VISKASE COMPANIES, INC.

ANNUAL REPORT 2018

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

CONSOLIDATED FINANCIAL STATEMENTS OF VISKASE COMPANIES, INC. AND SUBSIDIARIES

1. Financial Statements:

Report of Independent Certified Public Accountants

Consolidated Balance Sheets as of December 31, 2018 and 2017

Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Stockholders' Equity for the for years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Viskase Companies, Inc.

We have audited the accompanying consolidated financial statements of Viskase Companies, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois

March 29, 2019

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

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$46,031	$16,050
Restricted cash	1,159	1,544
Receivables, net	74,300	77,961
Inventories	92,525	91,589
Other current assets	40,348	39,444
Total current assets	254,363	226,588
Property, plant and equipment	368,484	349,809
Less accumulated depreciation	(198,452)	(178,757)
Property, plant and equipment, net	170,032	171,052
Asset held for sale	-	360
Other assets, net	18,998	18,606
Intangible assets	24,317	26,859
Goodwill	3,428	3,580
Deferred income taxes	37,105	35,091
Total Assets	$508,243	$482,136
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$4,659	$4,774
Short-term portion of capital lease obligations	500	481
Accounts payable	33,053	35,954
Accrued liabilities	40,246	38,047
Total current liabilities	78,458	79,256
Long-term debt, net of current maturities	266,814	269,915
Capital lease obligations, net of current portion	603	986
Long-term liabilities	9,338	10,138
Accrued employee benefits	75,418	78,415
Deferred income taxes	6,526	9,567
Stockholders’ equity:		
Common stock, $0.01 par value; 53,995,935 shares issued and 53,190,665 outstanding at December 31, 2018 and 37,329,269 shares issued and 36,523,999 outstanding at December 31, 2017	540	373
Paid in capital	82,843	32,786
Retained earnings	67,699	81,891
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(79,276)	(80,749)
Total Viskase stockholders' equity	71,508	34,003
Deficit attributable to non-controlling interest	(422)	(144)
Total stockholders' equity	71,086	33,859
Total Liabilities and Stockholders' Equity	$508,243	$482,136

See notes to consolidated financial statements.

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

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
NET SALES	$395,329	$391,978	$328,820
Cost of sales	315,764	296,100	247,570
GROSS MARGIN	79,565	95,878	81,250
Selling, general and administrative	56,426	58,440	48,366
Amortization of intangibles	1,664	1,556	18
Asset impairment charge	149	1,832	-
Restructuring expense	8,862	1,745	4,809
OPERATING INCOME	12,464	32,305	28,057
Interest income	519	85	22
Interest expense, net	15,821	13,217	12,543
Other expense, net	15,701	3,004	2,330
(LOSS) INCOME BEFORE INCOME TAXES	(18,539)	16,169	13,206
Income tax (benefit) provision	(4,069)	20,410	7,646
NET (LOSS) INCOME	($14,470)	($4,241)	$5,560
Less: net (loss) attributable to noncontrolling interests	(278)	(144)	-
Net (loss) income attributable to Viskase Companies, Inc	($14,192)	($4,097)	$5,560
WEIGHTED AVERAGE COMMON SHARES - BASIC	53,007,515	36,523,999	36,186,302
PER SHARE AMOUNTS: EARNINGS PER SHARE - BASIC	($0.27)	($0.11)	$0.15
WEIGHTED AVERAGE COMMON SHARES - DILUTED	53,007,515	36,523,999	36,243,772
PER SHARE AMOUNTS: EARNINGS PER SHARE - DILUTED	($0.27)	($0.11)	$0.15

See notes to consolidated financial statements.

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

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Net (loss) income	($14,470)	($4,241)	$5,560
Other comprehensive income (loss), net of tax			
Pension liability adjustment	6,095	1,256	482
Foreign currency translation adjustment	(4,622)	6,647	(5,296)
Other comprehensive income (loss), net of tax	1,473	7,903	(4,814)
Comprehensive (loss) income	($12,997)	$3,662	$746
Less: comprehensive (loss) attributable to noncontrolling interests	(278)	(144)	-
Net comprehensive (loss) income attributable to Viskase	($12,719)	$3,806	$746

See notes to consolidated financial statements.

