VISKASE COMPANIES, INC.

ANNUAL REPORT 2010

This report has been prepared in accordance with Section 4.19 of the Indenture dated as of December 21, 2009 among Viskase Companies, Inc. (the "Company") and U.S. Bank National Association as trustee and as collateral agent (the "Trustee").

VISKASE COMPANIES, INC.

Annual Report - 2010

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SECTION 1. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements.” Forward-looking statements are those that do not relate solely to historical fact. Forward-looking statements in this report are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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 and are not guarantees of future performance. 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. Although it is not possible to identify all of the factors that may affect our financial position, business strategy and measures to implement that strategy, such factors may include, among others, the following:

- 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;
- market and industry conditions and changes in the relative market shares of industry participants;
- consumption patterns and consumer preferences in our markets;
- the effects of competition;
- our ability to realize operating improvements and anticipated cost savings;
- pending or future legal proceedings and regulatory matters, or the impact of any adverse outcome of any currently pending or future litigation on the adequacy of our reserves, our financial condition or the ability to sell our products;
- general economic conditions and their effect on our business both in the United States and global markets;
- continued expansion of the middle class and an increasing shift towards protein-rich diets in the emerging markets in which we compete;
- changes in the cost or availability of raw materials and changes in other costs;
- pricing pressures for our products;
- the cost of and compliance with environmental laws and other governmental regulations;
- our ability to engage in capital markets transactions;
- our ability to protect our intellectual property; and
- our ability to implement our strategy for the future, including capitalizing on opportunities that may be presented to and pursued by us.

SECTION 2. RISK FACTORS

You should read the following risk factors related to our business carefully in connection with evaluating our business. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, performance or financial condition in the future.

We face competitors that are better capitalized than we are, and the continuous-flow nature of the casings manufacturing process forces competitors to compete based on price in order to maintain volume, which could adversely affect our revenues and results.

We face competition in the United States and internationally from competitors that may have substantially greater financial resources than we have. The cellulosic casings industry includes competitors that are larger and better capitalized than we are. Currently, our primary competitors include Viscofan, S.A., Kalle Nalo GmbH, and VT Holding Group, although new competitors could enter the market or competing products could be introduced. Although prices for small diameter cellulosic casings have experienced annual increases since 2006, and we believe that the current output in our industry is generally in balance with global demand and that levels of capacity utilization are high, the continuous-flow nature of the casings manufacturing process has historically required competitors in our industry to compete based on price in order to maintain volume, which could result in lower pricing in future years. We attempt to differentiate our products on the basis of product quality and performance, product development, service, sales and distribution, but we and competitors in our industry have used price as a competitive factor in an attempt to obtain greater volumes. If prices decline, we may not be able to achieve profitability, whereas certain of our competitors who are better capitalized may be positioned to absorb such price declines. Any of these factors could result in a material reduction of our revenue, gross profit margins and operating results.

Deteriorations of national and global general economic conditions or disruptions in credit and other financial markets could adversely affect our business.

Our results of operations are affected by many economic factors, including the strength of economic conditions and level of economic development in the markets in which we operate. Deterioration of national and global economic conditions or disruptions in credit and other financial markets could result in a number of adverse effects to our business and our results of operations, including, among other things:

- making it more difficult or costly for us to obtain financing for our operations;
- impairing the financial condition of some of our customers or suppliers, thereby increasing bad debts or non- performance;
- negatively impacting the demand for protein products, which could result in a reduction of sales, operating income and cash flows; and
- impairing the financial viability of our insurers.

We receive our raw materials from a limited number of suppliers, and problems with our suppliers could impair our ability to meet our customers' product demands.

Our principal raw materials, paper and pulp, constitute an important aspect and cost factor of our operations. We generally purchase our paper and pulp from a single source or a small number of suppliers. Any inability of our suppliers to timely deliver raw materials or any unanticipated adverse change in our suppliers could be disruptive and costly to us. Our inability to obtain raw materials from our suppliers would require us to seek alternative sources. These alternative sources may not be adequate for all of our raw material needs, nor may adequate raw material substitutes exist in a form that our processes could be modified to use. These risks could materially and adversely affect our sales volume, revenues, costs of goods sold and, ultimately, profit margins.

Our failure to efficiently respond to industry changes in casings technology could jeopardize our ability to retain our customers and maintain our market share.

We and other participants in our industry have considered alternatives to cellulosic casings for many years. As resin technology improves or other technologies develop, alternative casings or other manufacturing methods may be developed that threaten the long-term sustainability and profitability of our cellulosic casings, which is our core product, and our fibrous casings. Our failure to anticipate, develop or efficiently and timely integrate new technologies that provide viable alternatives to cellulosic casings, including plastic and film alternatives, may cause us to lose customers and market share to competitors integrating such technologies, which, in turn, would negatively impact our revenues and operating results.

Sales of our products could be negatively affected by problems or concerns with the safety and quality of food products.

We could be adversely affected if consumers in the food markets were to lose confidence in the safety and quality of meat or poultry products, particularly with respect to processed meat or poultry products for which casings are used, such as hot dogs, deli meats and sausages. Outbreaks of, or even adverse publicity about the possibility of, diseases such as avian influenza and “mad cow disease,” food-borne pathogens such as E. coli and listeria and any other food safety problems or concerns relating to meat and poultry products may discourage consumers from buying such products. These risks could also result in additional governmental regulations, or cause production and delivery disruptions or product recalls. Each of these risks could adversely affect the demand for our products, and consequently, our sales volumes and revenues.

Changing dietary trends and consumer preferences could weaken the demand for our products.

Various medical studies detailing the health-related attributes of particular foods, including meat and poultry products, affect the purchasing patterns, dietary trends and consumption preferences of consumers. These patterns, trends and preferences are routinely changing. For example, general dietary concerns about meat products, such as the cholesterol, calorie, sodium and fat content of such products, could result in reduced demand for such products, which would, in turn, cause a reduction in the demand for our products and a decrease in our sales volume and revenue.

Our facilities are capital intensive, and we may not be able to obtain financing to fund necessary capital expenditures.

Our business is capital intensive. We operate seven manufacturing facilities, nine distribution centers and two service centers as part of our business. We are required to make substantial capital expenditures and substantial repair and maintenance expenditures to maintain, repair, upgrade and expand existing equipment and facilities to keep pace with competitive developments. In addition, we are required to invest in technological advances to maintain compliance with safety standards and environmental laws or regulations. We spent approximately $19.7 million for capital expenditures in 2010 and expect to spend approximately $39.6 million in 2011. Depending on our use of cash and other liquidity considerations, we may be required to obtain additional financing to fund future capital expenditures. If we need to obtain additional funds, we may not be able to do so on terms favorable to us, or at all, which would ultimately negatively affect our production and operating results.

Business interruptions at any of our production facilities could increase our operating costs, decrease our sales or cause us to lose customers.

The reliability of our production facilities is critical to the success of our business. In recent years, we have streamlined our production capacity to be better aligned with our sales volumes. At current operating levels, we have little or no excess production capacity for certain products. If the operations of any of our manufacturing facilities were interrupted or significantly delayed for any reason, including labor stoppages, we may be unable to shift production to another facility without incurring a significant drop in production. Such a drop in production would negatively affect our sales and our relationships with our customers.

We are subject to significant minimum contribution requirements and to market exposure with respect to our U.S. defined benefit plan, both of which could adversely affect our cash flow.

We continue to have a substantial funding liability with respect to our U.S. defined benefit pension plan. As of December 31, 2010, our aggregate minimum funding contribution requirement for our U.S. defined benefit plan from 2011 through 2015 is approximately $30.9 million and our unfunded pension liability was $38.4 million. These amounts could increase or decrease due to market factors, including actual and expected returns on plan assets, and the discount rate used to measure the liability.

Our international sales and operations expose us to political and economic risks in foreign countries, as well as to risks related to currency fluctuations, all of which could impair our ability to do business at the international level.

We currently have manufacturing or sales and distribution centers in seven foreign countries: Brazil, Canada, France, Germany, Italy, Mexico and Poland. Our international sales and operations may be subject to various political and economic risks including, but not limited to: possible unfavorable exchange rate fluctuations or hyperinflation; changes in a country's or region's political or economic conditions; governmental regulations, including import and export controls; tariffs; limits on the repatriation of funds; and taxes. Our sales to customers located outside the United States generally are subject to taxes on the repatriation of funds. In addition, international operations in certain parts of the world may be subject to international balance of payments difficulties that may raise the possibility of delay or loss in the collection of accounts receivable from sales to customers in those countries. Net sales to customers located outside the United States represented approximately 69% of our total net sales in 2010 and approximately 68% of our total net sales in 2009.

Should any of these risks occur, it could impair our ability to export our products or conduct sales to customers located outside of the United States and result in a loss of sales and profits from our international operations.

Continued consolidation of our customers and increasing competition for those customers may put pressure on our sales volumes and revenues.

In recent years, the trend among our customers has been towards consolidation within the meat processing industry. These consolidations have enhanced the purchasing power of our customers who, not being contractually obligated to purchase our products, tend to exert increased pressure with respect to pricing terms, product quality and new products. As our customer base continues to consolidate, the already high level of competition for the business of fewer customers is expected to intensify. If we do not continue to enhance the value of our product offering in a way that provides greater benefit to our customers, our sales volumes and revenues could decrease.

If we engage in strategic transactions, the terms of such transactions may not be advantageous to our business or we may be unable to effectively integrate a new business.

