VISKASE COMPANIES, INC.

ANNUAL REPORT 2011

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 - 2011

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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 in 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 in recent years, 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, ten 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 $37.3 million for capital expenditures in 2011 and expect to spend approximately $29.4 million in 2012. 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, 2011, our aggregate minimum funding contribution requirement for our U.S. defined benefit plan from 2012 through 2016 is approximately $39.4 million and our unfunded pension liability was $51.3 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 eight foreign countries: Brazil, Canada, France, Germany, Italy, Mexico, Philippines 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 71% of our total net sales in 2011 and approximately 69% of our total net sales in 2010.

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. 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, 2011, we had approximately $214.6 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, 2011, our foreign restricted subsidiaries contributed approximately 53% of our consolidated revenues. As of December 31, 2011, 39% 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 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 ten distribution centers throughout North America, Europe and South America and we derive approximately 71% of total net sales from customers located outside the United States. The Company is currently building a shirring plant in the Philippines to serve the Asian market. The plant is expected to open in the second quarter of 2012 and will be scaled up over several years in accordance with our growth expectations for the Asian market. The 2011 capital investment, including machinery, was $6 million and it is anticipated that an additional $11 million of equipment will be added during the period from 2012 through 2016.

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.

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 countries. 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 are experiencing price increases for certain key raw materials in 2012 following similiar increases in 2011. We continue to look for additional suppliers for our key materials in order to obtain the lowest prices available. We also experienced an increase in energy costs for 2011.

<u>Results of Operations Fiscal Year Ended December 31, 2011 Compared to Fiscal Year Ended December 31, 2010</u>.

The following discussion compares the results of operations for the fiscal year ended December 31, 2011 to the results of operations for the fiscal year ended December 31, 2010. We have provided the following table in order to facilitate an understanding of this discussion (dollars in millions):

	Year Ended December 31, 2011	% Change Over 2010	Year Ended December 31, 2010	% Change Over 2009	Year Ended December 31, 2009
NET SALES	$339.4	7.3%	$316.2	5.7%	$299.3
COST AND EXPENSES					
Cost of sales	261.1	12.1%	233.0	5.7%	220.3
Selling, general and administrative	42.6	-7.0%	45.8	16.3%	39.4
Amortization of intangibles	.5	0.0%	.5	0.0%	.5
Asset impairment charge	-	NM	-	NM	1.4
OPERATING INCOME	35.3	-4.7%	37.0	-1.8%	37.7
Interest income	.2	-36.4%	.3	371.6%	.1
Interest expense	21.2	2.1%	20.8	27.4%	16.3
Other (expense) income, net	(.9)	NM	.1	-94.9%	2.7
Post retirement benefits curtailment gain	-	NM	.6	NM	-
Loss on early extinguishment of debt	-	NM	-	NM	6.0
Income tax expense	5.4	223.8%	1.7	11.4%	1.5
NET INCOME	$7.9	-49.1%	$15.6	-6.6%	$16.7

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

Net Sales. Our net sales for fiscal 2011 increased 7.3%, or $23.2 million, from fiscal 2010. Net sales increased $19.3 million due to volume and $8.2 million due to foreign currency translation, partially offset by a decrease of $4.3 million due to product mix and price.

Cost of Sales. Cost of sales for fiscal 2011 increased 12.1%, or $28.1 million, over fiscal 2010. Cost of sales increased due to growth in unit volume, higher raw material costs and foreign currency translation.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $3.2 million to $42.6 for fiscal 2011. The Company has experienced a decrease in legal expense of $3.6 million in fiscal 2011 compared to fiscal 2010 relating to a legal matter discussed below under “Contingencies”.

Operating Income. The operating income for fiscal 2011 decreased 4.7%, or $1.7 million, from fiscal 2010. The decrease in the operating income resulted primarily from the decreased gross margin on higher sales volume offset by lower selling, general and administrative expenses.

Interest Expense. Interest expense for fiscal 2011 totaled $21.2 million, which is an increase of $0.4 from the prior year period. The increase is principally due to higher long term borrowing for 2011 offset by increased capitalized interest.

Other (Expense) Income. Other expense, net of other income, was approximately $0.9 million for fiscal 2011 compared to other income of $0.1 million for fiscal 2010. The increase in expense for 2011 is due principally to losses on foreign currency translation compared to the gain on foreign currency translation in 2010.

Post Retirement Benefits Curtailment Gain. During fiscal 2010, an estimated 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. During fiscal 2011, a tax provision of $5.4 million was recorded against pretax book income of $13.4. During fiscal 2010, a tax provision of $1.7 million was recorded against pretax book income of $17.3 million. The tax provisions are principally relating to income tax expense on the results of operations of foreign subsidiaries.

Primarily as a result of the gross margin decrease, other expense and tax provision discussed above, net income for fiscal 2011 was $7.9 million compared to net income of $15.6 million for fiscal 2010.

<u>Fiscal Year Ended December 31, 2010 Compared to Fiscal Year Ended December 31, 2009</u>

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.