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

	Common stock	Paid in capital	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity	Non-controlling Interest	Total stockholders' equity
Balance December 31, 2015	$370	$32,861	($298)	$80,272	($83,838)	$29,367	$ -	$29,367
Net income	-	-	-	5,560	-	5,560	-	5,560
Foreign currency translation adjustment	-	-	-	-	(5,296)	(5,296)	-	(5,296)
Pension liability adjustment, net of tax	-	-	-	-	482	482	-	482
Stock option expense	3	(389)	-	-	-	(386)	-	(386)
Balance December 31, 2016	$373	$32,472	($298)	$85,832	($88,652)	$29,727		$29,727
Net loss	-	-	-	(4,097)	-	(4,097)	(144)	(4,241)
Foreign currency translation adjustment	-	-	-	-	6,647	6,647	-	6,647
Pension liability adjustment, net of tax	-	-	-	-	1,256	1,256	-	1,256
Cumulative-effect adjustment resulting					-			-
adopting ASU 2016-09	-	-	-	156	-	156	-	156
Stock option expense	-	314	-	-	-	314	-	314
Balance December 31, 2017	$373	$32,786	($298)	$81,891	($80,749)	$34,003	($144)	$33,859
Net loss	-	-	-	(14,192)	-	(14,192)	(278)	(14,470)
Foreign currency translation adjustment	-	-	-	-	(4,622)	(4,622)	-	(4,622)
Pension liability adjustment, net of tax	-	-	-	-	6,095	6,095	-	6,095
Issuance of common stock	167	49,833	-	-	-	50,000	-	50,000
Stock option expense	-	224	-	-	-	224	-	224
Balance December 31, 2018 (unaudited)	$540	$82,843	($298)	$67,699	($79,276)	$71,508	$ (422)	$71,086

See notes to consolidated financial statements.

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

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash flows from operating activities:			
Net (loss) income	($14,470)	($4,241)	$5,560
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	23,085	22,106	19,051
Stock-based compensation	224	224	-
Amortization of intangibles	1,664	1,556	18
Amortization of deferred financing fees	550	597	639
Deferred income taxes	(7,241)	15,423	(1,279)
Postretirement settlement charge	7,381	-	-
Loss on disposition/impairment of assets	57	2,043	244
Bad debt and accounts receivable provision	128	348	10
Non-cash interest on term loans	486	480	123
Changes in operating assets and liabilities:			
Receivables	2,386	(594)	(3,191)
Inventories	(2,564)	(6,759)	3,297
Other current assets	(1,306)	(8,694)	(4,131)
Accounts payable	(2,076)	2,054	3,400
Accrued current liabilities	3,243	(2,406)	4,752
Accrued employee benefits	(1,738)	1,263	5,078
Other assets	(392)	(266)	(4,086)
Other long term liabilities	(436)	1,237	-
Other	12	(668)	(1,109)
Total adjustments	23,463	27,944	22,816
Net cash provided by operating activities	8,993	23,703	28,376
Cash flows from investing activities:			
Capital expenditures	(24,609)	(25,674)	(18,091)
Acquisition of businesses, net of cash acquired	-	(31,141)	(4,063)
Proceeds from disposition of assets	19	308	51
Net cash used in investing activities	(24,590)	(56,507)	(22,103)
Cash flows from financing activities:			
Issuance of common stock	50,000	-	3
Deferred financing costs	(120)	(120)	(245)
Proceeds from long-term debt	4,637	10,716	-
Repayment of short-term debt	(8,160)	(2,750)	(3,166)
Repayment of capital lease	(491)	(476)	(170)
Net cash (used in) provided by financing activities	45,866	7,370	(3,578)
Effect of currency exchange rate changes on cash	(673)	1,836	(188)
Net increase (decrease)in cash and equivalents	29,596	(23,598)	2,507
Cash, equivalents and restricted cash at beginning of period	17,594	41,192	38,685
Cash, equivalents and restricted cash at end of period	$47,190	$17,594	$41,192
Supplemental cash flow information:			
Interest paid less capitalized interest	$14,797	$12,169	$11,845
Income taxes paid	$4,238	$7,820	$6,750
Non cash capital expenditures	-	-	$1,760

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands)

1. Summary of Significant Accounting Policy

Nature of Operations

Viskase Companies, Inc. together with its subsidiaries ("we" or the "Company") is a producer of non-edible cellulosic, fibrous and plastic casings used to prepare and package processed meat products, and provides value-added support services relating to these products, for some of the largest global consumer products companies. We were incorporated in Delaware in 1970. The Company operates eleven manufacturing facilities, six distribution centers and three service centers in North America, Europe, South America, and Asia and, as a result, is able to sell its products in nearly one hundred countries throughout the world.

