

VIKASE[®]

Financial Report for
year end

December 31, 2022



CONSOLIDATED FINANCIAL STATEMENTS OF VISKASE COMPANIES, INC. AND SUBSIDIARIES

1. Financial Statements:

- Report of Independent Certified Public Accountants
- Consolidated Balance Sheets as of December 31, 2022 and 2021
- Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020
- Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2022, 2021 and 2020
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022, 2021 and 2020
- Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020
- Notes to Consolidated Financial Statements

2. Management's Discussion and Analysis of Financial Condition and Results of Operations (unaudited)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Viskase Companies, Inc.

Opinion

We have audited the consolidated financial statements of Viskase Companies, Inc. (a Delaware corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Chicago, Illinois
March 28, 2023

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

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$8,783	\$9,876
Receivables, net	87,584	81,645
Inventories	103,172	93,070
Other current assets	40,152	44,307
Total current assets	239,691	228,898
Property, plant and equipment	416,628	409,499
Less accumulated depreciation	(274,781)	(262,372)
Property, plant and equipment, net	141,847	147,127
Right of use assets	24,520	27,964
Other assets, net	23,258	18,973
Intangible assets	16,808	19,531
Goodwill	3,207	3,373
Deferred income taxes	22,261	25,235
Total Assets	\$471,592	\$471,101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$39,375	\$23,500
Accounts payable	43,377	35,045
Accrued liabilities	31,491	34,067
Short-term portion lease liabilities	4,851	5,196
Total current liabilities	119,094	97,808
Long-term debt, net of current maturities	122,521	131,821
Long-term liabilities	7,383	7,380
Accrued employee benefits	36,211	54,616
Deferred income taxes	3,405	2,081
Long-term lease liabilities	22,693	25,919
Stockholders' equity:		
Common stock, \$0.01 par value; 103,995,935 shares issued and 103,190,665 outstanding	1,040	1,040
Paid in capital	182,343	182,343
Retained earnings	45,467	42,938
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(67,114)	(73,639)
Total Viskase stockholders' equity	161,438	152,384
Deficit attributable to non-controlling interest	(1,153)	(908)
Total stockholders' equity	160,285	151,476
Total Liabilities and Stockholders' Equity	\$471,592	\$471,101

See notes to consolidated financial statements

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
NET SALES	\$430,834	\$415,672	\$408,887
Cost of sales	<u>356,701</u>	<u>343,636</u>	<u>327,850</u>
GROSS MARGIN	74,133	72,036	81,037
Selling, general and administrative	50,283	48,169	49,812
Amortization of intangibles	1,576	1,755	1,657
Asset impairment charge	27	498	372
Restructuring expense	<u>-</u>	<u>507</u>	<u>398</u>
OPERATING INCOME	22,247	21,107	28,798
Interest income	5	-	19
Interest expense, net	8,433	6,157	11,396
Loss on early extinguishment of debt	-	-	280
Other expense, net	<u>4,396</u>	<u>13,779</u>	<u>6,360</u>
INCOME BEFORE INCOME TAXES	9,423	1,171	10,781
Income tax provision	<u>7,139</u>	<u>4,527</u>	<u>6,218</u>
NET INCOME (LOSS)	<u>\$2,284</u>	<u>(\$3,356)</u>	<u>\$4,563</u>
Less: net loss attributable to noncontrolling interests	<u>(245)</u>	<u>(137)</u>	<u>(179)</u>
Net income (loss) attributable to Viskase Companies, Inc	<u>\$2,529</u>	<u>(\$3,219)</u>	<u>\$4,742</u>
WEIGHTED AVERAGE COMMON SHARES			
- BASIC AND DILUTED	<u>103,190,665</u>	<u>103,190,665</u>	<u>64,697,514</u>
PER SHARE AMOUNTS:			
EARNINGS PER SHARE			
- BASIC AND DILUTED	<u>\$0.02</u>	<u>(\$0.03)</u>	<u>\$0.07</u>

See notes to consolidated financial statements.

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Net income (loss)	\$2,284	(\$3,356)	\$4,563
Other comprehensive income (loss), net of tax			
Pension liability adjustment	11,304	9,914	(4,652)
Foreign currency translation adjustment	(4,779)	(4,902)	3,436
Other comprehensive income (loss), net of tax	6,525	5,012	(1,216)
Comprehensive income	<u>\$8,809</u>	<u>\$1,656</u>	<u>\$3,347</u>
Less: comprehensive loss attributable to noncontrolling interests	<u>(245)</u>	<u>(137)</u>	<u>(179)</u>
Net comprehensive income attributable to Viskase Companies, Inc	<u>\$9,054</u>	<u>\$1,793</u>	<u>\$3,526</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 Viskase stockholders' equity	Non-controlling Interest	Total stockholders' equity
Balance December 31, 2019	\$540	\$82,843	(\$298)	\$41,415	(\$77,435)	\$47,065	(\$592)	\$46,473
Net income	-	-	-	4,742	-	4,742	(179)	4,563
Foreign currency translation adjustment	-	-	-	-	3,436	3,436	-	3,436
Pension liability adjustment, net of tax	-	-	-	-	(4,652)	(4,652)	-	(4,652)
Issuance of common stock	500	99,500	-	-	-	100,000	-	100,000
Balance December 31, 2020	\$1,040	\$182,343	(\$298)	\$46,157	(\$78,651)	\$150,591	(\$771)	\$149,820
Net (loss)	-	-	-	(\$3,219)	-	(3,219)	(137)	(3,356)
Foreign currency translation adjustment	-	-	-	-	(4,902)	(4,902)	-	(4,902)
Pension liability adjustment, net of tax	-	-	-	-	9,914	9,914	-	9,914
Balance December 31, 2021	\$1,040	\$182,343	(\$298)	\$42,938	(\$73,639)	\$152,384	\$(908)	\$151,476
Net income	-	-	-	2,529	-	2,529	(245)	2,284
Foreign currency translation adjustment	-	-	-	-	(4,779)	(4,779)	-	(4,779)
Pension liability adjustment, net of tax	-	-	-	-	11,304	11,304	-	11,304
Balance December 31, 2022	\$1,040	\$182,343	(\$298)	\$45,467	(\$67,114)	\$161,438	(\$1,153)	\$160,285

See notes to consolidated financial statements.

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash flows from operating activities:			
Net income (loss)	\$2,284	(\$3,356)	\$4,563
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	27,303	27,994	27,829
Amortization of deferred financing fees	403	572	653
Deferred income taxes	(99)	(803)	2,163
Loss on disposition/impairment of assets	337	505	372
Bad debt and accounts receivable provision	187	277	(121)
Non-cash interest on term loans	-	-	83
Changes in operating assets and liabilities:			
Receivables	(8,795)	2,926	(6,984)
Inventories	(13,019)	(7,102)	13,224
Other current assets	3,509	850	(1,981)
Accounts payable	9,109	1,264	(1,352)
Accrued current liabilities	(2,186)	(6,859)	(2,949)
Accrued employee benefits	(1,636)	(8,844)	(691)
Other assets	(4,349)	(3,070)	721
Other	(2,669)	(1,140)	(2,015)
Total adjustments	8,095	6,570	28,952
Net cash provided by operating activities	10,379	3,214	33,515
Cash flows from investing activities:			
Capital expenditures	(22,336)	(17,234)	(19,263)
Proceeds from disposition of assets	149	9	59
Net cash used in investing activities	(22,187)	(17,225)	(19,204)
Cash flows from financing activities:			
Issuance of common stock	-	-	100,000
Deferred financing costs	(294)	(605)	(2,123)
Proceeds from short-term debt	14,000	13,000	20,200
Proceeds from long-term debt	-	-	150,000
Repayment of long-term debt	(7,500)	(8,690)	(285,550)
Repayment of capital lease	(12)	(27)	(510)
Net cash provided by (used in) financing activities	6,194	3,678	(17,983)
Effect of currency exchange rate changes on cash	4,521	4,361	(3,453)
Net decrease in cash and equivalents	(1,093)	(5,972)	(7,125)
Cash and cash equivalents at beginning of period	9,876	15,848	22,973
Cash and cash equivalents at end of period	\$8,783	\$9,876	\$15,848
Supplemental cash flow information:			
Interest paid less capitalized interest	\$7,427	\$5,217	\$10,366
Income taxes paid	\$7,324	\$4,180	\$2,508

See notes to consolidated financial statements.



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

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. We were incorporated in Delaware in 1970. The Company operates ten manufacturing facilities 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.

Seasonality

Historically, our domestic sales and profits have been seasonal in nature, increasing in the spring and summer months. Sales outside of the United States follow a relatively stable pattern throughout the year.