Net Sales. Our net sales for fiscal 2010 increased 5.7%, or $16.9 million, 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 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%, from 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.

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 of our annual report.

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. The summary judgment has been appealed by World Pac to the United States Court of Appeals for the Federal Circuit, and an oral argument for the appeal has been scheduled for March 6, 2012. In April 2010, Viskase GmbH initiated an action in the German Federal Patent Court (the "German Patent Court") seeking a declaration of invalidity with respect to the German equivalent of the 613 Patent. On April 5, 2011, the German Patent Court ruled in our favor. World Pac has appealed the German Patent Court ruling to the German Supreme Court. World Pac has filed their brief with the German Supreme Court on December 28, 2011.

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 routinely enters into fixed price natural gas agreements which require it to purchase a portion of its natural gas each month at fixed prices. These fixed price agreements qualify for the "normal purchases" scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. Future annual minimum purchases remaining under the agreement are $0.9 million for 2012. During 2011 and 2010, the Company's total purchases under the agreements were $1.3 million and $0.7 million, respectively.

Liquidity and Capital Resources

As of December 31, 2011, the Company had unrestricted cash and cash equivalents of $65.9 million and restricted cash of $2.1 million, which secure letters of credit. For the year ended December 31, 2011, cash flows provided by operating activities were $17.0 million and cash flows used in investing activities were $37.2 million. Cash flows used in financing activities were $0.9 million. Cash flows provided by operating activities were principally attributable to 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 2010 and 2011 and projected commitments for fiscal 2012:

Project	2010 (millions)	2011 (millions)	Projected 2012 (millions)
Manufacturing growth capital expenditures	$ 8.6	$ 25.7	$ 19.9
Other capital expenditures	$ 11.1	$ 11.6	$ 9.5
Research and development costs	$ 3.6	$ 3.7	$ 4.1

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.

		Payment Due by Pay Period					
Contractual Obligations	Total	Less than 1 year	Year 2	Year 3	Year 4	Year 5	More than 5 years
Long-term debt (1)	$216.1	$0.0	$0.0	$0.0	$0.0	$0.0	$216.1
Cash interest obligations	137.8	21.2	21.2	21.2	21.2	21.2	31.8
Pension obligations	54.7	6.6	8.4	9.7	8.0	7.0	15.0
Operating leases	12.0	2.4	1.3	1.1	1.0	0.6	5.6
Capital leases	1.5	0.8	0.5	0.2	0.0	0.0	0.0
Total	$422.1	$31.0	$31.4	$32.2	$30.2	$28.8	$268.5

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

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 records revenue when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price to the customer is fixed and determinable and collectability is reasonably assured. Unless otherwise agreed in writing, title and risk of loss pass from Viskase to the customer when Viskase delivers the merchandise to the designated point of delivery, to the designated point of destination or to the designated carrier, free on board. Provisions for certain rebates, sales incentives, product returns and discounts to customers are recorded in the same period the related revenue is recorded. 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") in the United States of America.

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, 2011 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company is using a long-term rate of return on U.S. plan assets of 8.00% for 2011. The Company is using a long-term rate of return on French plan assets of 3.50% for 2011. The German pension has no assets in the plan.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company is using a Mercer Bond yield curve in determining its pension obligations. The Company is using a discount rate of 4.89% for 2011 compared to 5.49% for 2010. The Company is using a weighted average discount rate of 4.99% on its non U.S. pension plans for 2011.

Fair Value Measurements

Financial Accounting Standards Board ("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 its 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 using a half year convention over the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years, (iv) auto and trucks - 2 to 5 years 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, 2011 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

In May 2011, the FASB issued guidance clarifying how to measure and disclose fair value. This guidance amends the application of the “highest and best use” concept to be used only in the measurement of fair value of nonfinancial assets, clarifies that the measurement of the fair value of equity-classified financial instruments should be performed from the perspective of a market participant who holds the instrument as an asset, clarifies that an entity that manages a group of financial assets and liabilities on the basis of its net risk exposure can measure those financial instruments on the basis of its net exposure to those risks, and clarifies when premiums and discounts should be taken into account when measuring fair value. The fair value disclosure requirements also were amended. The Company does not believe that the adoption of the amended guidance will have a significant effect on its consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” This ASU increases the prominence of other comprehensive income (“OCI”) in the financial statements and provides companies two options for presenting OCI, which until now has typically been placed within the statement of equity. One option allows an OCI statement to be included with the net income statement, and together the two will make a statement of total comprehensive income. Alternately, companies may present an OCI statement separate from the net income statement; however, the two statements will have to appear consecutively within a financial report. This ASU does not affect the types of items that are reported in OCI, nor does it affect the calculation or presentation of earnings per share. For non-public companies, this ASU is effective for periods beginning after December 15, 2012. The Company does not believe that the adoption of the amended guidance will have a significant effect on its consolidated financial statements.

