	(9,530)
Pension liability adjustment, net of tax					(16,484)	(16,484)
Stock option expense		60				60
Stock option exercise	1	(98)				(97)
Balance December 31, 2014	\$370	\$32,801	(\$298)	\$78,975	(\$72,958)	\$38,890
Net income				509		509
Foreign currency translation adjustment					(7,062)	(7,062)
Pension liability adjustment, net of tax					1,021	1,021
Stock option expense		15				15
Balance March 31, 2015 (unaudited)	\$370	\$32,816	(\$298)	\$79,484	(\$78,999)	\$33,373

*See notes to consolidated financial statements.*



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

	3 Months Ended March 31, 2015	3 Months Ended March 31, 2014
Cash flows from operating activities:		
Net income (loss)	\$509	(\$6,098)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	4,682	4,837
Stock-based compensation	15	15
Amortization of intangibles	4	6
Amortization of deferred financing fees	140	154
Increase in deferred tax	11	4
Loss on extinguishment of debt	-	15,739
Non-cash interest	22	22
(Gain) loss on disposition of assets	(9)	33
Bad debt (recoveries) provision	(29)	29
Changes in operating assets and liabilities:		
Receivables	(397)	2,019
Inventories	(4,462)	(4,184)
Other current assets	989	(8,592)
Other assets	(492)	12
Accounts payable	2,111	(3,728)
Accrued liabilities	1,605	(4,919)
Other	1,155	(844)
Total adjustments	5,345	603
Net cash provided by (used in) operating activities	5,854	(5,495)
Cash flows from investing activities:		
Capital expenditures	(4,071)	(4,891)
Proceeds from disposition of assets	9	-
Net cash used in investing activities	(4,062)	(4,891)
Cash flows from financing activities:		
Issuance of common stock	-	14
Deferred financing costs	(120)	(3,067)
Proceeds from long-term debt	-	274,312
Repayment of capital lease	(73)	(99)
Repayment of revolving loan	-	(12,174)
Repayment of long term debt	-	(225,617)
Repayment of short term debt	(840)	(688)
Restricted cash	-	(102)
Net cash (used in) provided by financing activities	(1,033)	32,579
Effect of currency exchange rate changes on cash	(939)	67
Net (decrease) increase in cash and equivalents	(180)	22,260
Cash and equivalents at beginning of period	39,310	19,079
Cash and equivalents at end of period	\$39,130	\$41,339
Supplemental cash flow information:		
Interest paid less capitalized interest	\$3,977	\$10,684
Income taxes paid	\$138	\$397

See notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In Thousands)**  
(Unaudited)

**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 \$161 and \$182 of short-term investments at March 31, 2015 and December 31, 2014, 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 March 31, 2015 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 7.50% for 2015. The Company is using a long-term rate of return on French plan assets of 3.20% for 2015. 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 4.29% for 2015. The Company is using a weighted average discount rate of 2.06% on its non-U.S. pension plans for 2015.

### **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 2015 and 2014 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 March 31, 2015, future annual minimum purchases remaining under the agreement are \$4,012.

The Company's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. 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 January 2015, the FASB issued ASU No. 2015-01, which amends FASB ASU Topic 220-20, *Income Statement - Extraordinary and Unusual Items*. This ASU eliminates from GAAP the concept of extraordinary items. Although the ASU will eliminate the requirements in Subtopic 225-20 for reporting entities to consider whether an underlying event or transaction is extraordinary, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will

be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We adopted ASU No. 2015-01 and believe that the adoption of this guidance will have no impact on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which amends FASB ASU Subtopic 835-30, Interest - Imputation of Interest. The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The standard is effective for interim and annual periods beginning after December 31, 2015 and is required to be applied on a retrospective basis. Early adoption is permitted. We expect that the adoption of this new guidance will result in a reclassification of debt issuance costs on our consolidated balance sheets.

In April 2015, the FASB issued ASU No. 2015-04, Compensation-Retirement Benefits: Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets, which amends FAB ASU Topic 715, Compensation - Retirement Benefits. This ASU provides a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year. This ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted. We anticipate that the adoption of this guidance will have minimal impact on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

## 2. Cash and cash equivalents

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Cash and cash equivalents	\$39,130	\$39,310
Restricted cash	<u>1,364</u>	<u>1,364</u>
	<u>\$40,494</u>	<u>\$40,674</u>

As of March 31, 2015 and December 31, 2014, cash held in foreign banks was \$13,552 and \$15,682, respectively.