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. Of the cash held on deposit in the U.S., approximately \$317 of the cash balance was in excess of amounts insured by the Federal Deposit Insurance Corporation. 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, net

Trade accounts receivable are classified as current assets and are reported net of allowance for doubtful accounts, which includes the evaluation of expected credit losses following the adoption of ASC Topic 326. This estimated allowance is primarily based upon our evaluation of the future expected loss for the asset. The Company estimates this using the financial condition of each customer, each customer's ability to pay and the economic conditions of the country the customer resides in. For all trade accounts receivable, the Company defines "past due" as any payment, that is at least 15 days past the contractual due date. For the year ended December 31, 2022, there have been write offs of \$373 related to expected credit losses.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out ("FIFO") basis method.

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.

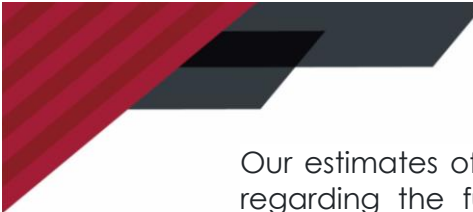
In the ordinary course of business, we lease certain equipment, consisting mainly of autos, and certain real property. Real property consists of manufacturing, distribution and office facilities.

Deferred Financing Costs

Deferred financing costs are presented in the balance sheet as a direct deduction from the carrying amount of debt liability and 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.

Intangible Assets and Goodwill

The Company has recognized definite lived intangible assets for patents and trademarks, customer relationships, technologies and in-place leases. The intangible assets are amortized on the straight-line method over an estimated weighted average useful life of 12 years for patents and trademarks, 20 years for customer relationships, 13 years for technologies and 14 years for in-place leases.



Our estimates of the useful lives of finite-lived intangible assets consider judgments regarding the future effects of obsolescence, demand, competition and other economic factors. We conduct impairment tests when events or changes in circumstances indicate that the carrying value of these finite-lived assets may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss is calculated based on the estimated fair value of the assets.

Current accounting guidance provides entities an option of performing a qualitative assessment (a "step-zero" test) before performing a quantitative analysis. If the entity determines, on the basis of certain qualitative factors, that it is more-likely than- not that the goodwill is not impaired, the entity would not need to proceed to the two step impairment testing process (quantitative analysis) as prescribed in the guidance. During fourth quarter 2022, the Company performed a "step zero" test of its goodwill and concluded that there was no impairment based on this guidance.

Long-Lived Assets

The Company continues to evaluate the recoverability of long-lived assets including property, plant and equipment, trademarks 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. No events or changes in circumstances were identified in the current year that would indicate a change in carrying amount.

Shipping and Handling

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

Repairs and Maintenance

Routine repairs and maintenance are charged to operations as incurred. Improvements and major repairs, which extend the useful life of an asset, are capitalized and depreciated.

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 December 31, 2022 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 5.00% for December 31, 2022. The Company is using a long-term rate of return on French plan assets of 2.60% for 2022. 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 was using a discount rate of 5.55% for December 31, 2022. The Company is using a weighted average discount rate of 4.11% on its non-U.S. pension plans for December 31, 2022.

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)

Other comprehensive income (loss) includes all other non-stockholder changes in equity. Changes in other comprehensive income (loss) in 2022, 2021 and 2020 resulted from changes in foreign currency translation and pension liability.

Revenue Recognition

The Company's revenues are comprised of product sales. All revenue is recognized when the Company satisfies its performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to its customer when its customer obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation. Substantially all of the Company's contracts have a single performance obligation, as the promise to transfer products is not separately identifiable from other promises in the contract and, therefore, not distinct.



Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. The nature of the Company's contracts gives rise to several types of variable consideration. As such, revenue is recorded net of estimated discounts, rebates and allowances. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time. Because of the Company's certainty in estimating these amounts, they are included in the transaction price of its contracts.

Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

Substantially all of the Company's revenue is from products transferred to customers at a point in time. The Company recognizes revenue at the point in time in which the customer obtains control of the product, which is generally when product title passes to the customer upon shipment. In certain cases, title does not transfer and revenue is not recognized until the customer has received the products at its physical location or at port.

Financial Instruments

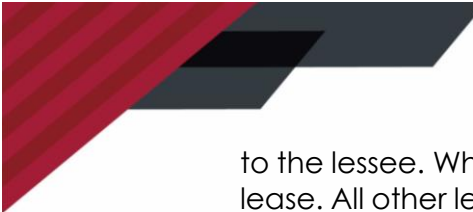
The Company routinely enters into fixed price natural gas agreements which require us to purchase a portion of our natural gas each month at fixed prices. These fixed price agreements qualify for the "normal purchases" scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. As of December 31, 2022, future annual minimum purchases remaining under the agreement are \$3,426.

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. Management believes 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 loans is estimated by discounting the future cash flow using the Company's current borrowing rates for similar types and maturities of debt.

Leases

The Company accounts for leases under FASB ASC Topic 842, Leases, which has resulted in the company reporting a right of use ("ROU") asset and lease liability related to operating leases reported on our balance sheet. Financing leases under current U.S. GAAP are classified and accounted for in substantially the same manner as capital leases under prior U.S. GAAP and therefore, we do not distinguish between financing leases and capital leases unless the context requires. The determination of whether an arrangement is or contains a lease occurs at inception. We have elected the practical expedient to include both the lease component and the non-lease component as a single component when accounting for each lease and calculating the resulting lease liability and ROU asset. The following is our accounting policy for leases in which we are the lessee.

Leases are classified as either operating or financing by the lessee depending on whether the lease terms provide for control of the underlying asset to be transferred



to the lessee. When control transfers to the lessee, we classify the lease as a financing lease. All other leases are recorded as operating leases. For leases with an initial lease term in excess of twelve months, we record a right-of-use asset with a corresponding liability in our balance sheet. We have elected the practical expedient for all leases less than 12 months to not record a ROU asset or corresponding lease liability. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at commencement of the lease based on the present value of lease payments over the lease term. Right-of-use assets are adjusted for any lease payments made on or before commencement of the lease, less any lease incentives received.

The lease liability represents future lease payments for lease and non-lease components discounted for present value. Lease payments that may be included in the lease liability include fixed payments, variable lease payments that are based on an index or rate and payments for penalties for terminating the lease if the lessee is reasonably certain to utilize a termination option, among others. Certain of our leases contain rent escalation clauses that are specifically stated in the lease and these are included in the calculation of the lease liability. Variable lease payments for lease and non-lease components which are not based on an index or rate are excluded from the calculation of the lease liability and are recognized in the statement of operations during the period incurred.

We utilize discount rates to determine the net present value of our gross lease obligations when calculating the lease liability and related ROU asset. In cases in which the rate implicit in the lease is readily determinable, we utilize that discount rate for purposes of the net present value calculation. In most cases, our lease agreements do not have a discount rate that is readily determinable and therefore we utilize an estimate of our incremental borrowing rate. Our incremental borrowing rate is determined at lease commencement or lease modification and represents the rate of interest we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. For adoption of the new standard, the rate was determined at the adoption date.

The lease term is determined by taking into account the initial period as stated in the lease contract and adjusted for any renewal options that the company is reasonably certain to exercise as well as any period of time that the lessee has control of the space before the stated initial term of the lease. If we determine that we are reasonably certain to exercise a termination option, the lease term is then adjusted to account for the expected termination date.

Operating lease expense is recorded as a single expense recognized on a straight-line basis over the lease term. Financing lease expense consists of interest expense on the financing lease liability and amortization of the right-of-use financing lease asset on a straight-line basis over the lease term.

New Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which amends FASB ASC Topic 740, Income Taxes. This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in the standard and modifies other areas of the standard to clarify the

application of U.S. GAAP. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Certain amendments in this ASU should be applied using a retrospective approach and others using the prospective approach. Adoption of this standard did not have a significant impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which amends FASB ASC Topic 848, Reference Rate Reform. By June 30, 2023, banks will no longer be required to report information that is used to determine London Interbank Offered Rate ("LIBOR") which is used globally by all types of entities for various types of transactions. As a result, LIBOR could be discontinued, as well as other interest rates used globally. This ASU provides companies with optional expedients for contract modifications under U.S. GAAP, excluded components of certain hedging relationships, fair value hedges, and cash flow hedges, as well as certain exceptions, which are intended to help ease the potential accounting burden associated with transitioning away from these reference rates. Companies can apply this ASU immediately and will only be available for a limited time (generally through December 31, 2022). Adoption of this standard did not have a significant impact on our consolidated financial statements.

2. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$8,783	\$9,876

As of December 31, 2022, and December 31, 2021, cash held in foreign banks was \$9,134 and \$8,083, respectively.

Letters of credit for \$735 were outstanding under our New Senior Credit Facility.