In connection with our business strategies and goals of growth of our operations and market share, we may seek to acquire, merge with, enter into partnerships with or enter into other similar transactions with, other companies, including companies that complement our existing products, technologies or distribution, or lower our costs, and we regularly engage in discussions with other companies or their representatives with respect to such transactions. Nonetheless, we may be unable to identify and successfully acquire, merge with, partner with or enter into other similar transactions with suitable companies under terms advantageous to our business. If we do enter into such transactions, we may be unable to efficiently and effectively integrate our business and achieve the anticipated synergies. The integration of the businesses may also result in unforeseen difficulties that require a disproportionate amount of our management's attention and other resources, which, in turn, may negatively affect our profitability.

Our intellectual property rights may be inadequate or violated, or we may be subject to claims of infringement, both of which could negatively affect our financial condition.

We rely on a combination of trademarks, patents, trade secret rights and other rights to protect our intellectual property. Our trademark or patent applications may not be approved and our trademarks or patents may be challenged by third parties. We cannot be certain that the steps we have taken will prevent the misappropriation of our intellectual property, particularly in foreign countries where the laws may not protect our rights as fully as the laws of the United States. From time to time, it has been necessary for us to enforce our intellectual property rights against infringements by third parties, and we expect to continue to do so in the ordinary course of our business. We also may be subjected to claims by others that we have violated their intellectual property rights. Even if we prevail, third party-initiated or company-initiated claims may be time consuming and expensive to resolve, and may result in a diversion of our time and resources. The occurrence of any of these factors could diminish the value of our trademark, patent and intellectual property portfolio, increase competition within our industry and negatively impact our sales volume and revenues.

Continued compliance with environmental regulations may result in significant costs, which could negatively affect our financial condition.

Our operations are subject to extensive and increasingly stringent environmental, health and safety laws and regulations pertaining to the discharge of substances into the environment, the handling and disposition of wastes and land reclamation and remediation of hazardous substances. We are also subject to differing environmental regulations and standards due to the fact that we operate in many different countries. Present and future environmental laws and regulations applicable to our operations may require substantial capital expenditures and may have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with environmental laws and regulations can have serious consequences for us, including criminal as well as civil and administrative penalties and negative publicity. Liability under these laws and regulations involves inherent uncertainties. In addition, continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at ongoing operations, which will be charged against income from future operations.

We have incurred, and will continue to incur, significant capital and operating expenditures to comply with various environmental laws and regulations. For example, we have spent in excess of $10 million on “maximum achievable control technology” to meet certain air emissions standards related to carbon disulfide under the federal Clean Air Act Amendments of 1990. Additional environmental requirements imposed in the future, including pending legislation and regulations in the United States concerning the emission of carbon dioxide and other greenhouse gases, could require currently unanticipated investigations, assessments or expenditures and may require us to incur significant additional costs. As the nature of these potential requirements and future charges is unknown, management is not able to estimate the magnitude of future costs, and we have not accrued any reserve for any potential future costs. At this time we cannot be certain that such legislation or regulations will not have a material adverse effect on our business, financial condition or results of operations.

Some of our facilities have been in operation for many years. During that time, we and previous owners of these facilities may have generated and disposed of wastes that are or may be considered hazardous or may have polluted the soil or groundwater at our facilities, including adjacent properties. Some environmental regulations impose liability on certain categories of persons who are deemed to be responsible for the release of “hazardous substances” or other pollutants into the environment, without regard to fault or to the legality of such person’s conduct. Under certain circumstances, a party may be required to bear more than its proportional share of cleanup costs at a contaminated site for which it has liability if payments sufficient to remediate the site cannot be obtained from other responsible parties.

Our substantial level of indebtedness could adversely affect our results of operations, cash flows and ability to compete in our industry, which could, among other things, prevent us from fulfilling our obligations under our debt agreements.

We have substantial indebtedness. In addition, subject to restrictions in the indenture (the “Indenture”) governing our 9.875% Senior Secured Notes due 2018 (the “9.875% Senior Secured Notes”) and the credit agreement governing our revolving credit facility, we may incur additional indebtedness. As of December 31, 2010, we had approximately $216.1 million of total debt, exclusive of additional indebtedness that we may borrow under our revolving credit facility.

Our high level of indebtedness has important implications, including the following:

- if we fail to satisfy our obligations under our indebtedness, or fail to comply with the restrictive covenants contained in the Indenture or our revolving credit facility, it may result in an event of default, all of our indebtedness could become immediately due and payable, and our lenders could foreclose on our assets securing such indebtedness following the occurrence and during the continuance of an event of default;

- a default under either the Indenture or our revolving credit facility could trigger cross-defaults under other key agreements or leases; and

- repayment of our indebtedness may require us to dedicate a substantial portion of our cash flow from our business operations, thereby reducing the availability of cash flow to fund working capital, capital expenditures, development projects, general operational requirements and other purposes.

We expect to obtain the funds to pay our expenses and to repay our indebtedness primarily from our operations and, in the case of our indebtedness, from refinancings thereof. Our ability to meet our expenses and make these payments thus depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flow from operations in the future and our currently anticipated growth in revenue and cash flow may not be realized, either or both of which could result in our being unable to repay indebtedness, or to fund other liquidity needs. If we do not have enough funds, we may be required to refinance all or part of our then existing debt, sell assets or borrow more funds, which we may not be able to accomplish on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the Indenture and our revolving credit facility contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. For example, we have the ability to borrow up to $25 million under our revolving credit facility, which is secured by liens on substantially all of our personal and real property assets, with certain exceptions. We may not be able to generate the significant amount of cash needed to pay interest and principal amounts on our debt, including the 9.875% Senior Secured Notes, which could result in our inability to fulfill our obligations under our indebtedness.

A substantial portion of our business is conducted through foreign subsidiaries, and our failure to generate sufficient cash flow from these subsidiaries, or otherwise repatriate or receive cash from these subsidiaries, could result in our inability to repay our indebtedness.

Our sales to customers located outside the United States are conducted primarily through subsidiaries organized under the laws of jurisdictions outside of the United States. For the year ended December 31, 2010, our foreign restricted subsidiaries contributed approximately 51% of our consolidated revenues. As of December 31, 2010, 37% of our consolidated assets, based on carrying value, were held by foreign subsidiaries. Our ability to meet our debt service obligations with cash from foreign subsidiaries will depend upon the results of operations of these subsidiaries and may be subject to contractual or other restrictions and other business considerations. In particular, to the extent our foreign subsidiaries incur additional indebtedness to expand their operations, the ability of our foreign subsidiaries to provide us cash may be limited. In addition, dividend and interest payments to us from our foreign subsidiaries may be subject to foreign withholding taxes, which would reduce the amount of funds we receive from such foreign subsidiaries. Dividends and other distributions from our foreign subsidiaries may also be subject to fluctuations in currency exchange rates and restrictions on repatriation, which could further reduce the amount of funds we receive from such foreign subsidiaries.

The Indenture and agreements governing our other indebtedness impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and may hamper our operations.

The Indenture and the credit agreement governing our revolving credit facility impose significant operating and financial restrictions on us. These restrictions restrict our ability to take advantage of potential business opportunities as they arise and may adversely affect the conduct of our current business. More specifically, they restrict our ability to, among other things:

- incur additional indebtedness or issue disqualified capital stock;
- pay dividends, redeem subordinated debt or make other restricted payments;
- make certain investments or acquisitions;
- issue stock of subsidiaries;
- grant or permit certain liens on our assets;
- enter into certain transactions with affiliates;
- merge, consolidate or transfer substantially all of our assets;
- incur payment restrictions affecting certain of our subsidiaries;
- transfer, sell or acquire assets, including capital stock of our subsidiaries; and
- change the business we conduct.

The credit agreement governing our revolving credit facility also requires us to meet a number of financial ratios and tests. Compliance with these financial ratios and tests may adversely affect our ability to adequately finance our operations or capital needs in the future or to pursue attractive business opportunities that may arise in the future. Our ability to meet these ratios and tests and to comply with other provisions governing our indebtedness may be adversely affected by our operations and by changes in economic or business conditions or other events beyond our control. Our failure to comply with our debt-related obligations could result in an event of default under our indebtedness, resulting in accelerated repayment obligations and giving our secured creditors certain rights against our collateral.

The interests of our controlling stockholder may be not aligned with the interests of other stockholders or the interests of the holders of the 9.875% Senior Secured Notes.

To our knowledge, Icahn Enterprises, L.P. holds a total of approximately 71.4% of our outstanding shares of common stock. As a result, Icahn Enterprises presently has and will continue to have voting power sufficient to control the election of our board of directors and stockholder voting on decisions relating to fundamental corporate actions, including potential mergers, consolidations or sales of all or substantially all of our assets. Currently, four employees and one former employee of Icahn Enterprises or affiliates of Icahn Enterprises are designated members of our board of directors, which is comprised of eight directors. In addition, Icahn Enterprises is the lender under our revolving credit facility. It is possible that the interests of Icahn Enterprises and its affiliates could conflict in certain circumstances with the interests of our other stockholders or the interests of the holders of the 9.875% Senior Secured Notes.

Our business operations could be significantly disrupted if members of our senior management team were to leave.

Our success depends to a significant degree upon the continued contributions of our senior management team. Our senior management team has extensive manufacturing, finance and engineering experience as well as longstanding contacts in the industry and with our customers, and we believe that the depth of our management team is instrumental to our continued success. While we have entered into an employment agreement with our chief executive officer, the loss of any of the members of our senior management team in the future could significantly impede our ability to successfully implement our business strategy, financial plans, new product offerings, marketing and other objectives.