Principles of Consolidation

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

Use of Estimates in the Preparation of Financial Statements

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

Change of Estimates in the Preparation of Financial Statements

During the first quarter of 2018, the Company has changed its estimate for amortization of unrecognized loss on its U.S. pension plan. The Company was amortizing the unrecognized loss based on average expected future service of participants. Since the plan is frozen, the Company has changed the amortization to be the average expected lifetime of all plan participants. The change in estimate has decreased our amortization of unrecognized loss from $3,651 to $1,042 for 2018.

Reclassifications

Certain prior period financial statement balances have been reclassified to conform to the current period presentation.

In connection with our adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-18, Restricted Cash, we decreased our net cash provided by financing activities for the year ended December 31, 2017 by $519 and $(699) for the year ended December 31, 2016. Cash, cash equivalents and restricted cash are now presented in total in the consolidated statement of cash flows.

In connection with our adoption of FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, the components of net periodic benefit cost other than the service cost component are included in the line item other expense in the income statement. As a result, the Company has decreased our selling, general and administrative expense by $3,559 for the year ended December 31, 2017 and $3,318 for the year ended December 31, 2016.

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

Property, Plant and Equipment

The Company carries property, plant and equipment at cost, less accumulated depreciation. Property and equipment additions include acquisition of property and equipment and costs incurred for computer software purchased for internal use including related external direct costs of materials and services and payroll costs for employees directly associated with the project. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Depreciation is computed on the straight-line method using a half year convention over the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years, (iv) auto and trucks - 2 to 5 years, (v) data processing – 3 to 7 years and (vi) leasehold improvements - shorter of lease or useful life.

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

During 2017, the Company approved a restructuring plan in its European segment that included the marketing and sale of a certain fixed asset. The Company has approved a plan for sale and recorded the asset as Asset Held for Sale at year end. We have closed the sale of the asset in the third quarter of 2018.

Deferred Financing Costs

Deferred financing costs are presented in the balance sheet as a direct deduction from the carrying amount of debt liability and amortized as expense using the effective interest rate method over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

Intangible Assets and Goodwill

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

We evaluate the carrying value of goodwill on at least an annual basis by applying a fair-value-based test. In evaluating the recoverability of the carrying value of goodwill, we must make assumptions regarding the fair value of our reporting units, as defined under FASB ASC Topic 350. Goodwill

impairment testing involves comparing the fair value of our reporting units to their carrying values. If the book value of the reporting unit exceeds its fair value, the goodwill of the reporting unit is considered to be impaired. The amount of impairment loss is equal to the excess of the book value of the goodwill over the fair value of goodwill. The reporting unit fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected future cash flows discounted at rates commensurate with the risk involved.

Long-Lived Assets

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

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, 2018 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company is using a long-term rate of return on U.S. plan assets of 5.85% for 2018. The Company is using a long-term rate of return on French plan assets of 3.20% for 2018. The German pension plan has no assets.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company is using a Mercer Bond yield curve in determining its pension obligations. The Company was using a discount rate of 3.86% for the first quarter of 2018 and then remeasured net periodic benefit cost with the settlement accounting on the plan and will use 4.41% for the remainder of 2018. The Company is using a weighted average discount rate of 1.78% on its non-U.S. pension plans for 2018.

Income Taxes

Deferred tax assets and liabilities are measured using enacted tax laws and tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any

future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more likely than not basis. Interest and penalties related to unrecognized tax benefits are included as a component of tax expense.

Other Comprehensive Income (Loss)

Comprehensive income (loss) includes all other non-stockholder changes in equity. Changes in other comprehensive income (loss) in 2018 and 2017 resulted from changes in foreign currency translation and minimum pension liability.

Revenue Recognition

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

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

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

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

Acquisitions of Businesses

We account for business combinations under the acquisition method of accounting (other than acquisitions of businesses under common control), which requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement.

Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed, pre-acquisition contingencies, and contingent consideration, where applicable. In valuing our acquisitions we estimate fair values based on industry data and trends and by reference to relevant market rates and transactions, and discounted cash flow valuation methods, among other factors. The discount rates used were commensurate with the inherent risks associated with each type of asset and the level and timing of cash flows appropriately reflect market participant assumptions. The primary items that generate goodwill include the value of the synergies between the acquired company and our existing businesses and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset.