3. Receivables, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable, gross	\$91,431	\$85,049
Less allowance for doubtful accounts	<u>(3,847)</u>	<u>(3,404)</u>
	<u>\$87,584</u>	<u>\$81,645</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Beginning balance	\$3,404	\$3,470	\$3,614
Provision (recoveries)	187	277	(121)
Write-offs	373	(306)	-
Other and translation	<u>(117)</u>	<u>(37)</u>	<u>(23)</u>
Ending balance	<u>\$3,847</u>	<u>\$3,404</u>	<u>\$3,470</u>

4. Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$30,630	\$28,900
Work in process	46,210	38,212
Finished products	26,332	25,958
	<u>\$103,172</u>	<u>\$93,070</u>

5. Property, Plant and Equipment, Net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land and improvements	\$1,920	\$1,940
Buildings and improvements	48,883	46,848
Machinery and equipment	354,544	352,928
Construction in progress	11,281	7,783
	<u>\$416,628</u>	<u>\$409,499</u>

Accumulated depreciation

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land and improvements	\$472	\$448
Buildings and improvements	23,662	21,958
Machinery and equipment	250,647	239,966
	<u>\$274,781</u>	<u>\$262,372</u>

6. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other taxes receivable	\$15,828	\$11,324
Indemnification asset	6,793	6,793
Other	637	856
	<u>\$23,258</u>	<u>\$18,973</u>

7. Accrued Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Compensation and employee benefits	\$8,017	\$7,633
Taxes payable	16,124	22,483
Accrued volume and sales rebates	3,410	1,924
Restructuring reserve	-	127
Other	3,940	1,900
	<u>\$31,491</u>	<u>\$34,067</u>

8. Debt Obligations


	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term debt:		
Senior credit facility	\$39,375	\$23,500
Long-term debt:		
Senior credit facility, net	\$121,978	\$131,244
Other	543	577
Total long-term debt	<u>122,521</u>	<u>131,821</u>
Total debt	<u>\$161,896</u>	<u>\$155,321</u>

Senior Credit Facility

On October 09, 2020, the Company entered into a Credit Agreement with Bank of America, N.A. ("BofA") as Administrative Agent, Swingline Lender and L/C Issuer, and the other Lender parties thereto, providing for a \$150,000 term loan (the "Term Loan") and a \$30,000 revolving credit facility (the "Revolving Credit Facility" and together with the Term Loan, the "Senior Credit Facility").

On August 10, 2022, the Company entered into the Second Amendment to the New Senior Credit Facility (the "Amended Senior Credit Facility"). The Amended Senior Credit Facility increased the commitment of the New Revolving Credit Facility to \$37,000 and transitioned Term Loans on September 30, 2022 and Revolving Loans on August 30, 2022 from LIBOR Loans to SOFR Loans. Amended terms of the facility are stated below.

The interest rates per annum applicable to the Amended Senior Credit Facility (other than in respect of Swingline Loans) will be SOFR, but in any event, not less than 0.00%, plus the Applicable Rate (as defined below), or, for U.S. dollar denominated loans only, made to the Company at the option of the Company, the Base Rate, defined as the highest of: (a) the Federal Funds Rate plus one-half percent (0.50%); (b) the Bank of America prime rate; and (c) the one (1) month SOFR (adjusted daily) plus one percent (1.00%), but in any case not less than 1.00%. plus the Applicable Rate. Applicable Rate means, with respect to the Amended Senior Credit Facility, a percentage per annum to be determined in accordance with the applicable pricing



grid set forth in the Amended Senior Credit Facility based upon the Company's Consolidated Coverage Ratio as reflected in a quarterly Compliance Certificate. Each Swingline Loan shall bear interest at the Base Rate plus the Applicable Rate for Base Rate loans under the New Revolving Credit Facility. As of December 31, 2022, our current interest rate is 6.15%.

The Amended Senior Credit Facility requires the Company to repay principal of the New Term Loan at the rate of 5% of the original principal balance during each of the first two years, 7.5% during the third and fourth years and 10% of the original principal balance during the fifth year. The maturity date on the Amended Senior Credit Facility is August 13, 2026.

The Company may prepay the Amended Senior Credit Facility, in whole or in part, at any time without premium or penalty, subject to reimbursement of the Lenders' breakage and redeployment costs in the case of prepayment of LIBOR borrowings and foreign currency borrowings bearing interest at a rate other than LIBOR. Each such prepayment of the New Term Facility shall be applied as directed by the Company. The unutilized portion of the commitments under the Amended Senior Credit Facility may be irrevocably reduced or terminated by the Company at any time without penalty.

The Amended Senior Credit Facility is guaranteed by each existing and future direct and indirect wholly owned material domestic Restricted Subsidiary and foreign Restricted Subsidiary of the Company (other than any Brazilian subsidiary). The Amended Senior Credit Facility is secured by substantially all assets of the Company and its material domestic Restricted Subsidiaries, with the exception of real property.

The Amended Senior 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 Senior Credit Facility also requires that we comply with certain financial covenants, including meeting a consolidated leverage ratio and consolidated fixed charge coverage ratio. The Company is in compliance with the Amended Senior Credit Facility covenants as of December 31, 2022.

Foreign Lines of Credit

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately \$10,000 of availability. There were no borrowings under the lines of credit at December 31, 2022 and 2021.

Debt Maturity

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>
Term Loan Facility	\$ 39,375	\$ 11,250	\$ 13,125	\$ 99,375	\$ -	\$ -
Other	-	-	-	-	-	858
	<u>\$ 39,375</u>	<u>\$ 11,250</u>	<u>\$ 13,125</u>	<u>\$ 99,375</u>	<u>\$ -</u>	<u>\$ 858</u>

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

9. Leases

We have operating and finance (formerly capital) leases primarily for real estate, equipment and vehicles. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Right-of-use assets and related liabilities are recorded on the balance sheet for leases with an initial term in excess of twelve months.

Right-of-use assets and lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Operating Leases:		
Right-of-use assets	\$ 24,520	\$ 27,964
Lease liabilities	27,544	31,115
Financing Leases:		
Right-of-use assets (property, plant and equipment, net)	10	50
Lease liabilities	11	52

The following is an analysis of leased property under financing leases by major classes as of December 31, 2022 and December 31, 2021.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Building and improvements	\$453	\$453
Machinery and equipment	3,599	3,599
Less: Accumulated depreciation	<u>(4,042)</u>	<u>(4,002)</u>
	<u>\$10</u>	<u>\$50</u>

Additional information with respect to our operating and finance leases as of December 31, 2022 is presented below.

	Operating	Finance
Weighted average remaining lease term (years)	9.78	0.75
Weighted average discount rate	7.41%	5.85%

Lease expense consists of the following:

	December 31, 2022	December 31, 2021
Operating lease rent expense	\$ 5,182	\$ 5,557
Financing Leases:		
Amortization of right-of-use assets	20	35
Interest expense on lease liabilities	3	9
	\$ 23	\$ 44

Cash flow information related to leases is as follows:

	December 31, 2022	December 31, 2021
Cash Paid For Amounts Included in the Measurement of Lease Liabilities:		
Cash used in operating activities (operating leases)	\$ 5,069	\$ 5,339
Cash used in operating activities (financing leases)	42	35
Supplemental Cash Flow Information:		
Right-of-use assets obtained in exchange for lease obligations (operating leases)	\$ 755	\$ 364

Maturities of operating and financing lease liabilities as of December 31, 2022 are as follows:

Year	Operating Leases	Financing Leases
2023	\$ 4,851	\$ 11
2024	4,620	-
2025	4,416	-
2026	3,854	-
2027	3,755	-
Thereafter	17,951	-
Total lease payments	39,447	11
Less: discounted interest	(11,903)	-
	\$ 27,544	\$ 11

10. Retirement Plans

The Company has contributed \$75 to pension benefits in the U.S. during the year ended December 31, 2022.

The Company and its subsidiaries have defined contribution and defined benefit plans varying by country and subsidiary.

The Company's operations in the United States, France, and Germany historically offered defined benefit retirement plans ("Plan") to their employees. Most of these benefits have been terminated, resulting in various reductions in liabilities and curtailment gains.