SECTION 3. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. The statements in this discussion regarding market conditions and outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Cautionary Statement Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Company Overview

Viskase Companies, Inc. ("we" or the "Company") is a worldwide leader in the production and sale of cellulosic, fibrous and plastic casings for the processed meat and poultry industry. We currently operate seven manufacturing facilities and nine distribution centers throughout North America, Europe and South America and we derive approximately 69% of total net sales from customers located outside the United States. We believe we are one of the two largest manufacturers of non-edible cellulosic casings for processed meats and one of the three largest manufacturers of non-edible fibrous casings. Our management believes that the factors most critical to the success of our business are:

- maintaining and building upon our reputation for providing a high level of customer and technical services;
- maintaining and building upon our long-standing customer relationships, many of which have continued for decades;
- developing additional sources of revenue through new products and services;
- penetrating new regional markets; and
- continuing to streamline our cost structure.

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

We have experienced growth in revenues over the last two years due to price increases in 2009 and volume increases in 2010.

Gross profit has increased in recent years primarily due to the increase in selling price, moderating raw material costs and increased efficiency in plant operations.

Factors Affecting Operating Results and Outlook

The following is a discussion of some of the key factors that have in the past and are likely in the future to affect operating results.

Selling price. Selling price is the biggest driver of our operating income. Accordingly, management focuses intensely on the selling prices of our products to make sure pricing remains competitive.

Labor costs. In recent years, we have taken many actions to reduce our labor costs to the minimum sustainable level. We have frozen our defined benefit pension plan for all employees as of December 31, 2010. We have made our defined contribution plan payments variable to financial performance targets. We have moved manufacturing facilities to lower cost areas. We have increased medical care deductibles and other employee costs, and we have cut our workforce to minimal levels. We believe that our labor costs as a percentage of sales will be maintained for the foreseeable future.

Raw material and energy costs. While labor is the highest cost component of our product, materials and energy are nearly as important. We experienced some moderation of prices for raw materials and energy in 2009 and 2010 following a dramatic increase in the prices of certain raw materials in 2008. We continue to look for additional suppliers for our key materials in order to obtain the lowest prices available.

Results of Operations

Fiscal Year Ended December 31, 2010 Compared to Fiscal Year Ended December 31, 2009.

The following discussion compares the results of operations for the fiscal year ended December 31, 2010 to the results of operations for the fiscal year ended December 31, 2009. We have provided the following table in order to facilitate an understanding of this discussion (dollars in millions):

	Year Ended December 31, 2010	% Change Over 2009	Year Ended December 31, 2009	% Change Over 2008	Year Ended December 31, 2008
NET SALES	$316.2	5.7%	$299.3	5.6%	$283.4
COST AND EXPENSES					
Cost of sales	233.0	5.7%	220.3	-2.1%	225.0
Selling, general and administrative	45.8	16.3%	39.4	6.5%	37.0
Amortization of intangibles	.5	0.1%	.5	0.1%	.5
Asset impairment charge	-	NM	1.4	1347.0%	.1
OPERATING INCOME	37.0	-1.8%	37.7	80.6%	20.9
Interest income	.3	371.6%	.1	-78.5%	.3
Interest expense	20.8	27.4%	16.3	8.3%	15.1
Other income, net	.1	-94.9%	2.7	-50.7%	5.5
Post retirement benefits curtailment gain	.6	NM	-	NM	-
Loss on early extinguishment of debt	-	NM	6.0	NM	-
Income tax expense	1.7	11.4%	1.5	-84.7%	9.8
NET INCOME	$15.6	-6.6%	$16.7	903.1%	$1.7

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

Net Sales. Our net sales for fiscal 2010 were $316.2 million, which represents an increase of $16.9 million, or 5.7%, from fiscal 2009. The net sales increase consisted of $26.2 million due to volume, offset by decreases of $8.3 million due to price and product mix and $1.0 million due to foreign currency translation.

Cost of Sales. Cost of sales for fiscal 2010 increased 5.7%, or $12.7 million over fiscal 2009. The increase in cost of sales can be attributed to the higher sales volume and higher product material waste partially offset by lower employee benefit costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $6.4 million, or 16.3%, for fiscal 2010. The Company has incurred increased legal expenses in fiscal 2010 of $4.8 million relating to a legal matter discussed below under “Contingencies” and expenses associated with additional headcount, partially offset by lower employee compensation and benefits.

Operating Income. The operating income for fiscal 2010 decreased $0.7 million, or 1.8%, over fiscal 2009. The decrease in the operating income resulted primarily from the increase in legal expenses partially offset by the increase in gross profit.

Interest Expense. Interest expense, net of interest income, for fiscal 2010 totaled $20.5 million, which is an increase of $4.3 million compared to fiscal 2009. The increase is principally due to an increased amount of long term borrowing partially offset by lower interest rates on outstanding indebtedness.

Other Income. Other income, net of other expense, of approximately $0.1 million for fiscal 2010 decreased $2.6 million compared to fiscal 2009. The decrease is due principally to the reduction of foreign currency translation gain.

Post Retirement Benefits Curtailment Gain. During fiscal 2010, a curtailment gain of $0.6 million was recognized for the freeze of the defined benefit pension plan for U.S. employees covered by a collective bargaining agreement.

Income Tax Expense. A tax provision of $1.7 million was recognized for fiscal 2010 on income before income taxes of $17.3 million resulting principally from the income tax expense on the results of operations of foreign subsidiaries.

Primarily as a result of the factors discussed above, net income for fiscal 2010 was $15.6 million compared to net income of $16.7 million for fiscal 2009.

Fiscal Year Ended December 31, 2009 Compared to Fiscal Year Ended December 31, 2008

The following discussion compares the results of operations for the fiscal year ended December 31, 2009 to the results of operations for the fiscal year ended December 31, 2008.

Net Sales. Our net sales for fiscal 2009 were $299.3 million, which represents an increase of $15.9 million or 5.6% from fiscal 2008. Net sales benefited by a $33.9 million increase due to price and mix, partially offset by a decrease of $12.1 million due to foreign currency translation and $5.9 million due to volumes.

Cost of Sales. Cost of sales for fiscal 2009 decreased 2.1% or $4.7 million over the prior fiscal year. The decrease in cost of sales can be attributed to lower raw material costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $2.4 million from fiscal 2008 to fiscal 2009. The change can be attributed to an increase of $0.5 million from the achievement of certain performance based compensation benefits and $1.2 due to pension plan expense.

Asset Impairment Charges. The Company recognized an asset impairment charge of $1.4 million in fiscal 2009 on the realizable value of the Kentland, Indiana facility and a plastic extruder in its Monterrey, Mexico facility.

Operating Income. The operating income for fiscal 2009 was $37.7 million, representing an increase of $16.8 million from the prior fiscal year. The increase in the operating income resulted primarily from the increases in net sales, pricing and mix, partially offset by the increase in selling, general and administrative expense.

Interest Expense. Interest expense, net of interest income, for 2009 totaled $16.2 million, which is an increase of $1.5 million compared to the prior fiscal year. The increase is principally due to an increased amount of long term borrowing with higher interest rates.

Other Income. Other income of approximately $2.7 million for fiscal 2009 consisted principally of $1.7 million of foreign currency translation gains and a $1.0 gain from merger activity.

Income Tax Expense. During 2009, a tax provision of $1.5 million was recognized on income before income taxes of $18.2 million resulting principally from the results of operations of foreign subsidiaries.

Primarily as a result of the factors discussed above, net income for fiscal 2009 was $16.7 million compared to a net income of $1.7 million for fiscal 2008.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements, financing or other relations with unconsolidated entities or other persons, except for operating leases included in the contractual obligations table.

Contingencies

The Company from time to time is involved in various legal proceedings which require us to evaluate the probability of potential losses from such proceedings and to make estimates as to the amounts of such potential losses. Where losses are probable and the amount of the loss can be reasonably estimated, we recognize expense based on such estimates.

We are a party in the case Viskase Companies, Inc. v. World Pac International AG, et al., Case No.: 09-CV-5022, in the United States District Court for the Northern District of Illinois, Eastern Division (the "Court," with the case being referred to herein as the "World Pac Litigation"). In the World Pac Litigation, we are seeking, along with other remedies, a declaratory judgment that the Company's Viscoat products do not infringe U.S. Patent No. 6,200,613 (the "'613 Patent") owned by defendant World Pac International USA ("World Pac"). In response, World Pac filed a counterclaim seeking unspecified damages for the infringement of the '613 Patent and seeking injunctive and other relief. On February 3, 2011, the Court granted summary judgment in our favor on the basis of the invalidity of the '613 Patent. On March 4, 2011, World Pac filed a notice of appeal with respect to the summary judgment.

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

Effect of Changes in Exchange Rates

In general, our results of operations are affected by changes in foreign exchange rates. In addition to those markets in which we price our products in U.S. dollars, we price products in certain of our foreign operations in Euros and Brazilian Reals. As a result, a decline in the value of the U.S. dollar relative to the local currencies of profitable foreign subsidiaries can have a favorable effect on our profitability, and an increase in the value of the U.S. dollar relative to the local currencies of profitable foreign subsidiaries can have a negative effect on our profitability.