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, 2011 and 2010

   Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009

   Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2011, 2010 and 2009

   Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009

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, 2011 and 2010, 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, 2011. 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, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
March 12, 2012

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

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$65,925	$87,558
Restricted cash	2,119	2,183
Receivables, net	53,101	48,284
Inventories, net	53,279	54,947
Other current assets	17,679	17,014
Deferred income taxes	3,632	4,857
Total current assets	195,735	214,843
Property, plant and equipment	214,286	180,031
Less accumulated depreciation	79,888	67,468
Property, plant and equipment, net	134,398	112,563
Asset held for sale	500	500
Deferred financing costs, net	6,585	7,348
Other assets	2,468	1,534
Deferred income taxes	132	187
Total Assets	$339,818	$336,975
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term portion of capital lease obligations	573	815
Accounts payable	29,245	25,280
Accrued liabilities	40,563	41,198
Total current liabilities	70,381	67,293
Long-term debt, net of current maturities	214,578	214,479
Capital lease obligations	454	995
Accrued employee benefits	56,239	43,610
Deferred income taxes	5,336	5,378
Stockholders’ equity:		
Common stock, $0.01 par value; 36,734,748 shares issued and 35,929,478 shares outstanding at December 31, 2011 and 36,592,341 shares issued and 35,787,071 shares outstanding at December 31, 2010	367	366
Paid in capital	32,806	32,798
Retained earnings	16,587	8,643
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(56,632)	(36,289)
Total stockholders' (deficit) equity	(7,170)	5,220
Total Liabilities and Stockholders' (Deficit) Equity	$339,818	$336,975

See notes to consolidated financial statements.

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
NET SALES	$339,371	$316,215	$299,301
Cost of sales	261,079	232,955	220,340
GROSS MARGIN	78,292	83,260	78,961
Selling, general and administrative	42,565	45,783	39,356
Amortization of intangibles	460	460	460
Asset impairment charge	-	-	1,447
OPERATING INCOME	35,267	37,017	37,698
Interest income	222	349	74
Interest expense	21,206	20,771	16,309
Other (expense) income, net	(909)	139	2,735
Post retirement benefits curtailment gain	-	562	-
Loss on early extinguishment of debt	-	-	5,962
INCOME BEFORE INCOME TAXES	13,374	17,296	18,236
Income tax provision	5,430	1,677	1,505
NET INCOME	$7,944	$15,619	$16,731
WEIGHTED AVERAGE COMMON SHARES			
- BASIC	35,869,890	35,787,071	35,535,534
PER SHARE AMOUNTS:			
EARNINGS PER SHARE			
- BASIC	$0.22	$0.44	$0.47
WEIGHTED AVERAGE COMMON SHARES			
- DILUTED	37,010,141	37,119,990	35,926,683
PER SHARE AMOUNTS:			
EARNINGS PER SHARE			
- DILUTED	$0.21	$0.42	$0.47

See notes to consolidated financial statements.

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

	Common stock	Paid in capital	Treasury stock	Retained earnings (Accumulated deficit)	Accumulated other comprehensive loss	Total stockholders' (deficit) equity
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)				0
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
Net income				$7,944		$7,944
Foreign currency translation adjustment					($2,634)	(2,634)
Pension liability adjustment, net of tax					(17,709)	(17,709)
Comprehensive loss						(12,399)
Issuance of common stock	$1	($1)				-
Stock option expense		9				9
Balance December 31, 2011	$367	$32,806	($298)	$16,587	($56,632)	($7,170)

See notes to consolidated financial statements.

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows from operating activities:			
Net income	$7,944	$15,619	$16,731
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,977	12,359	11,349
Stock-based compensation	9	324	323
Amortization of intangibles	460	460	460
Amortization of deferred financing fees	904	944	1,111
Deferred income taxes	29	1,261	(2,801)
Foreign currency translation gain	-	-	(532)
Loss on disposition of assets	91	139	509
Bad debt provision	448	109	657
Postretirement curtailment gain	-	(562)	-
Asset impairment charge	-	-	1,447
Loss on early extinguishment of debt	-	-	5,962
Non-cash interest on notes	83	56	747
Changes in operating assets and liabilities:			
Receivables	(6,179)	(3,426)	(2,095)
Inventories	884	(4,354)	(8,174)
Other current assets	(863)	1,569	(6,734)
Accounts payable	4,497	2,386	(1,769)
Accrued liabilities	2	5,164	(777)
Accrued employee benefits	(4,921)	(1,855)	(1,123)
Other	(414)	862	469
Total adjustments	9,007	15,436	(971)
Net cash provided by operating activities	16,951	31,055	15,760
Cash flows from investing activities:			
Capital expenditures	(37,269)	(19,738)	(23,812)
Proceeds from assets held for sale	-	-	577
Proceeds from disposition of assets	67	99	11
Net cash used in investing activities	(37,202)	(19,639)	(23,224)
Cash flows from financing activities:			
Deferred financing costs	(141)	(1,324)	(6,540)
Proceeds from revolving loan	-	870	4,999
Proceeds from capital lease	74	819	6,815
Proceeds from long-term debt	-	40,400	173,784
Repayment of long-term debt	-	-	(113,711)
Repayment of short-term debt	-	(1,132)	(25,454)
Repayment of capital lease	(842)	(893)	(6,674)
Restricted cash	64	100	-
Net cash (used in) provided by financing activities	(845)	38,840	33,219
Effect of currency exchange rate changes on cash	(537)	(346)	542
Net (decrease) increase in cash and equivalents	(21,633)	49,910	26,297
Cash and equivalents at beginning of period	87,558	37,648	11,351
Cash and equivalents at end of period	$65,925	$87,558	$37,648
Supplemental cash flow information:			
Interest paid less capitalized interest	$20,349	$12,040	$14,808
Income taxes paid (refunded)	$2,978	($1,568)	$11,952