Included in accumulated other comprehensive loss, net of tax is \$(24,747) as of December 31, 2022. The following amounts not yet recognized in net periodic benefit cost:

	<u>U.S. Pension Benefits</u>	<u>Non U.S. Pension Benefits</u>
Net actuarial loss	(\$24,172)	4,913
Prior service credit	2	-

Amounts included in other comprehensive income (loss) expected to be recognized as a component of net periodic benefit cost for the year ending December 31, 2022 are:

	<u>U.S. Pension Benefits</u>	<u>Non U.S. Pension Benefits</u>
Net actuarial (loss) gain	(\$474)	\$308

The measurement date for all defined benefit plans is December 31. The year-end status of the plans is as follows:

	<u>U.S. Pension Benefits</u>		<u>Non U.S. Pension Benefits</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$128,974	\$136,204	\$25,597	\$30,053
Service cost	-	-	415	456
Interest cost	3,655	3,434	300	257
Actuarial loss (gain)	(27,697)	(3,784)	(6,375)	(1,654)
Benefits paid	(7,194)	(6,880)	(684)	(629)
Currency translation	-	-	(1,492)	(2,886)
Estimated benefit obligation at end of year	<u>\$97,738</u>	<u>\$128,974</u>	<u>\$17,761</u>	<u>\$25,597</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$104,774	\$92,107	\$1,418	\$1,498
Actual return on plan assets	(14,964)	10,716	32	35
Employer contribution	76	8,831	684	629
Benefits paid	(7,193)	(6,880)	(384)	(629)
Currency translation	-	-	(383)	(115)
Fair value of plan assets at end of year	<u>\$82,693</u>	<u>\$104,774</u>	<u>\$1,367</u>	<u>\$1,418</u>
Unfunded status of the plan	<u>(\$15,045)</u>	<u>(\$24,200)</u>	<u>(\$16,394)</u>	<u>(\$24,179)</u>

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2022	2021	2022	2021
Amounts recognized in statement of financial position:				
Current liabilities	(\$73)	(\$73)	(\$592)	(\$587)
Noncurrent liabilities	(14,972)	(24,127)	(15,802)	(23,592)
Net amount recognized	<u>(\$15,045)</u>	<u>(\$24,200)</u>	<u>(\$16,394)</u>	<u>(\$24,179)</u>

The funded status of these pension plans as a percentage of the projected benefit obligation was 73% in 2022 compared to 69% in 2021.

Information for defined benefit plans with projected benefit obligations in excess of plan assets:

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2022	2021	2022	2021
Projected benefit obligation	\$97,738	\$128,974	\$17,761	\$25,597
Fair value of plan assets	\$82,693	\$104,774	\$1,367	\$1,418

Information for defined benefit plans with accumulated benefit obligations in excess of plan assets:

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2022	2021	2022	2021
Accumulated benefit obligation	\$97,738	\$128,974	\$17,761	\$25,597
Fair value of plan assets	\$82,693	\$104,774	\$1,367	\$1,418

In connection with our adoption of FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, the components of net periodic benefit cost other than the service cost component are included in the line item other expense in the income statement.

Components of net periodic benefit cost for the years ended December 31:

	U.S. Pension Benefits			Non U.S. Pension Benefits		
	2022	2021	2020	2022	2021	2020
Component of net period benefit cost						
Service cost	\$ -	\$ -	\$ -	\$412	\$479	\$400
Interest cost	3,655	3,434	4,217	298	270	310
Expected return on plan assets	(5,029)	(4,928)	(5,179)	(35)	(37)	(34)
Amortization of prior service cost	-	-	-	10	12	10
Amortization of actuarial loss	752	1,240	1,025	47	106	48
	<u>(\$622)</u>	<u>\$ (254)</u>	<u>\$ 63</u>	<u>\$732</u>	<u>\$830</u>	<u>\$734</u>

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost as of December 31:

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2022	2021	2022	2021
Discount rate	5.55%	2.93%	4.11%	1.28%
Expected return on plan assets	5.00%	5.00%	2.60%	2.60%
Rate of compensation increase	N/A	N/A	3.18%	2.56%

The Company evaluates its discount rate assumption annually as of December 31 for each of its retirement-related benefit plans. The Company is using a Mercer bond model for determining its U.S. pension benefits.

The Company's expected return on plan assets is evaluated annually based upon a study which includes a review of anticipated future long-term performance of individual asset classes, and consideration of the appropriate asset allocation strategy to provide for the timing and amount of benefits included in the projected benefit obligation. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term prospective rate.

The Company's overall investment strategy is to achieve growth through a mix of approximately 75% of investments for long-term growth and 25% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 65% equity securities, 2% hedge funds and 33% to fixed income investments. Equity securities primarily include investments in large-cap, mid-cap and small-cap companies primarily located in the United States and international developed markets. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds that follow several different strategies.

Plan management uses the following methods and significant assumptions to estimate fair value of investments.

Money market – overnight bank deposits and money market mutual funds maintaining at all times \$1.00 Net Asset Value (“NAV”).

US Government and agency obligations – U.S. Treasury bonds, notes and other government obligations.

Exchange traded funds – marketable securities tracking asset baskets traded on active markets.

Mutual funds - Valued at the net asset value (“NAV”) of shares or units held by the Plan at year-end which is obtained from an active market or at share or unit prices provided by the fund manager with significant observable inputs.

Hedge funds - Value provided by the administrator of the fund. The pricing for these funds is provided monthly by the fund to determine the quoted price.

Common stocks - marketable corporate equity securities traded on active markets. The fair values of the Company's pension plan asset allocation at December 31, 2022 and 2021, by asset category are as follows:

	Fair Value Measurement at December 31, 2022			
	Total	Quoted Prices in Active Markets for Identical Assets		
		(Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$13,206	\$13,206		\$ -
US Government and agency obligations	15,142	2,336	12,806	-
Exchange traded funds	11,738	11,738		-
Mutual funds	19,564	19,564		-
Common stocks	24,410	24,410		-
Total Assets in the fair value hierarchy	84,060	\$71,254	\$12,806	-
Investments measured at NAV (a)	-			
Investments at fair value	\$84,060			

(a) Hedge funds are measured at fair value using the NAV per share practical expedient, and therefore have not been classified in the fair value hierarchy.

	Fair Value Measurement at December 31, 2021			
	Total	Quoted Prices in Active Markets for Identical Assets		
		(Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$5,540	\$5,540	\$ -	\$ -
US Government and agency obligations	10,307	5,670	4,637	-
Exchange traded funds	24,332	24,332	-	-
Mutual funds	39,402	39,402	-	-
Common stocks	26,514	26,514	-	-
Total Assets in the fair value hierarchy	106,095	\$101,458	\$4,637	-
Investments measured at NAV (a)	97			
Investments at fair value	\$106,192			

(a) Hedge funds are measured at fair value using the NAV per share practical expedient, and therefore have not been classified in the fair value hierarchy.

The following table provides a summary of the estimated benefit payments for the postretirement plans for the next five fiscal years individually and for the following five fiscal years in the aggregate.

	<u>Total Estimated Benefit</u>	
	<u>Payments</u>	
	<u>U.S.</u>	<u>Non U.S</u>
2023	\$7,877	\$687
2024	8,040	670
2025	8,027	861
2026	7,994	961
2027	8,042	935
Thereafter	38,076	5,965

The Company's expected contribution for the 2023 fiscal year is \$2,233 for the U.S. pension plan. There is no funding requirement for non-U.S. pension plans.

Savings Plans

The Company also has defined contribution savings and similar plans for eligible employees, which vary by subsidiary. The Company's aggregate contributions to these plans are based on eligible employee contributions and certain other factors. The Company expense for these plans was \$1,160, \$1,212 and \$1,120 in 2022, 2021 and 2020, respectively.

International Plans

The Company maintains various pension and statutory separation pay plans for its European employees. The expense, not including the French and German pension plan, in 2022, 2021, and 2020 was \$(431), \$379 and \$157, respectively. As of their most recent valuation dates, for those plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately \$5,547.

11. Capital Stock, Treasury Stock and Paid in Capital

Authorized shares of preferred stock (\$0.01 par value per share) and common stock (\$0.01 par value per share) for the Company are 50,000,000 shares and 150,000,000 shares, respectively. No preferred stock have been issued.

On October 9, 2020, the Company completed a private placement of 50,000,000 shares of common stock at \$2.00 per share. The Company used the net proceeds of the private placement to complete a refinancing of its short term debt.

As a result of the private placement to complete an extinguishment of the Revolving Credit Facility and Term Loan Facility in 2020 and subsequent purchases, Icahn Enterprises L.P. currently owns approximately 90.0% of our outstanding common stock.

In 2004, the Company purchased 805,270 shares of its common stock from the underwriter for a purchase price of \$298. The common stock has been accounted for as treasury stock.