Financial Instruments

The Company purchases gas futures contracts to lock in set rates on some of its gas purchases. The Company uses this strategy to minimize its exposure to volatility in natural gas. These products are not linked to specific assets and liabilities that appear on the balance sheet or to a forecasted transaction and, therefore, do not qualify for hedge accounting. As of December 31, 2010, there were open gas contracts totaling $0.7 million.

Liquidity and Capital Resources

As of December 31, 2010, the Company had unrestricted cash and cash equivalents of $87.8 million and restricted cash of $2.2 million, which secures letters of credit. For the year ended December 31, 2010, cash flows provided by operating activities were $30.0 million and cash flows used in investing activities were $19.7 million. Cash flows provided by financing activities were $38.8 million principally due to the receipt of $40.4 in proceeds from a debt offering. Cash flows provided by operating activities were principally attributable to an increase in working capital and net income offset by depreciation. Cash flows used in investing activities were principally attributable to capital expenditures.

Set forth below is a table of our material capital expenditures and research and development costs for fiscal 2009 and 2010 and projected commitments for fiscal 2011:

Project	2009 (millions)	2010 (millions)	Projected 2011 (millions)
Manufacturing growth capital expenditures	$ 10.7	$ 8.6	$ 29.4
Other capital expenditures	$ 13.1	$ 11.1	$ 10.2
Research and development costs	$ 3.4	$ 3.6	$ 3.8

Management believes that the existing resources available to the Company will be adequate to satisfy current and planned operations for at least the next twelve months.

Contractual Obligations

The following table reflects our future contractual cash obligations and commercial commitments as of December 31, 2010 (dollars in thousands).

		Payment Due by Pay Period					
		Less than					More than
Contractual Obligations	Total	1 year	Year 2	Year 3	Year 4	Year 5	5 years
Long-term debt	$216.1	$0.0	$0.0	$0.0	$0.0	$0.0	$216.1
Cash interest obligations	149.2	21.2	21.2	21.2	21.2	21.2	43.2
Pension obligations	39.0	7.8	6.2	7.6	7.2	4.4	5.8
Operating leases	14.1	3.0	2.3	1.2	1.0	0.7	5.9
Capital leases	2.2	1.0	0.7	0.4	0.1	0.0	0.0
Total	$420.6	$33.0	$30.4	$30.4	$29.5	$26.3	$271.0

The timing of uncertain tax obligations are undeterminable at this time and excluded from the table above.

Critical Accounting Policies

The preparation of financial statements includes 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 it believes 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.

Revenue Recognition

The Company's revenues are recognized in accordance with the terms of the sale, primarily upon shipment to the customer. Revenues are net of any discounts, rebates and allowances. The Company records all labor, raw materials, in-bound freight, plant receiving and purchasing, warehousing, handling and distribution costs as a component of cost of goods sold.

Allowance for Doubtful Accounts Receivable

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is primarily based upon our evaluation of the financial condition of each customer, each customer's ability to pay and historical write-offs.

Allowance for Obsolete and Slow Moving Inventories

Inventories are valued at the lower of cost or market. The inventories have been reduced by an allowance for slow moving and obsolete inventories. The estimated allowance is based upon management's estimate of specifically identified items, the age of the inventory and historical write-offs of obsolete and excess inventories.

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.

Pension Plans and Other Postretirement Benefit Plans

Using appropriate actuarial methods and assumptions, the Company’s defined benefit pension plans and non-pension postretirement benefits are accounted for in accordance with generally accepted accounting principles (“GAAP”).

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 under GAAP as of December 31, 2010 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 used a long-term rate of return on U.S. plan assets of 8.00% for 2010 and 8.25% for 2009. The Company used a long-term rate of return on French plan assets of 3.50% for 2010 and 4.00% for 2009.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company used a Hewitt yield curve in determining its pension obligations. The Company used a discount rate of 5.49% for 2010 and 5.9% for 2009.

- Curtailment accounting: The accounting for the estimated curtailment gain uses the primary assumptions listed above that were used to calculate the net periodic pension cost and obligations.

Fair Value Measurements

FASB guidance establishes a three-tiered hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB guidance are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets.

- Quoted prices for identical or similar assets or liabilities in inactive markets.

- Inputs other than quoted prices that are observable for the assets or liabilities (including volatilities).

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs are unobservable for the asset or liability (including the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability) and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company uses fair value measurements in determing the value of it's pension plan assets.

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. Depreciation is computed on the straight-line method 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 and (v) leasehold improvements- shorter of lease or useful life. 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.

In the ordinary course of business, we lease certain equipment, and certain real property, consisting of manufacturing and distribution facilities and office facilities. Most of such leases as of December 31, 2010 were operating leases, with the majority of those leases requiring us to pay maintenance, insurance and real estate taxes.

Long-Lived Assets

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

New Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2010 that are of significance or potential significance to the Company.

SECTION 4. 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, 2010 and 2009

   Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008

   Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2010, 2009 and 2008

   Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008

2. Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Viskase Companies, Inc.

We have audited the accompanying consolidated balance sheets of Viskase Companies, Inc. (a Delaware corporation) and Subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Viskase Companies, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles general accepted in the United States of America.

/s/ Grant Thornton LLP

Chicago, Illinois
March 21, 2011

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

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$87,823	$39,049
Restricted cash	2,183	2,283
Receivables, net	48,284	46,607
Inventories, net	54,947	52,276
Deferred income taxes	4,857	6,774
Other current	17,014	18,958
Total current assets	215,108	165,947
Property, plant and equipment	180,031	164,778
Less accumulated depreciation	67,468	56,884
Property, plant and equipment, net	112,563	107,894
Asset held for sale	500	500
Deferred financing costs, net	7,348	6,968
Other assets	1,534	2,145
Deferred income taxes, net of current	187	165
Total Assets	$337,240	$283,619
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Short-term debt	-	262
Short-term portion capital lease obligation	815	717
Accounts payable	25,545	25,199
Accrued liabilities	41,198	36,694
Total current liabilities	67,558	62,872
Long-term debt	214,479	174,018
Capital lease obligation, net of current portion	995	1,083
Accrued employee benefits	43,610	45,490
Deferred income taxes	5,378	5,969
Stockholders’ equity (deficit) :		
Common stock, $.01 par value; 36,592,341 shares issued and 35,787,071 shares outstanding at December 31, 2010 and at December 31,2009	366	366
Additional paid in capital	32,798	32,474
Retained earnings (Accumulated deficit)	8,643	(6,976)
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(36,289)	(31,379)
Total stockholders' equity (deficit)	5,220	(5,813)
Total Liabilities and Stockholders' Equity (Deficit)	$337,240	$283,619

The accompanying notes are an integral part of the consolidated financial statements.

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

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
NET SALES	$316,215	$299,301	$283,447
Cost of sales	232,955	220,340	225,049
GROSS MARGIN	83,260	78,961	58,398
Selling, general and administrative	45,783	39,356	36,962
Amortization of intangibles	460	460	460
Asset impairment charge	-	1,447	100
OPERATING INCOME	37,017	37,698	20,876
Interest income	349	74	344
Interest expense	20,771	16,309	15,062
Other income, net	139	2,735	5,549
Post retirement benefits curtailment gain	562	-	-
Loss on early extinguishment of debt	-	5,962	223
INCOME BEFORE INCOME TAXES	17,296	18,236	11,484
Income tax provision	1,677	1,505	9,816
NET INCOME	$15,619	$16,731	$1,668
WEIGHTED AVERAGE COMMON SHARES - BASIC	35,787,071	35,535,534	31,162,198
PER SHARE AMOUNTS:			
EARNINGS PER SHARE - BASIC	$0.44	$0.47	$0.05
WEIGHTED AVERAGE COMMON SHARES - DILUTED	37,119,990	35,926,683	31,558,017
PER SHARE AMOUNTS:			
EARNINGS PER SHARE - DILUTED	$0.42	$0.47	$0.05

The accompanying notes are an integral part of the consolidated financial statements.

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

	Common stock	Paid in capital	Treasury stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Total stockholders' equity (deficit)
Balance December 31, 2007	$305	$24,897	($298)	($25,375)	$9,402	$8,931
Net income				1,668		1,668
Foreign currency translation adjustment					(11,312)	(11,312)
Pension liability adjustment, net of tax					(26,939)	(26,939)
Comprehensive loss						(36,583)
Issuance of common stock	58	6,942				7,000
Stock option expense		315				315
Balance December 31, 2008	$363	$32,154	($298)	($23,707)	($28,849)	($20,337)
Net income				16,731		16,731
Foreign currency translation adjustment					566	566
Pension liability adjustment, net of tax					(3,096)	(3,096)
Comprehensive income						14,201
Issuance of common stock	3	(3)				-
Stock option expense		323				323
Balance December 31, 2009	$366	$32,474	($298)	($6,976)	($31,379)	($5,813)
Net income				15,619		15,619
Foreign currency translation adjustment					(3,982)	(3,982)
Pension liability adjustment, net of tax					(928)	(928)
Comprehensive income						10,709
Stock option expense		324				324
Balance December 31, 2010	$366	$32,798	($298)	$8,643	($36,289)	$5,220