See notes to 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 ten distribution centers in North America, South America, Europe and Asia 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 $196 and $201 of short-term investments at December 31, 2011 and December 31, 2010, 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.

The Company’s outstanding check balances of $110 and $265 at December 31, 2011 and December 31, 2010, respectively, are deducted from cash.

Receivables

Trade accounts receivable are classified as current assets and are reported net of allowance for doubtful accounts and a reserve for returns. This estimated allowance is primarily based upon our evaluation of the financial condition of each customer, each customer’s ability to pay and historical write-offs. Trade accounts receivable include allowances of $2,442 and $2,203 at December 31, 2011 and December 31, 2010, respectively.

Inventories

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

Property, Plant and Equipment

The Company carries property, plant and equipment at cost less accumulated depreciation. Property and equipment additions include acquisition of property and equipment and costs incurred for computer software purchased for internal use including related external direct costs of materials and services and payroll costs for employees directly associated with the project. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Depreciation is computed on the straight-line method using a half year convention over the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years, (iv) auto and trucks - 2 to 5 years, 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.

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, 2011 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company is using a long-term rate of return on U.S. plan assets of 8.00% for 2011. The Company is using a long-term rate of return on French plan assets of 3.50% for 2011 and 2010. The German pension has no assets in the plan.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company is using a Mercer Bond yield curve in determining its pension obligations. The Company is using a discount rate of 4.89% for 2011 compared to 5.49% for 2010. The Company is using a weighted average discount rate of 4.99% on its non U.S. pension plans for 2011.

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 Loss

Comprehensive income includes all other non-stockholder changes in equity. Changes in other comprehensive income in 2011 and 2010 resulted from changes in foreign currency translation and minimum pension liability.

Revenue Recognition

The Company records revenue when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the price to the customer is fixed and determinable and collectability is reasonably assured. Unless otherwise agreed in writing, title and risk of loss pass from Viskase to the customer when Viskase delivers the merchandise to the designated point of delivery, to the designated point of destination or to the designated carrier, free on board. Provisions for certain rebates, sales incentives, product returns and discounts to customers are recorded in the same period the related revenue is recorded. 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.

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 $9 in 2011, $324 in 2010, and $323 in 2009.

Financial Instruments

The Company routinely enters into fixed price natural gas agreements which require it to purchase a portion of its natural gas each month at fixed prices. These fixed price agreements qualify for the “normal purchases” scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. Future annual minimum purchases remaining under the agreement are $865 for 2012. During 2011 and 2010, the Company’s total purchases under the agreements were $1,278 and $694, respectively.

New Accounting Pronouncements

In May 2011, the FASB issued guidance clarifying how to measure and disclose fair value. This guidance amends the application of the “highest and best use” concept to be used only in the measurement of fair value of nonfinancial assets, clarifies that the measurement of the fair value of equity-classified financial instruments should be performed from the perspective of a market participant who holds the instrument as an asset, clarifies that an entity that manages a group of financial assets and liabilities on the basis of its net risk exposure can measure those financial instruments on the basis of its net exposure to those risks, and clarifies when premiums and discounts should be taken into account when measuring fair value. The fair value disclosure requirements also were amended. The Company does not believe that the adoption of the amended guidance will have a significant effect on its consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This ASU increases the prominence of other comprehensive income ("OCI") in the financial statements and provides companies two options for presenting OCI, which until now has typically been placed within the statement of equity. One option allows an OCI statement to be included with the net income statement, and together the two will make a statement of total comprehensive income. Alternately, companies may present an OCI statement separate from the net income statement; however, the two statements will have to appear consecutively within a financial report. This ASU does not affect the types of items that are reported in OCI, nor does it affect the calculation or presentation of earnings per share. For non-public companies, this ASU is effective for periods beginning after December 15, 2012. The Company does not believe that the adoption of the amended guidance will have a significant effect on its consolidated financial statements.

2. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash and cash equivalents	$65,925	$87,558
Restricted cash	2,119	2,183
	$68,044	$89,741

As of December, 2011 and December 31, 2010, cash held in foreign banks was $13,551 and $11,555, respectively.

Letters of credit in the amount of $2,119 were outstanding under facilities with a commercial bank, and were cash collateralized in a restricted account.