12. Income Taxes

Income tax provision (benefit) consisted of:

	2022	2021	2020
Current			
Domestic	\$51	\$1,097	\$87
Foreign	7,187	4,233	3,968
Total current	7,238	5,330	4,055
Deferred			
Domestic	(32)	1,379	2,458
Foreign	(67)	(2,182)	(295)
Total deferred	(99)	(803)	2,163
Total	<u>\$7,139</u>	<u>\$4,527</u>	<u>\$6,218</u>

The reconciliation of income tax provision (benefit) attributable to earnings differed from the amounts computed by applying the U.S. Federal statutory income tax rate to earnings by the following amounts:

Income (loss) before income taxes:

	2022	2021	2020
Domestic	(\$6,297)	(\$4,680)	\$6,921
Foreign	15,720	5,851	3,860
Total	<u>\$9,423</u>	<u>\$1,171</u>	<u>\$10,781</u>
Computed income tax provision (benefit)	\$1,979	\$246	\$2,264
State and local taxes, net of federal tax	341	48	763
Foreign taxes, net	655	(103)	(652)
Valuation allowance	(887)	(1,866)	2,300
Uncertain tax positions - (benefit) expense	860	545	(44)
Foreign exchange impact	18	930	15
Permanent differences, net	1,687	3,544	1,046
Revaluation of deferreds	1,016	795	206
Other, net	1,470	388	320
Total income tax provision	<u>\$7,139</u>	<u>\$4,527</u>	<u>\$6,218</u>

Computed income tax (benefit) provision	21.0%	21.0%	21.0%
State and local taxes, net of federal tax	3.6%	4.1%	7.1%
Foreign taxes, net	6.9%	-8.8%	-6.0%
Valuation allowance	-9.4%	-159.3%	21.3%
Uncertain tax positions - expense (benefit)	9.1%	46.5%	-0.4%
Foreign exchange impact	0.2%	79.4%	0.1%
Permanent differences, net	17.9%	302.6%	9.7%
Revaluation of deferreds	10.8%	67.9%	1.9%
Other, net	15.7%	33.1%	3.0%
Effective income tax rate	<u>75.8%</u>	<u>386.5%</u>	<u>57.7%</u>
Statutory federal rate	21.0%	21.0%	21.0%

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2022 and 2021 are as follows:

	2022	2021
Deferred tax asset		
Provisions not currently deductible	\$7,756	\$8,122
Inventory basis differences	3,031	2,700
Stock options	42	39
Pension and healthcare	6,281	8,781
Net operating loss carryforwards	19,903	25,866
Lease liability	6,003	6,133
Foreign exchange and other	1,067	-
Valuation allowance	(7,781)	(8,032)
Total deferred tax asset	<u>\$36,302</u>	<u>\$43,609</u>
Deferred tax liability		
Property, plant, and equipment	(\$6,631)	(\$8,227)
Intangible asset	(4,912)	(5,655)
Right of use assets	(5,903)	(6,038)
Foreign exchange and other	-	(535)
Total deferred tax liability	<u>(\$17,446)</u>	<u>(\$20,455)</u>
	<u>\$18,856</u>	<u>\$23,154</u>

The net deferred tax asset (liability) is classified in the balance sheet as follows:

	2022	2021
Non-current deferred tax assets	\$22,261	\$25,235
Non-current deferred tax liability	(3,405)	(2,081)
Non-current deferred tax assets, net	<u>\$18,856</u>	<u>\$23,154</u>

A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. Management believes that it is more likely than not that its net deferred tax assets will be realized based on the weight of positive evidence and future income except with respect to the loss in Brazil and a portion of the state loss in the US. The Company has a valuation allowance for Brazil December 31, 2022 and December 31, 2021 of \$7,355 and \$7,472, respectively. The Company had a valuation allowance for Viskase Poland at December 31, 2021 of \$59 and none at December 31, 2022. The Company has a valuation allowance in the U.S. at December

31, 2022 and December 31, 2021 of \$426 and \$500, respectively. The Company has gross U.S. federal net operating loss carryforwards at December 31, 2022 and December 31, 2021 of \$50,829 and \$61,500, respectively, with amounts beginning to expire in 2024. The Company has gross net operating loss carryforwards in Brazil at December 31, 2022 and December 31, 2021 of \$6,015 and \$9,025 respectively and has an unlimited carryforward period. The Company has gross net operating loss carryforwards in Poland at December 31, 2022 and December 31, 2021 of \$346 and \$216, respectively and has a five year carryforward period. The Company has gross net operating loss carryforwards in France at December 31, 2022 and December 31, 2021 of \$7,433 and \$10,906, respectively and has an unlimited carryforward period. The Company has gross net operating loss carryforwards in Viskase Germany at December 31, 2022 and December 31, 2021 of \$7,704 and \$4,557 for Income Tax and Trade Tax. The Company has gross net operating loss carryforwards in CT Casings at December 31, 2022 and December 31, 2021 of \$2,551 and \$12,793 for Income Tax and Trade Tax. Germany has an unlimited carryforward period on Trade Tax.

Following the Equity Private Placement, IELP became the beneficial owner of more than 80% of the shares of our common stock and the Company became a member of the consolidated group of a corporate subsidiary of Icahn Enterprises for U.S. federal income tax purposes (the "IEP Corporate Subsidiary"). As a result, the IEP Corporate Subsidiary and the Company entered into a tax allocation agreement for the allocation of certain income tax items. The Company and its subsidiaries consented to join the IEP Corporate Subsidiary's federal consolidated return and, if elected by the IEP Corporate Subsidiary, certain state consolidated returns.

Uncertainty in Income Taxes

The uncertain tax positions as of December 31, 2022 totaled \$15,983. The following table summarizes the activity related to the unrecognized tax benefits.

(in thousands)	2022	2021
Unrecognized tax benefits as of January 1	\$16,158	\$17,317
Increases in positions taken in a prior period	26	-
Decreases in positions taken in a prior period	-	-
Decreases due to settlements	-	(623)
Increases due to currency translation	-	-
Decreases due to currency translation	(201)	(510)
Decreases due to lapse of statute of limitations	-	(26)
Unrecognized tax benefits as of December 31	\$15,983	\$16,158

In 2022, the Company recognized an approximate net decrease of \$175 to the reserves for uncertain tax positions.

Approximately \$15,983 of the total gross 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 substantially concluded all U.S. federal income tax matters for years through 2016. Substantially all material state and local and foreign income tax matters have been concluded for years through 2013. 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 \$6,793.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the years ended December 31, 2022 and 2021, the Company recorded adjustments for interest of \$835 and \$536, respectively, and for penalties of \$10 and \$(9), respectively related to these unrecognized tax benefits. In total, as of December 31, 2022 and 2021, the Company has recorded a liability of interest of \$3,146 and \$2,311, respectively, and \$157 and \$147, respectively, for potential penalties.

13. Goodwill and Intangible Assets, net

The Company currently has \$3,207 of goodwill with no impairment.

Goodwill consists of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Beginning balance	\$3,373	\$3,620
Translation	<u>(166)</u>	<u>(247)</u>
Gross carrying amount, December 31st	<u>\$3,207</u>	<u>\$3,373</u>

Intangible assets, net consists of the following:

	<u>December 31, 2022</u>		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite live intangible assets:			
Customer relationships	\$18,708	(\$5,760)	\$12,948
Technologies	2,234	(1,077)	1,157
Patents/Trademarks	9,681	(7,089)	2,592
In-place leases	<u>194</u>	<u>(83)</u>	<u>111</u>
	<u>\$30,817</u>	<u>(\$14,009)</u>	<u>\$16,808</u>

	<u>December 31, 2021</u>		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite live intangible assets:			
Customer relationships	\$19,866	(\$5,026)	\$14,840
Technologies	2,373	(942)	1,431
Patents/Trademarks	9,864	(6,736)	3,128
In-place leases	<u>206</u>	<u>(74)</u>	<u>132</u>
	<u>\$32,309</u>	<u>(\$12,778)</u>	<u>\$19,531</u>

Amortization expense associated with definite-lived intangible assets was \$1,576, \$1,755 and \$1,657 for the years ended December 31, 2022, 2021 and 2020, respectively. We

utilize the straight-line method of amortization, recognized over the estimated useful lives of the assets.

The estimated future amortization expense for our definite-lived intangible assets is as follows:

2023	\$1,526
2024	1,526
2025	1,526
2026	1,526
2027	1,526
Total thereafter	9,178
Total amortization	<u>\$16,808</u>

14. 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.

15. Stock-based compensation (Dollars in Thousands, except Per Share Amount)

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 \$0 for the years ended December 31, 2022 and 2021.

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

	<u>2013</u>
Expected term	10 years
Expected stock volatility	17.33%
Risk-free interest rate	1.75%
Expected forfeiture rate	0.00%
Fair value per option	\$0.51

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 are fully vested. The options for the Chief Administrative Officer were forfeited on June 26, 2022.