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

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Cash flows from operating activities:			
Net income	$15,619	$16,731	$1,668
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	12,359	11,349	10,835
Stock-based compensation	324	323	315
Amortization of intangibles	460	460	460
Amortization of deferred financing fees	944	1,111	935
Deferred income taxes	1,261	(2,801)	1,261
Foreign currency translation gain	-	(532)	(7,696)
Loss on disposition of assets	139	509	62
Bad debt provision	109	657	810
Postretirement curtailment gain	(562)	-	-
Asset impairment charge	-	1,447	100
Loss on early extinguishment of debt	-	5,962	223
Non-cash interest on notes	56	747	1,306
Changes in operating assets and liabilities:			
Receivables	(3,426)	(2,095)	(793)
Inventories	(4,354)	(8,174)	(6,929)
Other current assets	1,569	(6,734)	351
Accounts payable	1,250	(2,014)	4,522
Accrued liabilities	5,164	(777)	5,190
Other	(993)	(654)	(5,432)
Total adjustments	14,300	(1,216)	5,520
Net cash provided by operating activities	29,919	15,515	7,188
Cash flows from investing activities:			
Capital expenditures	(19,738)	(23,812)	(12,479)
Proceeds from assets held for sale	-	577	-
Proceeds from disposition of assets	99	11	94
Net cash used in investing activities	(19,639)	(23,224)	(12,385)
Cash flows from financing activities:			
Issuance of common stock		-	7,000
Deferred financing costs	(1,324)	(6,540)	(203)
Proceeds from revolving loan	870	4,999	3,114
Proceeds from capital lease	819	6,815	1,891
Proceeds from long-term debt	40,400	173,784	18,503
Repayment of long-term debt	-	(113,711)	-
Repayment of short-term debt	(1,132)	(25,454)	(18,648)
Repayment of capital lease	(893)	(6,674)	(295)
Restricted cash	100	-	-
Net cash provided by financing activities	38,840	33,219	11,362
Effect of currency exchange rate changes on cash	(346)	542	(609)
Net increase in cash and equivalents	48,774	26,052	5,556
Cash and equivalents at beginning of period	39,049	12,997	7,441
Cash and equivalents at end of period	$87,823	$39,049	$12,997
Supplemental cash flow information:			
Interest paid less capitalized interest	$12,040	$14,808	$12,237
Income taxes (refunded) paid	($1,568)	$11,952	$3,490

The accompanying notes are an integral part of the consolidated financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash equivalents to consist of all highly liquid debt investments purchased with an initial maturity of approximately three months or less. Due to the short-term nature of these instruments, the carrying values approximate the fair market value. Cash equivalents include $201 and $216 of short-term investments at December 31, 2010 and December 31, 2009, respectively. Of the cash held on deposit, essentially all of the cash balance was in excess of amounts insured by the Federal Deposit Insurance Corporation or other foreign provided bank insurance. The Company performs periodic evaluations of these institutions for relative credit standing and has not experienced any losses as a result of its cash concentration. Consequently, no significant concentrations of credit risk are considered to exist.

Receivables

Trade accounts receivable are classified as current assets and are reported net of allowance for doubtful accounts and a reserve for returns. We record such allowances based on a number of factors, including historical trends and specific customer situations.

Inventories

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

Property, Plant and Equipment

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

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

Deferred Financing Costs

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

Patents

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

Long-Lived Assets

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

Accounts Payable

The Company's cash management system provides for the daily replenishment of its bank accounts for check-clearing requirements. The outstanding check balances of $265 and $1,401 at December 31, 2010 and December 31, 2009, respectively, are not deducted from cash but are reflected in Accounts Payable on the consolidated balance sheets.

Shipping and Handling

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

Pensions and Other Postretirement Benefits

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

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits as of December 31, 2010 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 used a long-term rate of return on U.S. plan assets of 8.00% for 2010 and 8.25% for 2009. The Company used a long-term rate of return on French plan assets of 3.50% for 2010 and 4.00% for 2009.

• Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company used a Hewitt yield curve in determining its pension obligations. The Company used a discount rate of 5.49% for 2010 and 5.90% for 2009.

• Curtailment accounting: The accounting for the estimated curtailment gain uses the primary assumptions listed above that were used to calculate the net periodic pension cost and obligations.

Fair Value Measurements

FASB guidance establishes a three-tiered hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB guidance are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the assets or liabilities (including volatilities).
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs are unobservable for the asset or liability (including the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability) and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company uses fair value measurements in determing the value of it’s pension plan assets.

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

Comprehensive income includes all other non-shareholder changes in equity. Changes in other comprehensive income in 2010 and 2009 resulted from changes in foreign currency translation and minimum pension liability.

Revenue Recognition

The Company's revenues are recognized in accordance with the terms of the sale, primarily upon shipment to the customer. Revenues are net of any discounts, rebates and allowances. The Company records all labor, raw materials, in-bound freight, plant receiving and purchasing, warehousing, handling and distribution costs as a component of cost of goods sold.

Allowance for Doubtful Accounts Receivable

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is primarily based upon our evaluation of the financial condition of each customer, each customer's ability to pay and historical write-offs.

Allowance for Obsolete and Slow Moving Inventories

The inventories have been reduced by an allowance for slow moving and obsolete inventories. The estimated allowance is based upon management's estimate of specifically identified items, the age of the inventory and historical write-offs of obsolete and excess inventories.

Accounting for Stock-Based Compensation

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 a non-cash compensation expense of $324 in 2010, $323 in 2009, and $315 in 2008.

Financial Instruments

The Company purchases gas futures contracts to lock in set rates on some of its gas purchases. The Company uses this strategy to minimize its exposure to volatility in natural gas. These products are not linked to specific assets and liabilities that appear on the balance sheet or to a forecasted transaction and, therefore, do not qualify for hedge accounting. As of December 31, 2010 there were open gas contracts totaling $705.

New Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2010 that are of significance or potential significance to the Company.

2. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash and cash equivalents	$87,823	$39,049
Restricted cash	2,183	2,283
	$90,006	$41,332

As of December 31, 2010 and December 31, 2009, cash held in foreign banks was $11,555 and $6,504, respectively.

3. Receivables

	December 31, 2010	December 31, 2009
Accounts receivable, gross	$50,487	$48,759
Less allowance for doubtful	(1,850)	(1,818)
Less allowance for sales returns	(353)	(334)
	$48,284	$46,607

Receivables reserve activity:

	December 31, 2010	December 31, 2009	December 31, 2008
Beginning balance	$2,152	$1,612	$981
Provision	109	657	810
Write-offs	(22)	(156)	(107)
Other	(36)	39	(72)
Ending balance	$2,203	$2,152	$1,612

The Company has a broad base of customers, with no single customer accounting for more than 6.4% of sales in 2010 or 5.4% of receivables as of December 31, 2010.

4. Inventories

Inventories, net of reserves, consisted of:

	December 31, 2010	December 31, 2009
Raw materials	$10,576	$7,916
Work in process	22,343	21,482
Finished products	22,028	22,878
	$54,947	$52,276

Inventory reserves activity:

	December 31, 2010	December 31, 2009	December 31, 2008
Beginning balance	$2,321	$2,587	$2,567
Provision	950	1,228	703
Write-offs	(775)	(1,883)	(621)
Other	(400)	389	(62)
Ending balance	$2,096	$2,321	$2,587

5. Property, Plant and Equipment, Net

	December 31, 2010	December 31, 2009
Land and improvements	$2,141	$2,171
Buildings and improvements	21,802	20,825
Machinery and equipment	149,585	139,377
Construction in progress	6,503	2,405
	$180,031	$164,778

Accumulated depreciation consisted of:

	December 31, 2010	December 31, 2009
Land and improvements	$185	$178
Buildings and improvements	5,426	4,702
Machinery and equipment	61,857	52,004
	$67,468	$56,884

Capitalized interest for 2010, 2009, and 2008 totaled $518, $663, and $344 respectively. Maintenance and repairs charged to costs and expenses for 2010, 2009, and 2008 aggregated $18,882, $19,280 and $17,549, respectively.

6. Assets Held For Sale and Impairment Loss

During December 2009, the Company recognized an impairment loss on a plastic extruder in its Monterrey, Mexico plant due to a change in the mix of the Company's product line. The Company wrote down the asset to the realizable market value based on potential resale value and changed its classification to an asset held for sale in the amount of $500.

On July 24, 2009, the Company sold its Kentland, Indiana facility for $625. This property, which was closed in 2005, was classified as an asset held for sale in the 2008 financial statements for $1,000 and had been written down to the contract price as of June 30, 2009.

7. Other Assets

	December 31, 2010	December 31, 2009
Patents	$4,598	$4,598
Less: Accumulated amortization	(3,564)	(3,104)
Patents, net	1,034	1,494
Miscellaneous	500	651
	$1,534	$2,145

Amortization of patents for fiscal years 2011, 2012 and 2013 will be approximately $460, $460 and $114, respectively.

8. Accrued Liabilities

Accrued liabilities consisted of:

	December 31, 2010	December 31, 2009
Compensation and employee benefits	$15,011	$16,532
Taxes payable	9,992	13,647
Accrued volume and sales discounts	1,467	1,731
Accrued interest	9,798	533
Other	4,930	4,251
	$41,198	$36,694

9. Debt Obligations

Outstanding short-term and long-term debt consisted of:

	December 31, 2010	December 31, 2009
Short-term debt including current maturities		
of long-term debt:		
Revolving credit facilities	-	$262
Total short-term debt	-	$262
Long-term debt:		
9.875% Senior secured notes, net of discount	$214,245	173,789
Other	234	229
Total long-term debt	$214,479	$174,018

Revolving Credit Facility

The Company is a party to a $25,000 secured revolving credit facility ("Revolving Credit Facility") with Icahn Enterprises L.P. Borrowings under the loan and security agreement governing the Revolving Credit Facility are subject to a borrowing base formula based on percentages of eligible domestic receivables and eligible domestic inventory. Under the Revolving Credit Facility, the interest rate option is LIBOR plus a margin of 2.00% currently (which margin will be subject to performance based increases up to 2.50%); provided that the minimum interest rate shall be at least equal to 3.00%. The Revolving Credit Facility also provides for an unused line fee of 0.375% per annum. The maturity date of the Revolving Credit Facility is January 31, 2012.