Letters of credit in the amount of \$1,364 as of March 31, 2015 and December 31, 2014 were outstanding under facilities with a commercial bank, and were cash collateralized in a restricted account.

## 3. Inventory

Inventory consisted of:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Raw materials	\$11,442	\$11,684
Work in process	34,189	32,509
Finished products	<u>33,078</u>	<u>32,924</u>
	<u>\$78,709</u>	<u>\$77,117</u>

#### 4. Debt Obligations

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Short-term debt:		
Europe unsecured loan	\$538	\$607
Bank term loan	2,750	2,750
Total short-term debt	<u>3,288</u>	<u>3,357</u>
Long-term debt:		
Bank term loan, net of discount	268,226	268,891
Europe unsecured loan	272	458
Other	276	311
Total long-term debt	<u>268,774</u>	<u>269,660</u>
Total debt	<u>\$272,062</u>	<u>\$273,017</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 March 31, 2015.

The amended Revolving Credit Facility had no borrowings as of March 31, 2015 and December 31, 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 \$810 under the lines of credit at March 31, 2015. 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 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%). As of March 31, 2015, the interest rate was 4.25% on the Term Loan. 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.

#### Debt Maturity

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
Term Loan Facility	\$ 2,062	\$ 2,750	\$ 2,750	\$ 2,750	\$ 2,750	\$ 258,500
Europe lines of credit	405	405	-	-	-	-
Other	-	-	-	-	-	865
	<u>\$ 2,467</u>	<u>\$ 3,155</u>	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 259,365</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>March 31, 2015</u>	<u>December 31, 2014</u>
Building and improvements	\$492	\$492
Machinery and equipment	2,685	2,710
Less: Accumulated depreciation	<u>(2,591)</u>	<u>(2,528)</u>
	<u>\$586</u>	<u>\$674</u>

The following is a schedule by years of minimum future lease payments as of March 31, 2015.

Year ending December 31,

2015	\$236
2016	229
2017	109
2018	43
2019	13
Thereafter	-
Total minimum payments required	630
Less amount representing interest	(134)
Present value of net minimum lease payments	<u>\$496</u>

## 6. Accrued Liabilities

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Compensation and employee benefits	\$18,516	\$17,160
Taxes payable	8,840	9,922
Accrued volume and sales rebates	1,238	1,444
Accrued interest payable	893	1,968
Other	3,923	2,887
	<u>\$33,410</u>	<u>\$33,381</u>

## 7. Income Taxes

The Company's effective tax rate for 2015 is impacted by an adjustment for the reduction of a deferred tax asset not corrected in a prior period. The net effect is an increase to our tax expense by \$362 through March 31, 2015.

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 March 31, 2015, the Company has recorded a liability for interest and potential penalties of \$469.

Approximately \$5,890 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 \$1,100.

## 8. Pension and Postretirement

The Company paid \$668 toward pension benefits in the U.S. during the three months ended March 31, 2015, and expects to contribute an additional \$2,965 during the remainder of the year.



	U.S. Pension Benefits		Non U.S. Pension Benefits	
	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended
	March 31	March 31	March 31	March 31
	2015	2014	2015	2014
Component of net period benefit cost				
Service cost	\$ -	\$ -	\$116	\$120
Interest cost	1,724	1,812	58	93
Expected return on plan assets	(2,238)	(2,264)	(37)	(46)
Amortization of prior service cost	-	-	-	-
Amortization of actuarial loss	1,021	220	46	26
	<u>\$ 507</u>	<u>(\$232)</u>	<u>\$183</u>	<u>\$193</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 \$15 for the three months ended March 31, 2015 and March 31, 2014.

The fair values of the options granted during 2013 and 2007 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	2007
Expected term	5 years	10 years
Expected stock volatility	17.33%	23.04%
Risk-free interest rate	1.75%	4.39%
Expected forfeiture rate	0.00%	14.00%
Fair value per share	\$0.51	\$0.77

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 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 no outstanding non-qualified stock options granted to other members of management in 2005. Options were granted at, or above, the fair market value at date of grant and are fully vested.