Financial Instruments

The Company routinely enters into fixed price natural gas agreements which require us to purchase a portion of our natural gas each month at fixed prices. These fixed price agreements qualify for the

“normal purchases” scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. As of December 31, 2018 future annual minimum purchases remaining under the agreement are $1,330.

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

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases. This ASU requires the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. In addition, among other changes to the accounting for leases, this ASU retains the distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous guidance. Furthermore, quantification and qualitative disclosures, including disclosures regarding significant judgments made by management, will be required. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The amendments in this ASU should be applied using a modified retrospective approach. Early application is permitted. In addition, in July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842), which provides an additional (and optional) transition method to adopt the new leases standard. We anticipate adopting the new leases standard using the new transition method option effective January 1, 2019, which will require adopting the new leases standard at the adoption date and recognizing a cumulative-effect adjustment to the opening balance of equity in the period of adoption instead of the earliest period presented. In addition, prior period presentation and disclosure will not be adjusted. We believe the most significant impact will relate to the recognition of right-of-use assets and lease liabilities on our consolidated balance sheets for long-term operating leases. We have developed an implementation plan to adopt the new leases standard using the new transition method option effective January 1, 2019, which will require adopting the new leases standard at the adoption date and recognizing a cumulative-effect adjustment to the opening balance of equity in the period of adoption instead of the earliest period presented. In addition, prior period presentation and disclosure will not be adjusted after adoption. The most significant impact will relate to the recognition of material right-of-use assets offset by material lease liabilities on our consolidated balance sheet for long-term operating leases.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which amends FASB ASC Topic 326, Financial Instruments - Credit Losses. This ASU requires financial assets measured at amortized cost to be presented at the net amount to be collected and broadens the information, including forecasted information incorporating more timely information, that an entity must consider in developing its expected credit loss estimate for assets measured. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of this standard on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other” (Topic 350). This ASU modifies the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Because the update will eliminate Step 2 from the goodwill impairment test, it should reduce the cost and complexity of evaluating goodwill for impairment. The Company has early adopted this ASU for interim or annual goodwill impairment tests performed on testing dates after January 1, 2018.

In March 2017, the FASB issued ASU No. 2017-07, Retirement Benefits, which amends FASB ASC Topic 715, Compensation - Retirement Benefits. This ASU requires entities to present the service cost component of net periodic benefit cost in the same line item or items in the financial statements as other compensation costs arising from services rendered by the pertinent employees during the period. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has adopted the provisions of ASU 2017-07 on January 1, 2018 and has reclassified items other than service cost component to other income/expense in the statement of operations.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which amends FASB ASC Topic 220, Income Statement - Reporting Comprehensive Income. This ASU allows a reclassification out of accumulated other comprehensive loss within equity for standard tax effects resulting from the Tax Cuts and Jobs Act and consequently, eliminates the stranded tax effects resulting from the Tax Cuts and Jobs Act. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract, which amends FASB ASC Subtopic 350-40, Intangibles-Goodwill and Other-Internal-Use Software. This ASU adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this ASU should be applied either using a retrospective or prospective approach. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

2. Revenue from Contracts with Customers

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

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

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

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

The Company does not have significant contract assets or liabilities as of December 31, 2018.

As of January 1, 2018, when we adopted the accounting guidance, we increased accounts receivable by $238, other current assets by $28 and accrued liabilities by $266 for product returns to reflect the value of inventory to be returned and to record a liability. Previously, product returns were recorded as a reduction to accounts receivable.

	December 31, 2017	Impact of Modified Retrospective Adoption of ASC 606	January 1, 2018 Post ASC 606 Adoption
Receivables, net	$77,961	$238	$78,199
Other current assets	91,589	28	$91,617
Accrued liabilities	38,047	266	$38,313

At December 31, 2018, the amounts recorded for ASC 606 are to increase accounts receivable by $334, other current assets by zero and accrued liabilities by $334 for product returns to reflect the value of inventory to be returned and to record a liability.

Neither product line nor regional location of sale significantly impacts nature, amount, timing or uncertainty of revenue and cash flows.

3. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$46,031	$16,050
Restricted cash	1,159	1,544
	$47,190	$17,594

As of December 31, 2018, and December 31, 2017, cash held in foreign banks was $18,282 and $13,590, respectively.