3. Receivables, net

	December 31, 2011	December 31, 2010
Accounts receivable, gross	$55,543	$50,487
Less allowance for doubtful accounts	(1,799)	(1,850)
Less allowance for sales returns	(643)	(353)
	$53,101	$48,284

Receivables reserve activity:

	December 31, 2011	December 31, 2010	December 31, 2009
Beginning balance	$2,203	$2,152	$1,612
Provision	448	109	657
Write-offs	(124)	(22)	(156)
Other	(85)	(36)	39
Ending balance	$2,442	$2,203	$2,152

4. Inventories

Inventories, net of reserves, consisted of:

	December 31, 2011	December 31, 2010
Raw materials	$13,622	$10,576
Work in process	18,627	22,343
Finished products	21,030	22,028
	$53,279	$54,947

Inventory reserves activity:

	December 31, 2011	December 31, 2010	December 31, 2009
Beginning balance	$2,096	$2,321	$2,587
Provision	1,717	950	1,228
Write-offs	(858)	(775)	(1,883)
Other	171	(400)	389
Ending balance	$3,126	$2,096	$2,321

5. Property, Plant and Equipment, Net

	December 31, 2011	December 31, 2010
Land and improvements	$2,125	$2,141
Buildings and improvements	22,359	21,802
Machinery and equipment	171,247	149,585
Construction in progress	18,555	6,503
	$214,286	$180,031

Accumulated depreciation consisted of:

	December 31, 2011	December 31, 2010
Land and improvements	$209	$185
Buildings and improvements	6,135	5,426
Machinery and equipment	73,544	61,857
	$79,888	$67,468

Capitalized interest for 2011, 2010, and 2009 totaled $1,580, $518, and $663 respectively. Maintenance and repairs charged to costs and expenses for 2011, 2010, and 2009 aggregated $19,222, $18,882 and $19,280, respectively.

6. Assets Held For Sale

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.

7. Other Assets

	December 31, 2011	December 31, 2010
Patents	$4,598	$4,598
Less: Accumulated amortization	(4,024)	(3,564)
Patents, net	574	1,034
Miscellaneous	1,894	500
	$2,468	$1,534

Amortization of patents for fiscal years 2012 and 2013 will be approximately $460 and $115, respectively.

8. Accrued Liabilities

Accrued liabilities consisted of:

	December 31, 2011	December 31, 2010
Compensation and employee benefits	$14,482	$15,011
Taxes payable	11,451	9,992
Accrued volume and sales discounts	1,402	1,467
Accrued interest	9,798	9,798
Other	3,430	4,930
	$40,563	$41,198

9. Debt Obligations

Outstanding long-term debt consisted of:

	December 31, 2011	December 31, 2010
Long-term debt:		
9.875% Senior secured notes, net of discount	$214,328	$214,245
Other	250	234
Total long-term debt	$214,578	$214,479

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. On April 28, 2011, the Company entered into the Fifth Amendment to Loan and Security Agreement with Icahn Enterprises L.P., extending the maturity date of the Revolving Credit Facility from January 31, 2012 to January 31, 2013. The amendment included a fee of $125 for the extension.

There were no borrowings under the Revolving Credit Facility at December 31, 2011.

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, 2011.

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, 2011.

9.875% Senior Secured Notes due 2018

On December 21, 2009, the Company issued $175,000 of 9.875% Senior Secured Notes due 2018 ("9.875% Senior Secured 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 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 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 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.

Letter of Credit Facility

Letters of credit in the amount of $2,119 were outstanding under facilities with a commercial bank, and were cash collateralized at December 31, 2011.

Debt Maturity

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

	2012	2013	2014	2015	2016	Thereafter
9.875% Senior Secured Notes	-	-	-	-	-	$215,000
Other	-	-	-	-	-	$1,041
	-	-	-	-	-	$216,041

(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

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

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

	2011	2010
Building and improvements	$507	$525
Machinery and equipment	2,678	2,722
Less: Accumulated depreciation	(2,057)	(1,410)
	$1,128	$1,837

The following is a schedule by years of minimum future lease payments as of December 31, 2011.

Year ending December 31,	
2012	$753
2013	498
2014	168
2015	8
2016	-
Thereafter	-
Total minimum payments required	1,427
Less amount representing interest	(399)
Present value of net minimum lease payments	$1,028

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, 2011, are:

2012	$3,166
2013	2,243
2014	2,098
2015	1,970
2016	599
Total thereafter	5,617
Total minimum lease payments	$15,693

Total rent expense during 2011, 2010 and 2009 amounted to $3,245, $3,262 and $3,190 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, Germany 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.