There were no borrowings under the Revolving Credit Facility at December 31, 2010 and December 31, 2009.

Indebtedness under the Revolving Credit Facility is secured by liens on substantially all of the Company's domestic and Mexican assets, with liens on (i) inventory, accounts receivable, lockboxes, and deposit accounts (the "RCF Priority Collateral') to be contractually senior to the liens securing the 9.875% Senior Secured Notes and the related guarantees pursuant to an intercreditor agreement, (ii) real property, fixtures and improvements thereon, equipment and proceeds thereof (the "Notes Priority Collateral"), to be contractually subordinate to the liens securing the 9.875% Senior Secured Notes and such guarantees pursuant to such intercreditor agreement, and (iii) all other assets, to be contractually *pari passu* with the liens securing the 9.875% Senior Secured Notes and such guarantees pursuant to such intercreditor agreement.

The Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, enter into mergers or consolidation transactions, dispose of assets (other than in the ordinary course of business), acquire assets, make certain restricted payments, create liens on our assets, make investments, create guarantee obligations and enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The Revolving Credit Facility also requires that we comply with various financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures in the event our usage of the Revolving Credit Facility exceeds 30% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of December 31, 2010.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately $8,000 of availability. There were no borrowings under the lines of credit at December 31, 2010 and $262 of borrowings at December 31, 2009.

<u>9.875% Senior Secured Notes due 2018</u>

On December 21, 2009, the Company issued $175,000 of 9.875% Senior Secured Notes due 2018 ("Notes"). A portion of the proceeds from the issuance was used to retire the previously outstanding 11.5% Senior Secured Notes. On May 3, 2010, the Company issued an additional $40,000 of 9.875% Senior Secured Notes. The 9.875% Senior Secured Notes issued on May 3, 2010 were issued under the same indenture agreement as the 9.875% Senior Secured Notes issued on December 21, 2009. The 9.875% Senior Secured Notes bear interest at a rate of 9.875% per annum, payable semi-annually in cash on January 15 and July 15. The 9.875% Senior Secured Notes have a maturity date of January 15, 2018.

The 9.875% Senior Secured Notes and related guarantees by any of our future domestic restricted subsidiaries will be secured by substantially all of our and those domestic restricted subsidiaries' current and future tangible and intangible assets, including all or a portion of the stock of our and their subsidiaries (except that no more than 65% of the voting stock of any foreign subsidiary will constitute collateral). The liens on our assets and the assets of those domestic restricted subsidiaries that secure the 9.875% Senior Secured Notes and any such guarantees will (i) in the case of the RCF Priority Collateral be contractually subordinated, pursuant to an intercreditor agreement, to the liens thereon securing the Revolving Credit Facility, (ii) in the case of Notes Priority Collateral be contractually senior, pursuant to such intercreditor agreement, to the liens thereon securing the Revolving Credit Facility, (iii) in the case of all other assets, be contractually *pari passu*, pursuant to such intercreditor agreement, with the liens securing the Revolving Credit Facility, and (iv) in each such case, be subject to certain prior liens. The indenture agreement governing the 9.875% Senior Secured Notes permits us to incur other senior secured indebtedness and to grant liens on our assets under certain circumstances.

Prior to January 15, 2014, we may redeem, at our option, up to 35% of the aggregate principal amount of the 9.875% Senior Secured Notes issued under the indenture agreement with the net proceeds of any equity offering, at 109.875% of their principal amount, plus accrued and unpaid interest to the date of redemption, provided that at least 65% of the aggregate principal amount of the 9.875% Senior Secured Notes issued under the indenture agreement governing the 9.875% Senior Secured Notes remains outstanding immediately following the redemption.

<u>Letter of Credit Facility</u>

Letters of credit in the amount of $2,183 were outstanding under facilities with a commercial bank, and were cash collateralized at December 31, 2010.
<u>Debt Maturity</u>

The aggregate maturities of debt [1] for each of the next five years are:

	2011	2012	2013	2014	2015	thereafter
9.875% Senior Secured Notes						$215,000
Other						1,075
						$216,075

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

10. Capital Lease Obligations

During the past three years, the Company entered into multiple separate capital lease obligations to acquire certain equipment and building improvements for its manufacturing facilities. The equipment leases have a term of 3 to 5 years and the building improvement lease has a term of 5 years. The Company has determined that automobiles leased by the Company are capital leases with an average term of 4 years.

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

Building and improvements	$525
Machinery and equipment	2,722
Less: Accumulated depreciation	(1,410)
	$1,837

The following is a schedule by years of minimum future lease payments as of December 31, 2010.

Year ending December 31,	
2011	$958
2012	693
2013	419
2014	126
2015	8
Thereafter	-
Total minimum payments required	$2,203
Less amount representing interest	(393)
Present value of net minimum lease payments	$1,810

11. Operating Leases

The Company has operating lease agreements for machinery, equipment and facilities. The majority of the facility leases require the Company to pay maintenance, insurance and real estate taxes. Certain of these leases contain escalation clauses and renewal options.

Future minimum lease payments for operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2010, are:

2011	$2,984
2012	2,338
2013	1,178
2014	1,012
2015	689
Total thereafter	5,919
Total minimum lease payments	$14,120

Total rent expense during 2010, 2009 and 2008 amounted to $3,262, $3,190 and $2,991 respectively.

12. Retirement Plans

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 Canada historically offered defined benefit retirement plans and postretirement health care and life insurance benefits to their employees. Most of these benefits have been terminated, resulting in various reductions in liabilities and curtailment gains.

On September 30, 2010, employees in the U.S. covered by a collective bargaining agreement ratified a new agreement that, among other things, freezes the defined benefit pension plan as of December 31, 2010. All other participation in the plans had previously been frozen.

The Canadian life insurance benefit was reinstated as of January 1, 2008.

Included in accumulated other comprehensive income, net of tax, as of December 31, 2010 are the following amounts not yet recognized in net periodic benefit cost:

	U.S. Pension Benefits	Non U.S. Pension Benefits
Net actuarial loss	$27,605	$1,052
Prior service credit	(6)	-

Amounts included in other comprehensive income expected to be recognized as a component of net periodic benefit cost for the year ending December 31, 2011 are:

	U.S. Pension Benefits	Non U.S. Pension Benefits
Net actuarial loss	$1,789	$36

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

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2010	2009	2010	2009
Change in benefit obligation:				
Projected benefit obligation at beginning of year	132,486	118,652	4,950	4,240
Service cost	303	224	218	187
Interest cost	7,510	7,894	250	248
Actuarial loss	4,195	13,467	418	671
Benefits paid	(7,828)	(7,751)	(172)	(396)
Currency translation	-	-	(359)	-
Estimated benefit obligation at end of year	$136,666	$132,486	$5,305	$4,950
Change in plan assets:				
Fair value of plan assets at beginning of year	91,676	79,537	4,878	3,891
Actual return on plan assets	10,794	15,614	159	156
Employer contribution	3,672	4,276	-	831
Benefits paid	(7,828)	(7,751)	-	-
Currency translation	-	-	(353)	-
Fair value of plan assets at end of year	$98,314	$91,676	$4,684	$4,878
Unfunded status of the plan	($38,352)	($40,810)	($621)	($72)

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2010	2009	2010	2009
Net amount recognized				
Amounts recognized in statement of financial position:				
Current liabilities	($62)	($62)	-	-
Noncurrent liabilities	(38,291)	(40,748)	(621)	(73)
Net amount recognized	($38,353)	($40,810)	($621)	($73)

The funded status of these pension plans as a percentage of the projected benefit obligation was 72 percent in 2010 compared to 69 percent in 2009.

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

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2010	2009	2010	2009
Projected benefit obligation	$136,666	$132,486	$5,305	$4,950
Accumulated benefit obligation	$136,666	$131,638	$3,916	-
Fair value of plan assets	$98,314	$91,676	$4,684	$4,878

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

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2010	2009	2010	2009
Projected benefit obligation	$136,666	$132,486	$5,305	$4,950
Fair value of plan assets	$98,314	$91,676	$4,684	$4,878

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

	U.S. Pension Benefits			Non U.S. Pension Benefits		
	2010	2009	2008	2010	2009	2008
Component of net period benefit cost						
Service cost	$303	$224	$266	$218	$187	$195
Interest cost	7,510	7,894	7,734	250	248	176
Expected return on plan assets	(7,411)	(6,616)	(8,710)	(180)	(156)	(145)
Amortization of prior service cost	(131)	(131)	(131)	-	-	-
Amortization of actuarial loss	1,629	1,504	3	10	-	-
Curtailment Income	(562)	-	-	-	-	-
	$1,338	$2,875	($838)	$298	$279	$226

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	
	2010	2009	2010	2009
Discount rate	5.49%	5.90%	5.49%	5.50%
Expected return on plan assets	8.00%	8.25%	3.50%	4.00%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

The Company evaluates its discount rate assumption annually as of December 31 for each of its retirement-related benefit plans based upon a Hewitt yield curve.