The Company's outstanding options were:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Grant-Date Fair Value
Outstanding, December 31, 2020	325,000	\$ 8.00	41 months	\$ 0.51
<i>Vested and exercisable at Dec. 31, 2020</i>	<i>325,000</i>	<i>\$ 8.00</i>	<i>41 months</i>	<i>\$ 0.51</i>
Granted	-	\$ -	-	-
Exercised	-	\$ -	-	-
Forfeited	-	\$ -	-	-
Outstanding, December 31, 2021	325,000	\$ 8.00	29 months	\$ 0.51
<i>Vested and exercisable at Dec. 31, 2021</i>	<i>325,000</i>	<i>\$ 8.00</i>	<i>29 months</i>	<i>\$ 0.51</i>
Granted	-	\$ -	-	-
Exercised	-	\$ -	-	-
Forfeited	(325,000)	\$ -	-	-
Outstanding, December 31, 2022	-	\$ -		\$ -
<i>Vested and exercisable at Dec. 31, 2022</i>	<i>-</i>	<i>\$ -</i>		<i>\$ -</i>

Vested and exercisable options as of December 31, 2022 were zero.

16. Research and Development Costs

Research and development costs are expensed as incurred and totaled \$5,267, \$4,531 and \$4,411 for 2022, 2021, and 2020, respectively.

17. Related-Party Transactions

As of December 31, 2022, and December 31, 2021, Icahn Enterprises L.P. owned approximately 90.0% and 89.0% of our outstanding common stock, respectively.

Equity Private Placement of Common Stock & Change in Number of Authorized Shares

Beginning in the first quarter of 2020, the Company entered into discussions with a number of banks, including BofA, regarding the terms of a new senior credit facility which would replace both the Term Loan and the ABL Loan. Under the new senior credit facility proposed by BofA, the Company was required to raise at least \$100,000 in equity capital, the proceeds of which were to be used, together with borrowings under the new senior credit facility, to repay the Term Loan and the ABL Loan. The Company met this condition through the issuance of 50,000,000 shares of common stock to an affiliate of IELP in a private placement transaction at a purchase price of \$2.00 per share (the "Equity Private Placement"). In order to complete the offering of the Equity Private Placement, the Company amended its Amended and Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock by 50,000,000 shares.

Prior to the completion of the Equity Private Placement, IELP beneficially owned approximately 78.6% of the Company's outstanding common stock. As a result of the Equity Private Placement, IELP is the beneficial owner of approximately 89.0% of the Company's outstanding common stock. The Equity Private Placement was approved by a Special Committee of disinterested directors of the Company.

Pension Liabilities

Applicable pension and tax laws make each member of a "controlled group" of entities, generally defined as entities in which there is at least an 80% common ownership interest, jointly and severally liable for certain pension plan obligations of any member of the controlled group. These pension obligations include ongoing contributions to fund the plan, as well as liability for any unfunded liabilities that may exist at the time the plan is terminated. In addition, the failure to pay these pension obligations when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation ("PBGC") against the assets of each member of the controlled group.

As a result of the Equity Private Placement, IELP became the beneficial owner of more than 80% of the shares of our common stock and the Company became subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF Industries LLC ("ACF"), is the sponsor of several pension plans. All the minimum funding requirements of the Internal Revenue Code, as amended, and the Employee Retirement Income Security Act of 1974, as amended, for the ACF plans have been met as of December 31, 2021. If the plans were voluntarily terminated, they would be underfunded by approximately \$16,600 as of December 31, 2022. These results are based on the most recent information provided by the plans' actuary. These liabilities could increase or decrease, depending on a number of factors, including future changes in benefits, investment returns, and the assumptions used to calculate the liability. As members of the controlled group, we would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the ACF pension plans. In addition, other entities now or in the future within the controlled group in which we are included may have pension plan obligations that are, or may become, underfunded and we would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon termination of such plans.

The current underfunded status of the ACF pension plans requires them to notify the PBGC of certain "reportable events," such as if we cease to be a member of the ACF controlled group, or if we make certain extraordinary dividends or stock redemptions. The obligation to report could cause us to seek to delay or reconsider the occurrence of such reportable events.

In connection with the Equity Private Placement, the Company entered into an agreement with Icahn Enterprises Holdings L.P. pursuant to which Icahn Enterprises Holdings L.P. has agreed to indemnify us and our subsidiaries from losses resulting from any imposition of certain pension funding or termination liabilities that may be imposed on us and our subsidiaries or our assets as a result of being a member of the Icahn controlled group.

Based on the contingent nature of potential exposure related to these affiliate pension obligations and the indemnification from Icahn Enterprises Holdings L.P., no liability has been recorded in the accompanying consolidated financial statements.

Tax Allocation

Following the Equity Private Placement, IELP became the beneficial owner of more than 80% of the shares of our common stock and the Company became a member of the consolidated group IEP Corporate Subsidiary for U.S. federal income tax purposes. As a result, the IEP Corporate Subsidiary and the Company entered into a tax allocation

agreement for the allocation of certain income tax items. The Company and its subsidiaries consented to join the IEP Corporate Subsidiary's federal consolidated return and, if elected by the IEP Corporate Subsidiary, certain state consolidated returns. In those jurisdictions where the Company and its subsidiaries will file consolidated returns with the IEP Corporate Subsidiary, the Company will pay to the IEP Corporate Subsidiary any tax it would have owed had it and its subsidiaries continued to file as a separate consolidated group. To the extent that the IEP Corporate Subsidiary consolidated group is able to reduce its tax liability as a result of including the Company and its subsidiaries in its consolidated group, the IEP Corporate Subsidiary will pay the Company 20% of such reduction on a current basis and the Company will be treated as if it would carry forward for its own use under the tax allocation agreement, 80% of the items that caused the tax reduction (the "Excess Tax Benefits"). Moreover, if the Company and its subsidiaries should ever become deconsolidated from the IEP Corporate Subsidiary, the IEP Corporate Subsidiary will reimburse the Company for any tax liability in post-consolidation years that the Company and its subsidiaries would have avoided had they actually had the Excess Tax Benefits for their own consolidated group use. The cumulative payments to the Company by the IEP Corporate Subsidiary post-consolidation will not exceed the cumulative reductions in tax to the IEP Corporate Subsidiary group resulting from the use of the Excess Tax Benefits by the IEP Corporate Subsidiary group.

18. Business Segment Information and Geographic Area Information

The Company primarily manufactures and sells cellulosic food casings as its sole business segment. The Company's operations are viewed in geographic regions of 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:

	2022	2021	2020
Net sales			
North America	\$216,819	\$203,525	\$207,321
South America	50,621	49,674	47,832
Europe	187,401	184,823	170,777
Asia	48,940	49,951	45,000
Other and eliminations	(72,947)	(72,301)	(62,043)
	<u>\$430,834</u>	<u>\$415,672</u>	<u>\$408,887</u>
Operating income			
North America	\$269	(\$1,290)	\$11,909
South America	6,334	8,074	5,345
Europe	7,774	6,445	4,481
Asia	7,870	7,878	7,063
	<u>\$22,247</u>	<u>\$21,107</u>	<u>\$28,798</u>

Net Sales by country

United States	\$134,885	\$121,114	\$123,365
Brazil	25,226	28,808	24,928
Italy	28,249	28,093	24,074
Germany	23,014	29,747	26,480
France	10,976	12,946	12,806
Philippines	31,644	28,741	18,994
Poland	9,328	10,154	8,982
Other international	167,512	156,069	169,258
	<u>\$430,834</u>	<u>\$415,672</u>	<u>\$408,887</u>

19. Interest Expense, Net

Net interest expense consisted of:

	December 31, 2022	December 31, 2021	December 31, 2020
Interest expense	\$8,433	\$6,319	\$11,974
Less Capitalized interest	-	(162)	(578)
Interest expense, net	<u>\$8,433</u>	<u>\$6,157</u>	<u>\$11,396</u>

20. Changes in Accumulated Other Comprehensive Loss

	Accrued Employee Benefits	Translation Adjustments	Total
Balance at December 31, 2021	(\$36,051)	(\$37,588)	(\$73,639)
Other comprehensive income (loss) before reclassifications	10,505	(4,779)	5,726
Reclassifications from accumulated other comprehensive loss to earnings	799		799
Balance at December 31, 2022	<u>(\$24,747)</u>	<u>(\$42,367)</u>	<u>(\$67,114)</u>

	Amounts Reclassified from Accumulated Other Comprehensive Loss	Affected Line Items in the Consolidated Statement of Operations
Accrued Employee Benefits		
Amortization of net actuarial loss	799	Other Expense, net
	<u>\$799</u>	

21. Restructuring Charges

During the year ended December 31, 2021, the Company recognized a change in estimate for our restructuring expense in our European segment of \$507, which we believe is our final approved restructuring plans. The costs relate to a restructuring of its French and German subsidiary operations to safeguard the Company's competitive environment in the European market. The plan will involve the involuntary termination of

approximately 150 employees, the closure of our European sales office and relocation of part of our finishing operation. The Company has also opened a European shared service center with the consolidation of corporate jobs in this market.