Included in accumulated other comprehensive income, net of tax, as of December 31, 2011 are the following amounts not yet recognized in net periodic benefit cost:

	U.S. Pension Benefits	Non U.S. Pension Benefits
Net actuarial loss	($45,435)	$50
Prior service credit	$5	-

Amounts included in other comprehensive income expected to be recognized as a component of net periodic benefit cost for the year ending December 31, 2012 are:

	U.S. Pension Benefits	Non U.S. Pension Benefits
Net actuarial loss	($3,429)	$9

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	
	2011	2010	2011	2010
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$136,666	$132,486	$8,463	$8,105
Service cost	-	303	316	259
Interest cost	7,320	7,510	439	404
Actuarial loss	10,958	4,195	96	584
Benefits paid	(7,921)	(7,828)	(296)	(301)
Currency translation	-	-	(267)	(588)
Estimated benefit obligation at end of year	$147,023	$136,666	$8,751	$8,463
Change in plan assets:				
Fair value of plan assets at beginning of year	$98,314	$91,676	$4,683	$4,878
Actual return on plan assets	(797)	10,794	166	159
Employer contribution	6,089	3,672	833	128
Benefits paid	(7,921)	(7,828)	(127)	(128)
Currency translation	-	-	(148)	(354)
Fair value of plan assets at end of year	$95,685	$98,314	$5,407	$4,683
Unfunded status of the plan	($51,338)	($38,352)	($3,344)	($3,780)

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2011	2010	2011	2010
Net amount recognized				
Amounts recognized in statement of financial position:				
Current liabilities	($62)	($62)	($127)	($131)
Noncurrent liabilities	(51,276)	(38,291)	(3,217)	(3,649)
Net amount recognized	($51,338)	($38,353)	($3,344)	($3,780)

The funded status of these pension plans as a percentage of the projected benefit obligation was 65 percent in 2011 compared to 72 percent in 2010.

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

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2011	2010	2011	2010
Projected benefit obligation	$147,023	$136,666	$8,751	$8,463
Accumulated benefit obligation	$147,003	$131,638	$7,279	$6,983
Fair value of plan assets	$95,685	$98,314	$5,407	$4,683

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

	U.S. Pension Benefits			Non U.S. Pension Benefits		
	2011	2010	2009	2011	2010	2009
Component of net period benefit cost						
Service cost	$ -	$303	$224	$338	$259	$216
Interest cost	7,320	7,510	7,894	470	404	416
Expected return on plan assets	(7,742)	(7,411)	(6,616)	(191)	(180)	(150)
Amortization of prior service cost	-	(131)	(131)	-	-	-
Amortization of actuarial loss	1,667	1,629	1,504	37	77	72
Curtailment Income	-	(562)	-	-	-	-
	$1,245	$1,338	$2,875	$654	$560	$554

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	
	2011	2010	2011	2010
Discount rate	4.89%	5.49%	4.99%	5.49%
Expected return on plan assets	8.00%	8.25%	3.50%	3.50%
Rate of compensation increase	N/A	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. For 2011, the Company switched to a Mercer bond model from the Hewitt yield curve for its U.S. pension benfits. The Company is using a weighted average discount rate of 4.99% on its non U.S. pension plans for 2011.

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, 2011 and 2010, by asset category are as follows:

		Fair Value Measurement at December 31, 2011		
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	$2,523	$2,523	$ -	$ -
Equity securities:				
U.S. companies	10,458	10,458	-	-
International companies	3,828	3,828	-	-
U.S-Small Cap Growth	1,756	-	1,756	-
U.S-Large Cap Enhanced Core	10,664	-	10,664	-
U.S-Large Cap Equity Growth	8,262	-	8,262	-
U.S-Mutual Funds	8,397	-	8,397	-
Fixed income securities:				
Government Treasuries	6,639	6,639	-	-
Mortgage-backed securities	2,693	-	2,693	-
Aggregate bond fund	8,974	-	8,974	-
High yield fund	10,330	10,330	-	-
Other types of investments:				
Hedge funds	26,568	-	-	26,568
Total	$101,092	$33,778	$40,746	$26,568

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Combined Hedge Funds
Beginning balance at December 31, 2010	$27,582
Total realized (loss)	($4)
Change in unrealized depreciation	(1,004)
Cost of purchases	(299)
Proceeds from sales	293
Ending balance at December 31, 2011	$26,568

Asset Category	Total	Fair Value Measurement at December 31, 2010 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 3) Combined Hedge Funds
Beginning balance at December 31, 2009	$25,244
Change in unrealized appreciation	2,338
Ending balance at December 31, 2010	$27,582

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

	Total Estimated Benefit Payments U.S.	Non-U.S
2012	$8,456	$509
2013	8,574	457
2014	8,661	625
2015	8,726	529
2016	8,924	519
2017-2021	46,101	3,905

The Company's expected contribution for the 2012 fiscal year will be $6,310 for the U.S. and $256 for non-U.S. pension plans.

Savings Plans

The Company also has defined contribution savings and similar plans for eligible employees, which vary by subsidiary. The Company's aggregate contributions to these plans are based on eligible employee contributions and certain other factors. The Company expense for these plans was $1,049, $961 and $973 in 2011, 2010 and 2009, respectively.