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 67 percent of investments for long-term growth and 33 percent for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 37 percent equity securities, 30 percent hedge funds and 33 percent 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.

In accordance with FASB guidance, Plan management uses the following methods and significant assumptions to estimate fair value of investments.

Mutual funds - Valued at the net asset value (“NAV”) of shares held by the Plan at year-end, which is obtained from an active market.

Collective trust funds - Value provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active.

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.

The fair values of the Company’s pension plan asset allocation at December 31, 2010 and 2009, by asset category are as follows:

		Fair Value Measurement at December 31, 2010		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	1,921	1,921	-	-
Equity securities:				
U.S. companies	10,184	10,184	-	-
International companies	4,781	4,781	-	-
U.S-Small Cap Growth	1,430	-	1,430	-
U.S-Large Cap Enhanced Core	11,904	-	11,904	-
U.S-Large Cap Equity Growth	6,450	-	6,450	-
U.S-Mutual Funds	6,509	-	6,509	-
Fixed income securities:				
Government Treasuries	7,382	7,382	-	
Mortgage-backed securities	2,478	-	2,478	-
Aggregate bond fund	9,747	-	9,747	-
High yield fund	12,630	12,630		
Other types of investments:				
Hedge funds	27,582	-	-	27,582
Total	$ 102,998	$ 36,898	$ 38,518	$ 27,582

	Fair Value Measurements Using Significant Unobservable Inputs (Level Combined Hedge Funds
Beginning balance at December 31, 2009	25,244
Actual return on plan assets:	
Relating to assets still held at the reporting date	2,338
Ending balance at December 31, 2010	$ 27,582

		Fair Value Measurement at December 31, 2009		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	2,530	2,530	-	-
Equity securities:				-
U.S. companies	8,159	8,159	-	-
International companies	9,443	9,443	-	-
Unclassified Common Stock	28	28	-	-
U.S-Small Cap Growth	1,334	-	1,334	-
U.S-Large Cap Enhanced Core	11,142	-	11,142	-
U.S-Large Cap Equity Growth	4,084	-	4,084	-
Fixed income securities:				
Goverment Treasuries	8,777	8,777	-	-
Mortgage-backed securities	5,837	-	5,837	-
Aggregate bond fund	13,983	-	13,983	-
High yield fund	5,973	5,973	-	-
Convertible Securities				
Convertible Preferred Stocks	20	20	-	-
Other types of investments:				
Hedge funds	25,244	-	-	25,244
Total	$ 96,554	$ 34,930	$ 36,380	$ 25,244

	Fair Value Measurements Using Significant Unobservable Inputs (Level Combined Hedge Funds
Beginning balance at December 31, 2008	15,187
Actual return on plan assets:	
Relating to assets still held at the reporting date	5,145
Relating to assets sold during the period	(88)
Purchases, sales, and settlements	5,000
Ending balance at December 31, 2009	$ 25,244

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

	Total Estimated Benefit Payments		Total Estimated Company Contributions	
	U.S.	Non-U.S	U.S.	Non-U.S
2011	$8,252	$111	$7,186	$621
2012	8,369	409	5,802	386
2013	8,434	362	7,179	404
2014	8,545	544	6,799	413
2015	8,602	418	3,977	425

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 $961, $973 and $915 in 2010, 2009 and 2008, respectively.

International Plans

The Company maintains various pension and statutory separation pay plans for its European employees. The expense, not including the French pension plan, in 2010, 2009, and 2008 was $1,021, $584 and $1,755, 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 $4,607.

13. Restructuring Charges and Asset Impairment

During December 2009, the Company recognized an impairment loss of $1,072 on a plastic extruder in its Monterrey, Mexico plant to the realizable market value and changed its classification on the balance sheet to an asset held for sale.

The Company had an asset impairment charge of $375 for the further write down of the Kentland, IN facility to the contract price on June 30, 2009.

14. 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 50,000,000 shares, respectively.

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.

15. Warrants (Dollars in Thousands, Except Per Share and Per Warrant Amounts)

On June 29, 2004, in connection with the issuance of indebtedness, the Company issued 90,000 Warrants to purchase an aggregate of 805,230 shares of common stock of the Company ("Warrants"). Each of the Warrants entitles the holder to purchase 8.947 shares of the Company's common stock at an exercise price of $0.01 per share through the June 15, 2011 expiration date. As of December 31, 2010, 15,955 Warrants, which entitle the holders to purchase 142,749 shares of the Company's common stock, were outstanding.

16. Income Taxes

Income tax provision (benefit) consisted of:

	2010	2009	2008
Current			
Domestic	$ 305	$ 147	$ 140
Foreign	111	4,159	8,415
Total current	416	4,306	8,555
Deferred			
Domestic	(11)	(23)	(43)
Foreign	1,272	(2,778)	1,304
Total deferred	1,261	(2,801)	1,261
Total	$ 1,677	$ 1,505	$ 9,816

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 of 35% to earnings by the following amounts:

Income (loss) before income taxes:	2010	2009	2008
Domestic	$ 1,192	$ (14,115)	$ (14,007)
Foreign	16,104	32,351	25,491
Total	$ 17,296	$ 18,236	$ 11,484
Computed income tax provision	6,053	6,383	4,644
State and local taxes, net of federal tax	127	82	(469)
Foreign taxes, net	(106)	(3,813)	2,057
Valuation allowance	(1,987)	(900)	3,321
Uncertain tax positions- (benefit) expense	(2,680)	1,823	247
Other, net	270	(2,070)	16
Total income tax expense	1,677	1,505	9,816
Computed income tax provision	35.0%	35.0%	35.0%
State and local taxes, net of federal tax	0.7%	0.4%	-4.1%
Foreign taxes, net	-0.6%	-20.9%	17.9%
Valuation allowance	-11.5%	-4.9%	28.9%
Uncertain tax positions- (benefit) expense	-15.5%	10.0%	2.2%
Other, net	1.6%	-11.4%	0.1%
Effective income tax rate	9.7%	8.3%	80.0%

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2010 and 2009 are as follows:

	2010	2009
Deferred tax asset		
Provisions not currently deductible	4,671	4,082
Inventory basis differences	2,729	2,130
Foreign exchange and other	(13)	14
Stock option	$473	$355
Pension and healthcare	4,340	5,638
Net operating loss carryforwards	41,684	44,356
Valuation Allowance	(36,502)	(36,669)
Total deferred tax asset	$17,382	$19,906
Deferred tax liability		
Property, plant, and equipment	(12,526)	(12,967)
Foreign exchange and other	(5,190)	(5,969)
Total deferred tax liability	($17,716)	($18,936)
	($334)	$970

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

	As of December 31	
	2010	2009
Current deferred tax assets	$4,857	$6,774
Current deferred tax liability	-	-
Current deferred tax assets (liability), net	$4,857	$6,774
Non-current deferred tax assets	$187	$165
Non-current deferred tax liability	(5,378)	(5,969)
Non-current deferred tax assets (liability), net	($5,191)	($5,804)
Current deferred tax asset (net)	$4,857	$6,774
Non-current deferred tax liability (net)	(5,191)	(5,804)
Net deferred tax liability	($334)	$970

In the consolidated balance sheets, these deferred tax assets and liabilities are classified as either current or non-current based on the classification of the related liability or asset for financial reporting. A deferred tax asset or liability that is not related to an asset or liability for financial reporting, including deferred taxes related to carryforwards, is classified according to the expected reversal date of the temporary differences as of the end of the year.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. A U.S. based valuation allowance of $36,489 has been recorded at December 31, 2010, as management believes that it is more likely than not that all deferred tax assets will not be fully realized based on the expectation of taxable income in future years. During the first quarter 2010, the Company removed a valuation allowance against the deferred tax assets of its Brazilian subsidiary. This resulted in an income tax benefit of $812.

There were gross U.S. fedral net operating loss carryforwards at December 31, 2010 and December 31, 2009 of $105,143 and $105,682, respectively, with amounts beginning to expire in the year 2025. There Company has gross foreign net operating loss carryforwards at December 31, 2010 and December 31, 2009 of $3,520 and $10,655, respectively. There is an unlimited carryforward period for the foreign net operating losses.

The Company joins in filing a United States consolidated Federal income tax return including all of its domestic subsidiaries.

Uncertainty in Income Taxes

Effective January 1, 2007, the Company adopted guidance on accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and measurement approach for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The uncertain tax positions as of December 31, 2010 totaled $4,531. The following table summarizes the activity related to the unrecognized tax benefits and has been modified to exclude penalties and interest from the January 1, 2010 balance.

(in thousands)	December 31, 2010
Unrecognized tax benefits as of January 1, 2010	$6,680
Increases in positions taken in a prior period	25
Decreases in positions taken in a prior period	(102)
Increases in positions taken in a current period	899
Decreases in positions taken in a current period	-
Decreases due to settlements	(150)
Decreases due to lapse of statute of limitations	(2,821)
Unrecognized tax benefits as of December 31, 2010	$4,531

In 2010, the Company recognized an approximate net decrease of $2,149 to reserves for uncertain tax positions.

Approximately $2,700 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 2006. Substantially all material state and local and foreign income tax matters have been concluded for years through 2006. U.S. federal income tax returns for 2007 through 2010 are currently open for examination. Based on the expiration of the statute of limitations for certain jurisdictions, it is reasonably possible that the unrecognized tax benefits will decrease in the next twelve months by approximately $516.