As of December 2018, and December 31, 2017, letters of credit in the amount of $985 and $1,544, respectively, were outstanding under facilities with a commercial bank, and were cash collateralized in a restricted account.

4. Receivables, net

	December 31, 2018	December 31, 2017
Accounts receivable, gross	$75,344	$79,143
Less allowance for doubtful accounts	(1,044)	(791)
Less allowance for sales returns	-	(391)
	$74,300	$77,961

	December 31, 2018	December 31, 2017	December 31, 2016
Beginning balance	$1,182	$857	$1,006
Provision (recoveries)	128	348	10
Write-offs	-	(24)	(152)
Other and translation	(266)	1	(7)
Ending balance	$1,044	$1,182	$857

5. Inventory

Inventory consisted of:

	December 31, 2018	December 31, 2017
Raw materials	$19,351	$18,224
Work in process	41,442	40,194
Finished products	31,732	33,171
	$92,525	$91,589

6. Property, Plant and Equipment, Net

	December 31, 2018	December 31, 2017
Land and improvements	$1,948	$1,954
Buildings and improvements	43,644	41,979
Machinery and equipment	304,206	287,974
Construction in progress	18,686	17,902
	$368,484	$349,809

Accumulated depreciation

	December 31, 2018	December 31, 2017
Land and improvements	$375	$352
Buildings and improvements	16,966	15,169
Machinery and equipment	181,111	163,236
	$198,452	$178,757

7. Other Assets

	December 31, 2018	December 31, 2017
Other taxes receivable	$10,907	$10,924
Indemnification asset	6,793	6,793
Other	1,298	889
	$18,998	$18,606

8. Accrued Liabilities

Accrued liabilities were comprised of:

	December 31, 2018	December 31, 2017
Compensation and employee benefits	$7,925	$13,210
Taxes payable	12,602	13,606
Accrued volume and sales rebates	4,106	4,598
Accrued interest payable	8	89
Restructuring reserve	9,515	200
Other	6,090	6,344
	$40,246	$38,047

9. Debt Obligations

	December 31, 2018	December 31, 2017
Short-term debt:		
Bank term loan	$2,750	$2,750
Europe bank loans	$1,909	-
Restructured term loan	-	2,024
Total short-term debt	4,659	4,774
Long-term debt:		
Bank term loan, net of discount	257,237	259,403
Revolving credit facility	-	3,000
Europe bank loans	2,291	-
Restructured term loan	6,857	7,103
Other	429	409
Total long-term debt	266,814	269,915
Total debt	$271,473	$274,689

Revolving Credit Facility

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

On March 1, 2016, the Company entered into the Tenth Amendment to the Loan and Security Agreement with Icahn Enterprises L.P., extending the maturity date of the Revolving Credit Facility from January 30, 2017 to January 30, 2020.

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

The amended Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, create liens on our assets, make investments, enter into merger, consolidation or acquisition transactions, dispose of assets (other than in the ordinary course of business), make certain restricted payments, enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The amended Revolving Credit Facility also requires that we comply with certain financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures, in the event our usage of the Revolving Credit Facility exceeds 90% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of December 31, 2018. The amended Revolving Credit Facility had no borrowings as of December 31, 2018 and $3,000 at December 31, 2017.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately $7,250 of availability. There were no borrowings under the lines of credit at December 31, 2018 and December 31, 2017.

Term Loan Facility

On January 30, 2014, the Company entered into a Credit Agreement with UBS AG, Stamford Branch ("UBS"), as Administrative Agent and Collateral Agent, and the Lenders parties thereto, providing for a $275,000 senior secured covenant lite term loan facility ("Term Loan"). The Term Loan bears interest at a LIBOR Rate plus 3.25% (with the LIBOR Rate carrying a 1.00% floor or at a Base Rate equal to the sum of (1) the greatest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, (c) one-month LIBOR plus 1.0%, or (d) 2.0%, plus (2) 2.25%). As of December 31, 2018, the interest rate was 6.05% on the Term Loan. The Term Loan has a contractual obligation to repay 1% annually that has been classified as short term debt. The maturity date on the Term Loan is January 30, 2021. The Term Loan is subject to certain additional mandatory prepayments upon asset sales, incurrence of indebtedness not otherwise permitted, and based upon a percentage of excess cash flow. Prepayments on the Term Loan may be made at any time, subject to a prepayment premium of 1% for certain prepayments during the first six months of the term.