International Plans

The Company maintains various pension and statutory separation pay plans for its European employees. The expense, not including the French and German pension plan, in 2011, 2010, and 2009 was $864, $1,021 and $584, 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 $1,536.

13. 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, Indiana 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 entitled 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. Before June 15, 2011, all outstanding warrants were exercised.

16. Income Taxes

Income tax provision (benefit) consisted of:

	2011	2010	2009
Current			
Domestic	($136)	$295	$147
Foreign	5,537	111	4,159
Total current	5,401	406	4,306
Deferred			
Domestic	-	-	(23)
Foreign	29	1,271	(2,778)
Total deferred	29	1,271	(2,801)
Total	$5,430	$1,677	$1,505

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:	2011	2010	2009
Domestic	($335)	$1,192	($14,115)
Foreign	13,709	16,104	32,351
Total	$13,374	$17,296	$18,236
Computed income tax provision	$4,681	$6,053	$6,383
State and local taxes, net of federal tax	(3)	127	82
Foreign taxes, net	344	(106)	(3,813)
Valuation allowance	528	(1,987)	(900)
Uncertain tax positions- expense (benefit)	64	(2,680)	1,823
Other, net	(184)	270	(2,070)
Total income tax expense	$5,430	$1,677	$1,505
Computed income tax provision	35.0%	35.0%	35.0%
State and local taxes, net of federal tax	0.0%	0.7%	0.4%
Foreign taxes, net	2.6%	-0.6%	-20.9%
Valuation allowance	3.9%	-11.5%	-4.9%
Uncertain tax positions- (benefit) expense	0.5%	-15.5%	10.0%
Other, net	-1.4%	1.6%	-11.4%
Effective income tax rate	40.6%	9.7%	8.3%

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2011 and 2010 are as follows:

	2011	2010
Deferred tax asset		
Provisions not currently deductible	$3,792	$4,671
Inventory basis differences	3,767	2,729
Foreign exchange and other	11	(13)
Stock option	865	473
Pension and healthcare	19,898	4,340
Net operating loss carryforwards	36,811	41,684
Valuation Allowance	(49,486)	(36,502)
Total deferred tax asset	$15,658	$17,382
Deferred tax liability		
Property, plant, and equipment	($12,600)	($12,526)
Intangible asset	(221)	-
Foreign exchange and other	(4,409)	(5,190)
Total deferred tax liability	($17,230)	($17,716)
	($1,572)	($334)

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 $49,486 has been recorded at December 31, 2011, 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.

There were gross U.S. federal net operating loss carryforwards at December 31, 2011 and December 31, 2010 of $94,753 and $101,789, respectively, with amounts beginning to expire in the year 2025. There Company has gross foreign net operating loss carryforwards at December 31, 2011 and December 31, 2010 of $1,092 and $3,520, respectively. There is an unlimited carryforward period for the foreign net operating losses. Viskase did not record taxes on its undistributed earnings from foreign subsidiaries since these earnings are considered to be permanently reinvested. If at some future date, these earnings cease to be permanently reinvested, Viskase may be subject to U.S. income taxes and foreign withholding taxes on such amounts. Determining the unrecognized deferred tax liability on the potential distribution of these earnings is not practicable as such liability, if any, is dependent on circumstances existing when remittance occurs.

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

Uncertainty in Income Taxes

The uncertain tax positions as of December 31, 2011 totaled $9,555. The following table summarizes the activity related to the unrecognized tax benefits.

(in thousands)	December 31, 2011
Unrecognized tax benefits as of January 1, 2011	$4,531
Increases in positions taken in a prior period	5,289
Decreases in positions taken in a prior period	(144)
Increases in positions taken in a current period	515
Decreases in positions taken in a current period	-
Decreases due to settlements	(150)
Decreases due to lapse of statute of limitations	(486)
Unrecognized tax benefits as of December 31, 2011	$9,555

In 2011, the Company recognized an approximate net increase of $5,024 to reserves for uncertain tax positions.

Approximately $2,800 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 2007. Substantially all material state and local and foreign income tax matters have been concluded for years through 2007. U.S. federal income tax returns for 2008 through 2011 are currently open for examination. Based on the expiration of the statute of limitations for certain jurisdictions, it is reasonably possible that the unrecognized tax benefits will decrease in the next twelve months by approximately $1,500.

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, 2011 and 2010, the Company recorded adjustments for interest of $6 and ($280), respectively, and for penalties of $(170) and ($450) respectively related to these unrecognized tax benefits. In total, as of December 31, 2011 and 2010, the Company has recorded a liability of interest of $126 and $120, respectively, and $480 and $650, respectively, for potential penalties.

17. Contingencies

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. The summary judgement has been appealed by World Pac to the United States Court of Appeals for the Federal Circuit, and an oral argument for the appeal has been scheduled for March 6, 2012. In April 2010, Viskase GmbH initiated an action in the German Federal Patent Court (the "German Patent Court") seeking a declaration of invalidity with respect to the German equivalent of the 613 Patent. On April 5, 2011, the German Patent Court ruled in our favor. World Pac has appealed the German Patent Court ruling to the German Supreme Court. World Pac has filed their brief with the German Supreme Court on December 28, 2011.