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, 2010, 2009, and 2008, The Company recorded adjustments for interest and potential penalties to income tax (benefit) or expense of ($737), $518, and ($71) related to these unrecognized tax benefits. As of December 31, 2010 and December 31, 2009, the Company has recorded a liability for interest and potential penalties of $767 and $1,505, respectively.

17. 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.

We are a party in the case Viskase Companies, Inc. v. World Pac International AG, et al., Case No.: 09-CV-5022, in the United States District Court for the Northern District of Illinois, Eastern Division (the “Court,” with the case being referred to herein as the “World Pac Litigation”). In the World Pac Litigation, we are seeking, along with other remedies, a declaratory judgment that the Company’s Viscoat products do not infringe U.S. Patent No. 6,200,613 (the “’613 Patent”) owned by defendant

World Pac International USA ("World Pac"). In response, World Pac filed a counterclaim seeking unspecified damages for the infringement of the '613 Patent and seeking injunctive and other relief. On February 3, 2011, the Court granted summary judgment in our favor on the basis of the invalidity of the '613 Patent. On March 4, 2011, World Pac filed a notice of appeal with respect to the summary judgment.

18. Earnings Per Share

Following are the reconciliations of the numerators and denominators of the basic and diluted EPS (in thousands, except for number of shares and per share amounts):

	December 31, 2010	December 31, 2009	December 31, 2008
NUMERATOR:			
Net income	15,619	16,731	1,668
Net income for basic and diluted EPS	15,619	16,731	1,668
DENOMINATOR:			
Weighted average shares outstanding for basic EPS	35,787,071	35,535,534	31,162,198
Effect of dilutive securities	1,332,919	391,149	395,819
Weighted average shares outstanding for diluted EPS	37,119,990	35,926,683	31,558,017

Common stock equivalents, consisting of warrants and granted employee stock options are dilutive and the effect of these dilutive securities has been included in weighted average shares for diluted EPS using the treasury method for the Company.

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

Stock-based compensation cost is measured at the grant date based on fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period. Included in net income is a non-cash compensation expense of $324 as of December 31, 2010 and $323 as of December 31, 2009. The total unrecognized non-cash compensation expense is expected for the year ended December 31, 2011 and December 31, 2012 will be $9 and $1, respectively.

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

	2009	2007	2005
Expected term	10 years	10.2 years	10 years
Expected stock volatility	35.10%	23.04%	14.88%
Risk-free interest rate	2.87%	4.39%	4.17%
Expected forfeiture rate	0.00%	14.00%	35.00%
Fair value	$0.09	$0.77	$1.09

In February 2009, the Company granted non-qualified stock options to its current chief financial officer for the purchase of 300,000 shares of its common stock. Options were granted at the fair market value at date of grant and one-third vests on the first, second and third anniversaries of the grant date, subject to acceleration in certain events. The options for the chief financial officer expire on February 1, 2019.

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

The Company has outstanding non-qualified stock options granted to its management for the purchase of 255,000 shares of its common stock. Options were granted at, or above, the fair market value at date of grant and are fully vested. The options granted to management expire ten years from the date of grant.

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, 2007	2,388,333	$ 2.04	92 months	$ 0.68
Vested and exercisable at Dec. 31, 2007	*763,328*	*$ 2.57*	*39 months*	*$ 0.68*
Granted	-			
Exercised	-			
Forfeited	(633,333)	$ 2.51	154 months	$ 0.62
Outstanding, December 31, 2008	1,755,000	$ 1.87	103 months	$ 0.70
Vested and exercisable at Dec. 31, 2008	*755,000*	*$ 2.11*	*96 months*	*$ 0.76*
Granted	300,000	$ 1.70	120 months	$ 0.09
Exercised	-			
Forfeited	-			
Outstanding, December 31, 2009	2,055,000	$ 1.85	108 months	$ 0.61
Vested and exercisable at Dec. 31, 2009	*1,255,000*	$ 1.94	*89 months*	*$ 0.72*
Granted	-			
Exercised	-			
Forfeited	-			
Outstanding, December 31, 2010	2,055,000	$ 1.85	96 months	$ 0.61
Vested and exercisable at Dec. 31, 2010	*1,855,000*	$ 1.86	*80 months*	*$ 0.67*

Vested and exercisable options as of December 31, 2010 were 1,855,000 with a weighted average exercise price of $1.86.

20. Research and Development Costs

Research and development costs are expensed as incurred and totaled $3,569, $3,442 and $3,046 for 2010, 2009, and 2008, respectively.

21. Related-Party Transactions

On January 15, 2010, Icahn Enterprises L.P. acquired the 71.4% controlling interest in the Company from other affiliates of Carl C. Icahn.

In connection with the acquisition, Icahn Enterprises L.P. assumed the Revolving Credit Facility from Arnos Corporation, an affiliate of Carl C. Icahn, and is now the Company's lender under the Revolving Credit Facility.

During the year ended December 31, 2010, the year ended December 31, 2009 and the year ended December 31, 2008, the Company purchased $31, $33 and $35, respectively, in telecommunication services in the ordinary course of business from XO Communications, Inc., an affiliate of Icahn Enterprises L.P. The Company believes that the purchase of the telecommunications services were on terms at least as favorable as those that the Company would expect to negotiate with an unaffiliated party.

Icahn Enterprises L.P. was the lender on the Company's Revolving Credit Facility as of December 31, 2010. The Company paid Icahn Enterprises L.P. service and unused commitment fees of $121 during the year ended December 31, 2010. The Company believes that the terms of the Revolving Credit Facility are at least as favorable as those that the Company would expect to negotiate with an unaffiliated party.

Arnos Corp., an affiliate of Carl C. Icahn, was the lender on the Company's Revolving Credit Facility as of December 31, 2009. The Company paid Arnos Corp. interest and unused commitment fees of $665 during the year ended December 31, 2009 and $1,107 during the year ended December 31, 2008. The Company believes that the terms of the Revolving Credit Facility are at least as favorable as those that the Company would have expected to negotiate with an unaffiliated party.

22. Business Segment Information and Geographic Area Information

The Company primarily manufactures and sells cellulosic food casings. The Company's operations are primarily in North America, South America and Europe. 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.

Geographic Area Information:

	2010	2009	2008
Net sales			
North America	$166,222	$154,686	$142,170
South America	38,356	34,606	28,584
Europe	135,651	133,473	136,768
Other and eliminations	(24,014)	(23,464)	(24,075)
	$316,215	$299,301	$283,447
Operating income			
North America	$18,968	$18,038	$5,510
South America	4,101	5,266	6,245
Europe	13,948	14,394	9,121
Other		-	-
	$37,017	$37,698	$20,876
Identifiable assets			
North America	$213,159	$159,021	$120,630
South America	25,030	21,524	15,036
Europe	99,051	103,074	83,974
	$337,240	$283,619	$219,640
North America and Europe export sales: (reported in North America and Europe net sales above)			
Asia	$37,783	$31,008	$24,592
South and Central America	13,874	14,094	12,988
Canada	8,553	8,889	8,595
Other international	7,611	1,609	1,374
	$67,821	$55,600	$47,549

23. Quarterly Data (Unaudited)

Quarterly financial information for 2010 and 2009 is as follows (in thousands, except for per share amounts):

2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net sales	$80,469	$80,458	$78,591	$76,697	$316,215
Gross margin	21,663	22,575	19,724	19,298	83,260
Operating income	10,721	10,971	8,504	6,821	37,017
Net income	5,859	3,996	2,818	2,946	15,619
Net income per share - basic	$0.16	$0.11	$0.08	$0.08	$0.44
Net income per share - diluted	$0.16	$0.11	$0.08	$0.08	$0.42

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net sales	$68,578	$76,578	$77,237	$76,908	$299,301
Gross margin	18,085	20,750	21,331	18,795	78,961
Operating income	8,250	10,840	11,211	7,397	37,698
Net income	3,052	3,853	9,106	720	16,731
Net income per share - basic	$0.09	$0.11	$0.26	$0.01	$0.47
Net income per share - diluted	$0.08	$0.11	$0.25	$0.03	$0.47

Net income (loss) per share amounts are computed independently for each of the quarters presented using weighted average shares outstanding during each quarter.

24. Total Comprehensive Income (Loss)

Total comprehensive income (loss) consisted of:

	December 31, 2010	December 31, 2009	December 31, 2008
Net income	$15,619	$16,731	$1,668
Foreign currency translation adjustmen	(3,982)	566	(26,939)
Pension liability adjustment	(928)	(3,096)	(11,312)
Comprehensive income (loss)	$10,709	$14,201	($36,583)

25. Interest Expense, Net

Net interest expense consisted of:

	December 31, 2010	December 31, 2009	December 31, 2008
Interest expense	$21,289	$16,972	$15,406
Less Capitalized interest	(518)	(663)	(344)
Interest expense, net	$20,771	$16,309	$15,062

26. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of:

	December 31, 2010	December 31, 2009
Minimum pension liability adjustment	($28,651)	($27,723)
Foreign currency translation adjustment	(7,638)	(3,656)
Accumulated other comprehensive (loss)	($36,289)	($31,379)

27. Subsequent Events

Viskase evaluated its December 31, 2010 consolidated financial statements for subsequent events through March 1, 2011, the date the consolidated financial statements were available to be issued.

Subsequent to year end, the Company committed to a plant expansion of approximately $11,000 plus a long term lease commitment with a present value of $1,800.