The following table provides details of our restructuring provisions.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Beginning balance	\$128	\$2,062
Provision	-	507
Payments	(128)	(2,405)
Translation		(36)
Ending balance	<u>-</u>	<u>\$128</u>

22. Variable Interest Entity

The Company holds a variable interest in a joint venture for which the Company is the primary beneficiary. The joint venture, VE Netting, LLC, is a manufacturing, marketing and selling company of high-quality netting solutions for the meat and poultry industry. VE Netting, LLC is a Delaware limited liability company with its principal place of business in Lombard, IL. The netting product is manufactured under agreement by Viskase's affiliate located in Monterrey, Mexico.

As the primary beneficiary of the variable interest entity (VIE), the VIEs' assets, liabilities, and results of operations are included in the Company's consolidated financial statements as of, and for the period ended, December 31, 2022 and December 31, 2021. The other equity holders' interests are reflected in "Net loss attributable to noncontrolling interests" in the Consolidated Statements of Operations and "Noncontrolling interests" in the Consolidated Balance Sheets.

The following table summarizes the carrying amount of the VIEs' assets and liabilities included in the Company's Consolidated Balance Sheets at December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$114	\$42
Receivables, net	131	79
Inventories	682	316
Other current assets	56	41
Property, plant and equipment	1,309	1,285
Less: Accumulated depreciation	(631)	(506)
Property, plant and equipment, net	678	779
Other assets	25	27
Total Assets	<u>\$1,686</u>	<u>\$1,284</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Total Liabilities	<u>1,059</u>	<u>168</u>
Paid in capital	2,931	2,931
Retained earnings	(2,304)	(1,815)
Total Stockholder Equity	<u>627</u>	<u>1,116</u>
Total Liabilities and Stockholders' Equity	<u>\$1,686</u>	<u>\$1,284</u>

All assets in the above table can only be used to settle obligations of the consolidated VIE. Liabilities are nonrecourse obligations. Amounts presented in the table above are adjusted for intercompany eliminations.

The following table summarizes the Statement of Operations of the VIE included in the Company's Consolidated Statement of Operations for the period ended December 31, 2022 and December 31, 2021.

	December 31, 2022	December 31, 2021	December 31, 2020
Net sales	\$1,197	\$974	\$627
Cost of sales	1,371	981	572
Gross margin	(174)	(7)	55
Selling, general and administrative	228	206	230
Operating loss	(402)	(213)	(175)
Other expense	87	60	67
Loss before income taxes	(489)	(273)	(242)
Income tax expense	-	-	115
Net loss	<u>(\$489)</u>	<u>(\$273)</u>	<u>(\$357)</u>



23. Subsequent Events

Viskase evaluated its December 31, 2022 consolidated financial statements for subsequent events through March 28, 2023, the date the consolidated financial statements were available to be issued.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Unaudited)

Company Overview

The Company operates in the casing product segment of the food industry. Viskase is a worldwide leader in the production and sale of cellulosic, fibrous and plastic casings for the processed meat and poultry industry. Viskase currently operates ten manufacturing facilities throughout North America, Europe, South America and Asia. Viskase provides value-added support services relating to these products for some of the world's largest global consumer products companies. Viskase is one of the two largest worldwide producers of non-edible cellulosic casings for processed meats and one of the three largest manufacturers of non-edible fibrous casings.

Our net sales are driven by consumer demand for meat products and the level of demand for casings by processed meat manufacturers, as well as the average selling prices of our casings. Specifically, demand for our casings is dependent on population growth, overall consumption of processed meats and the types of meat products purchased by consumers. Average selling prices are dependent on overall supply and demand for casings and our product mix.

Our cellulose, fibrous and plastic casing extrusion operations are capital-intensive and are characterized by high fixed costs. Our finishing operations are labor intensive. The industry's operating results have historically been sensitive to the global balance of capacity and demand. The industry's extrusion facilities produce casings under a timed chemical process and operate continuously.

Our contribution margin varies with changes in selling price, input material costs, labor costs and manufacturing efficiencies. The total contribution margin increases as demand for our casings increases. Our financial results benefit from increased volume because we do not have to increase our fixed cost structure in proportion to increases in demand. For certain products, we operate at near capacity in our existing facilities. We regularly evaluate our capacity and projected market demand. We believe the current and planned cellulosic production capacity in our industry is in balance with global demand.

Comparison of Results of Operations for Years Ended December 31, 2022, 2021 and 2020.

The following discussion compares the results of operations for the fiscal year ended December 31, 2022 to the results of operations for the fiscal year ended December 31, 2021, and compares the results of operations for the fiscal year ended December 31, 2020 to the results of operations for the fiscal year ended December 31, 2020. We have provided the table below in order to facilitate an understanding of this discussion. The table shows our results of operations (in millions) for the 2022, 2021 and 2020 fiscal years.

	Year Ended Dec 31, 2022		Year Ended Dec 31, 2021		Year Ended Dec 31, 2020
NET SALES	\$430.8	3.6%	\$415.7	1.7%	\$408.9
Cost of sales	356.7	3.8%	343.6	4.8%	327.9
Selling, general and administrative	50.3	4.4%	48.2	-3.2%	49.8
Amortization of intangibles	1.6	-11.1%	1.8	5.9%	1.7
Asset impairment	-	NM	0.5	25.0%	0.4
Restructing expense	-	NM	0.5	25.0%	0.4
OPERATING INCOME	22.2	5.2%	21.1	-26.7%	28.8
Interest expense, net of income	8.4	35.5%	6.2	-45.6%	11.4
Other expense, net	4.4	-68.1%	13.8	115.6%	6.4
Loss on early extinguishment of debt	-	NM	-	NM	0.3
Income tax provision	7.1	57.8%	4.5	-27.4%	6.2
NET INCOME (LOSS)	<u>\$2.3</u>	NM	<u>(\$3.4)</u>	NM	<u>\$4.6</u>

NM= Not meaningful when comparing positive to negative numbers or to zero.

2022 Versus 2021

Net Sales. Our net sales for 2022 were \$430.8 million, which represents an increase of \$15.1 million or 3.6% from the prior year. Net sales increased \$60 million from price and mix, offset by a decrease of \$16 million due to foreign currency translation and \$29 million due to volume.

Cost of Sales. Cost of sales for 2022 increased 3.8% from the comparable prior year period. The increase is mainly due to inflation of raw material cost and lower absorption of manufacturing costs at our plants due to labor and raw material supply shortages.

Selling, General and Administrative Expenses. We increased selling, general and administrative expenses from \$48.2 million in 2021 to \$50.3 million in 2022. The increase is mainly due to higher costs for employee compensation plans.

Amortization of Intangibles. The Company incurred an expense of \$1.6 million during 2022 on the amortization of intangibles recognized with the acquisitions compared to \$1.8 million in 2021.

Asset Impairment Charge. The Company incurred an asset impairment charge of \$0.5 million in 2021 related to a prepaid IP royalty.

Restructuring Expense. Restructuring expense of \$0.5 million during 2021 resulted from the planned partial relocation of our manufacturing operation in Thaon, France and a downsizing of our facility in Bomlitz, Germany. The plan involved the involuntary

termination of approximately 150 employees. The Company anticipates an annual savings of \$10.0 million per year when the plan is fully implemented.

Operating Income. Operating income for 2022 was \$22.2 million, representing an increase of \$1.1 million from the prior year. The increase in operating income was primarily due to higher gross profit.

Interest Expense. Interest expense, net of interest income, for 2022 was \$8.4 million, representing an increase of \$2.2 million compared to 2021. The increase is a result of a higher interest rate on our Term loan and increased borrowing.

Other Expense. Other expense for 2022 was approximately \$4.4 million, representing a decrease of \$9.4 million over 2021. The decrease is primarily due to foreign currency translation loss.

Income Tax Provision. During 2022, an income tax expense of \$7.1 million was recognized on the income before income taxes of \$9.4 million compared to income tax expense of \$4.5 million in 2021. The 2022 effective income tax rate was 75.8% compared to 386.5% for 2021.

Primarily as a result of the factors discussed above, net income for 2022 was \$2.3 million compared to net loss of \$3.4 million for 2021.

2021 Versus 2020

Net Sales. Our net sales for 2021 were \$415.7 million, which represents an increase of \$6.8 million or 1.7% from the prior year. Net sales increased \$14 million from price and mix, \$6 million due to foreign currency translation and decrease \$13 million due to volume.

Cost of Sales. Cost of sales for 2021 increased 4.8% from the comparable prior year period. The increase is mainly due to inflation of raw material cost, higher distribution expense and lower absorption of manufacturing costs at our plants due to labor and raw material supply shortages.

Selling, General and Administrative Expenses. We decreased selling, general and administrative expenses from \$49.8 million in 2020 to \$48.2 million in 2021. The decrease is mainly due to lower costs for employee compensation plans.