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.

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, 2011	December 31, 2010	December 31, 2009
NUMERATOR:			
Net income	$7,944	$15,619	$16,731
Net income for basic and diluted EPS	$7,944	$15,619	$16,731
DENOMINATOR:			
Weighted average shares outstanding for basic EPS	$35,869,890	$35,787,071	$35,535,534
Effect of dilutive securities	1,140,251	1,332,919	391,149
Weighted average shares outstanding for diluted EPS	37,010,141	37,119,990	35,926,683

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 $9 as of December 31, 2011 and $324 as of December 31, 2010. The total unrecognized non-cash compensation expense for the year ended December 31, 2012 is expected to be $1.

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 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 per share	$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 other members of 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 other members of management expire ten years from the date of grant.

The Company's outstanding options were:

	Shares Under Option		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Weighted Average Grant-Date Fair Value
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	96 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	93 months	$	0.61
Vested and exercisable at Dec. 31, 2010	*1,855,000*	$	1.86	*80 months*	*$*	*0.67*
Granted	-		-	-		-
Exercised	-		-	-		-
Forfeited	-		-	-		-
Outstanding, December 31, 2011	2,055,000	$	1.85	68 months	$	0.61
Vested and exercisable at Dec. 31, 2011	*1,955,000*	$	1.86	*67 months*	*$*	*0.64*

Vested and exercisable options as of December 31, 2011 were 1,955,000 with a weighted average exercise price of $1.86.

20. Research and Development Costs

Research and development costs are expensed as incurred and totaled $3,718, $3,569 and $3,442 for 2011, 2010, and 2009, respectively.

21. Related-Party Transactions

On January 15, 2010, Icahn Enterprises L.P. acquired approximately 71.4% of our outstanding common stock from other affiliates of Carl C. Icahn.

Icahn Sourcing, LLC, or Icahn Sourcing, is an entity formed and controlled by Carl C. Icahn in order to maximize the potential buying power of a group of entities with which Mr. Icahn has a relationship in negotiating with a wide range of suppliers of goods, services and tangible and intangible property. We are a member of the buying group and, as such, are afforded the opportunity to purchase goods, services and property from vendors with whom Icahn Sourcing has negotiated rates and terms. Icahn Sourcing does not guarantee that we will purchase any goods, services or property from any such vendors, and we are under no obligation to do so. We do not pay Icahn Sourcing any fees or other amounts with respect to the buying group arrangement. We have purchased a variety of goods and services as members of the buying group at prices and on terms that we believe are more favorable than those which would be achieved on a stand-alone basis.

During the years ended December 31, 2011, December 31, 2010 and December 31, 2009, the Company purchased $43, $31 and $33, 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, 2011. The Company paid Icahn Enterprises L.P. service and unused commitment fees of $124 during the years ended December 31, 2011 and 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. On April 28, 2011, the Company entered into the Fifth Amendment to Loan and Security Agreement with Icahn Enterprises L.P., extending the maturity date of the Viskase Revolving Credit Facility from January 31, 2012 to January 31, 2013. The amendment included a fee of $125 for the extension.

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:

	2011	2010	2009
Net sales			
North America	$173,680	$166,222	$154,686
South America	44,750	38,356	34,606
Europe	149,200	135,651	133,473
Asia	449	-	-
Other and eliminations	(28,708)	(24,014)	(23,464)
	$339,371	$316,215	$299,301
Operating income			
North America	$18,007	$18,968	$18,038
South America	3,948	4,101	5,266
Europe	13,918	13,948	14,394
Asia	(606)	-	-
	$35,267	$37,017	$37,698

Identifiable assets			
North America	$203,208	$212,894	$159,021
South America	27,306	25,030	21,524
Europe	101,992	99,051	103,074
Asia	7,312	0	0
	$339,818	$336,975	$283,619

Net Sales from operations by country			
United States	$99,023	$98,738	$95,380
Brazil	33,068	25,619	24,878
Italy	33,667	29,461	32,370
Germany	14,482	14,134	13,167
France	13,884	12,252	13,331
Other international	145,247	136,011	120,175
	$339,371	$316,215	$299,301

23. Interest Expense, Net

Net interest expense consisted of:

	December 31, 2011	December 31, 2010	December 31, 2009
Interest expense	$22,786	$21,289	$16,972
Less Capitalized interest	(1,580)	(518)	(663)
Interest expense, net	$21,206	$20,771	$16,309

24. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of:

	December 31, 2011	December 31, 2010
Minimum pension liability adjustment	($46,360)	($28,651)
Foreign currency translation adjustment	(10,272)	(7,638)
Accumulated other comprehensive loss	($56,632)	($36,289)

25. Subsequent Events

Viskase evaluated its December 31, 2011 consolidated financial statements for subsequent events through March 9, 2012, the date the consolidated financial statements were available to be issued. There were no subsequent events requiring disclosure identified.

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