The Company's outstanding options were:

	Shares Under Option	Weighted Average Exercise Price
Outstanding, December 31, 2014	1,835,000	\$2.82
Granted	-	-
Exercised	(10,000)	\$2.90
Forfeited	-	-
Outstanding, March 31, 2015	<u>1,825,000</u>	<u>\$2.82</u>

Vested and exercisable options as of March 31, 2015 were 1,716,668 with a weighted average share price of \$2.50.

## 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 March 31, 2015				
<u>Asset Category</u>	Total	(Level 1)	(Level 2)	(Level 3)
Derivative contracts	\$ 26	\$ 26	\$ -	\$ -
Total	\$ 26	\$ 26	\$ -	\$ -

Fair Value Measurement at December 31, 2014				
<u>Liability Category</u>	Total	(Level 1)	(Level 2)	(Level 3)
Derivative contracts	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

## 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 \$1,930 foreign currency hedge contracts outstanding at March 31, 2015. We did not have any foreign currency contracts outstanding at December 31, 2014. Unrealized net gain of \$26 was recorded in net income as of March 31, 2015, 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:

Derivatives Not Designated as Cash Flow Hedging Instruments	Asset Derivatives	
	March 31, 2015	December 31, 2014
Foreign exchange contracts	\$ 26	\$ -
Total	\$ 26	\$ -

Derivatives Not Designated as Cash Flow Hedging Instruments	Gain Recognized in Cost of Sales	
	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Foreign exchange contracts	\$ 26	\$ -
Total	\$ 26	\$ -

### 13. Related-Party Transactions

As of March 31, 2015, Icahn Enterprises L.P. owned approximately 73.5% of our outstanding common stock. There were no new shares of common stock purchased during the year ended March 31, 2015.

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 and \$190 for the three months ended March 31, 2015 and March 31, 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 March 31, 2015 and March 31, 2014, the Company purchased \$11 and \$11, 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 December 31, 2014. The Company paid Icahn Enterprises L.P. service, commitment fees, interest and amendment fees of \$44 and \$195 during the periods ended March 31, 2015 and March 31, 2014.

### 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:

	3 Months Ended March 31, 2015	3 Months Ended March 31, 2014
Net sales by region		
North America	\$50,620	\$47,130
South America	10,498	11,194
Europe	30,980	36,879
Asia	7,598	6,942
Other and eliminations	(14,316)	(13,695)
	<u>\$85,380</u>	<u>\$88,450</u>
Operating income		
North America	\$5,687	\$5,967
South America	245	398
Europe	606	3,422
Asia	1,187	1,600
	<u>\$7,725</u>	<u>11,387</u>

	3 Months Ended March 31, 2015	3 Months Ended March 31, 2014
Identifiable assets		
North America	\$222,420	\$226,233
South America	52,428	49,441
Europe	105,873	130,287
Asia	40,131	28,349
	<u>\$420,852</u>	<u>\$434,310</u>

	3 Months Ended March 31, 2015	3 Months Ended March 31, 2014
Net Sales by market		
Emerging	\$42,542	\$43,234
Mature	42,838	45,216
	<u>\$85,380</u>	<u>\$88,450</u>

Net Sales from operations by country		
United States	\$25,961	\$24,676
Brazil	5,764	6,715
Italy	6,213	7,463
Germany	2,910	3,349
France	3,596	4,151
Other international	40,936	42,096
	<u>\$85,380</u>	<u>\$88,450</u>

#### 15. Changes in Accumulated Other Comprehensive Loss

	Accrued Employee Benefits	Translation Adjustments	Total
Balance at December 31, 2014	(\$53,675)	(\$19,283)	(\$72,958)
Other comprehensive loss before reclassifications	-	(7,062)	(7,062)
Reclassifications from accumulated other comprehensive loss to earnings	1,021	-	1,021
Balance at March 31, 2015	<u>(\$52,654)</u>	<u>(\$26,345)</u>	<u>(\$78,999)</u>

	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	\$807	Cost of sales
Amortization of net actuarial loss	214	Selling, general and administrative
	<u>\$1,021</u>	

## 16. Subsequent Events

Viskase evaluated its March 31, 2015 consolidated financial statements for subsequent events through May 6, 2015, the date the consolidated financial statements were available to be issued. There were no subsequent events requiring disclosure identified.