Amortization of Intangibles. The Company incurred an expense of \$1.8 million during 2021 on the amortization of intangibles recognized with the acquisitions compared to \$1.7 million in 2020.

Asset Impairment Charge. The Company incurred an asset impairment charge of \$0.5 million in 2021 related to a prepaid IP royalty compared to a charge of \$0.4 million in 2020 related to the write down of capitalized software not placed in service.

Restructuring Expense. Restructuring expense of \$0.5 million during 2021 and \$0.4 million in 2020 resulted from the planned partial relocation of our manufacturing operation in Thaon, France and a downsizing of our facility in Bomlitz, Germany. The plan involved the involuntary termination of approximately 150 employees. The Company anticipates an annual savings of \$10.0 million per year when the plan is fully implemented.

Operating Income. Operating income for 2021 was \$21.1 million, representing a decrease of \$7.7 million from the prior year. The decrease in operating income was primarily due to higher cost of sales discussed above.

Interest Expense. Interest expense, net of interest income, for 2021 was \$6.2 million, representing an decrease of \$5.2 million compared to 2020. The decrease is a result of a lower interest rate on our Term loan.

Other Expense. Other expense for 2021 was approximately \$13.8 million, representing an increase of \$7.4 million over 2020. The increase is primarily due to foreign currency translation loss.

Income Tax Provision. During 2021, an income tax expense of \$4.5 million was recognized on the income before income taxes of \$1.2 million compared to income tax expense of \$6.2 million in 2020. The 2021 effective income tax rate was 386.5% compared to 57.7% for 2020.

Primarily as a result of the factors discussed above, net loss for 2021 was \$3.4 million compared to net income of \$4.6 million for 2020.

Liquidity and Capital Resources

Cash and cash equivalents decreased by \$1.1 million during 2022. Net cash provided by operating activities was \$10.4 million and net cash used in investing activities was \$22.2 million. Net cash provided by financing activities was \$6.2 million. Cash flows provided by operating activities were principally attributable to results from operations. Our inventory increased during 2022 due to increased raw material purchasing to mitigate supply chain issues for our manufacturing plants. Cash flows used in investing activities were principally attributable to capital expenditures. Cash flows provided by financing activities principally consisted of short term borrowings.


Our cash held in foreign banks was \$9.1 million (against a total cash balance of \$8.7 million) and \$8.1 million (against a total cash balance of \$9.9 million) as of December 31, 2022 and December 31, 2021, respectively. Any cash held by our foreign subsidiaries does not have a significant impact on our overall liquidity, but if we fail to generate sufficient cash through our domestic operations, our foreign operations could be a potential source of liquidity.

As of December 31, 2022 the Company had positive working capital of approximately \$120.6 million, with additional amounts of credit available under its New Senior Credit Facility.

New Senior Credit Facility

On October 09, 2020, the Company entered into a Credit Agreement with Bank of America, N.A. ("BoFA") as Administrative Agent, Swingline Lender and L/C Issuer, and the other Lender parties thereto, providing for a \$150,000 term loan (the "New Term Loan") and a \$30,000 revolving credit facility (the "New Revolving Credit Facility" and together with the New Term Loan, the "New Senior Credit Facility").

On August 10, 2022, the Company entered into the Second Amendment to the New Senior Credit Facility (the "Amended Senior Credit Facility"). The Amended Senior Credit Facility increased the commitment of the New Revolving Credit Facility to \$37,000 and



transitioned Term Loans on September 30, 2022 and Revolving Loans on August 30, 2022 from LIBOR Loans to SOFR Loans. Amended terms of the facility are stated below.

The interest rates per annum applicable to the Amended Senior Credit Facility (other than in respect of Swingline Loans) will be SOFR, but in any event, not less than 0.00%, plus the Applicable Rate (as defined below), or, for U.S. dollar denominated loans only, made to the Company at the option of the Company, the Base Rate, defined as the highest of: (a) the Federal Funds Rate plus one-half percent (0.50%); (b) the Bank of America prime rate; and (c) the one (1) month SOFR (adjusted daily) plus one percent (1.00%), but in any case not less than 1.00%. plus the Applicable Rate. Applicable Rate means, with respect to the Amended Senior Credit Facility, a percentage per annum to be determined in accordance with the applicable pricing grid set forth in the Amended Senior Credit Facility based upon the Company's Consolidated Coverage Ratio as reflected in a quarterly Compliance Certificate. Each Swingline Loan shall bear interest at the Base Rate plus the Applicable Rate for Base Rate loans under the New Revolving Credit Facility. As of December 31, 2022, our current interest rate is 6.15%.

The Amended Senior Credit Facility requires the Company to repay principal of the New Term Loan at the rate of 5% of the original principal balance during each of the first two years, 7.5% during the third and fourth years and 10% of the original principal balance during the fifth year. The maturity date on the Amended Senior Credit Facility is August 13, 2026.

The Company may prepay the Amended Senior Credit Facility, in whole or in part, at any time without premium or penalty, subject to reimbursement of the Lenders' breakage and redeployment costs in the case of prepayment of LIBOR borrowings and foreign currency borrowings bearing interest at a rate other than LIBOR. Each such prepayment of the New Term Facility shall be applied as directed by the Company. The unutilized portion of the commitments under the Amended Senior Credit Facility may be irrevocably reduced or terminated by the Company at any time without penalty.

The Amended Senior Credit Facility is guaranteed by each existing and future direct and indirect wholly owned material domestic Restricted Subsidiary and foreign Restricted Subsidiary of the Company (other than any Brazilian subsidiary). The Amended Senior Credit Facility is secured by substantially all assets of the Company and its material domestic Restricted Subsidiaries, with the exception of real property.

The Amended Senior 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 Senior Credit Facility also requires that we comply with certain financial covenants, including meeting a consolidated leverage ratio and consolidated fixed charge coverage ratio. The Company is in compliance with the Amended Senior Credit Facility covenants as of December 31, 2022.

Foreign Lines of Credit

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately \$10.0 million of availability. There were no borrowings under the lines of credit at December 31, 2022 and 2021.

Pension and Postretirement Benefits

Our long-term pension and postretirement benefit liabilities totaled \$36.2 million at December 31, 2022.

Expected annual cash contributions for U.S. pension liabilities are expected to be (in millions):

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Pension	\$ 2.2	\$ 5.9	\$ 6.0	\$ 6.0	\$ 6.1

Contract Obligations

As of December 31, 2022, the aggregate maturities of debt⁽¹⁾, leases and purchase commitments for each of the next five years are (in millions):

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>
Term Loan Facility	\$ 39,375	\$ 11,250	\$ 13,125	\$ 99,375	\$ -	\$ -
Other	-	-	-	-	-	858
	<u>\$ 39,375</u>	<u>\$ 11,250</u>	<u>\$ 13,125</u>	<u>\$ 99,375</u>	<u>\$ -</u>	<u>\$ 858</u>

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


(2)

New Accounting Pronouncements

Please reference Footnote 1 in our Notes to Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements." Forward-looking statements are those that do not relate solely to historical fact. These statements relate to future events or our future financial performance and implicate known and unknown risks, uncertainties and other factors that may cause the actual results, performances or levels of activity of our business or our industry to be materially different from that expressed or implied by any such forward-looking statements. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. In some cases, you can identify forward-looking statements by use of words such as "believe," "anticipate," "expect," "estimate," "intend," "project," "plan," "will," "would," "could," "predict," "propose," "potential," "may" or words or phrases of similar meaning. Statements concerning our financial position, business strategy and measures to implement that strategy, including changes to operations, competitive strengths,



goals, plans, references to future success and other similar matters are forward-looking statements. Forward-looking statements may relate to, among other things:

- our ability to meet liquidity requirements and to fund necessary capital expenditures;
- the strength of demand for our products, prices for our products and changes in overall demand;
- assessment of market and industry conditions and changes in the relative market shares of industry participants;
- consumption patterns and consumer preferences;
- the effects of competition and competitor responses to our products and services ;
- our ability to realize operating improvements and anticipated cost savings;
- pending or future legal proceedings and regulatory matters;
- general economic conditions and their effect on our business;
- changes in the cost or availability of raw materials and changes in energy prices or other costs;
- pricing pressures for our products;
- the cost of and compliance with environmental laws and other governmental regulations;
- our results of operations for future periods;
- our anticipated capital expenditures;
- our ability to pay, and our intentions with respect to the payment of, dividends on shares of our capital stock;
- our ability to protect our intellectual property;
- economic and industry conditions affecting our customers and suppliers
- our ability to identify, complete and integration acquisitions; and
- our strategy for the future, including opportunities that may be presented to and/or pursued by us.

These forward-looking statements are not guarantees of future performance. Forward-looking statements are based on management's expectations that involve risks and uncertainties.