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

Restructured Term Loan

On December 30, 2016, the Company entered into a Share and Asset Purchase Agreement ("SAPA") to purchase all of the shares in CT Casings Beteiligungs GmbH ("Walsroder") and certain assets of Poly-clip Systems LLC. As part of the consideration for the purchase, a former Seller shareholder loan was restructured and remained outstanding at the January 10, 2017 closing in the original amount of EUR 8,111 or $9,257. The Restructured Term Loan is due for repayment as follows: EUR 1,688 was paid on January 10, 2018; and the balance of EUR 6,423 is due on January 10, 2020. The Restructured Term Loan bears no interest, and was recorded for a book value of EUR 7,320 using an imputed interest rate of 4%.

Europe Bank Loan

On July 18, 2018, the French affiliate of the Company entered into a Term Loan Agreement with Credit Industriel Et Commercial ("CIC"), providing for a €2,000 term loan ("CIC Term Loan"). The CIC Term Loan bears interest at 0.70% with a three year maturity. The CIC Term Loan has a contractual obligation to repay 8.33% of face value of the loan on a quarterly basis . The maturity date on the Term Loan is May 15, 2021. Prepayments on the CIC Term Loan are permitted with advance notice of 30 days.

On December 2, 2018, the French affiliate of the Company entered into a second Term Loan Agreement with Credit Industriel Et Commercial ("CIC"), providing for a €2,000 term loan ("CIC Term Loan"). The CIC Term Loan bears interest at 0.75% with a two year maturity. The CIC Term Loan has a contractual obligation to repay 12.50% of face value of the loan on a quarterly basis . The maturity date on the Term Loan is October 5, 2020. Prepayments on the CIC Term Loan are permitted with advance notice of 30 days.

Debt Maturity

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

	2019	2020	2021	2022	2023	Thereafter
Term Loan Facility	$ 2,750	$ 2,750	$ 255,750	$ -	$ -	$ -
Europe Bank Loan	1,909	1,909	382	-	-	-
Restructured Term Loan	-	7,354	-	-	-	-
Other	-	-	-	-	-	921
	$ 4,659	$ 12,013	$ 256,132	$ -	$ -	$ 921

(1) The aggregate maturities of debt represent amounts to be paid at maturity and not the current carrying value of the debt.
(2) The amounts are for the remainder of the calendar year.

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 as of December 31, 2018 and December 31, 2017.

	December 31, 2018	December 31, 2017
Building and improvements	$453	$453
Machinery and equipment	3,625	3,665
Less: Accumulated depreciation	(2,975)	(2,651)
	$1,103	$1,467

The following is a schedule by years of minimum future lease payments as of December 31, 2018.

Year ending December 31,	
2019	$534
2020	525
2021	57
2022	33
2023	6
Thereafter	-
Total minimum payments required	1,155
Less amount representing interest	(52)
Present value of net minimum lease payments	$1,103

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, 2018, are:

2019	5,359
2020	5,387
2021	5,435
2022	4,796
2023	3,531
Total thereafter	21,296
Total minimum lease payments	$45,804

Total rent expense during 2018, 2017 and 2016 amounted to $5,746, $4,601 and $2,836 respectively.

12. Retirement Plans

On March 15, 2018, the Company purchased an annuity contract for a preliminary amount of $29,258. The contract was finalized on September 26, 2018 for a final amount of $28,403 which affected 1,034 participants in the U.S. defined benefit pension plan. The purchase of this annuity contract will lower our projected benefit obligation by $28,403. The Company recognized a settlement charge of $7,381 in Other expense related to the annuity purchase.

The Company has contributed $3,183 to pension benefits in the U.S. during the year ended December 31, 2018.

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 ("Plan") to their employees. Most of these benefits have been terminated, resulting in various reductions in liabilities and curtailment gains.

Included in accumulated other comprehensive loss, net of tax of $(5,949) for U.S. and $640 non-U.S., as of December 31, 2018 are the following amounts not yet recognized in net periodic benefit cost:

	U.S. Pension Benefits	Non U.S. Pension Benefits
Net actuarial loss	($37,027)	(1,260)
Prior service credit	3	(198)

Amounts included in other comprehensive loss expected to be recognized as a component of net periodic benefit cost for the year ending December 31, 2019 are:

	U.S. Pension Benefits	Non U.S. Pension Benefits
Net actuarial loss	($1,284)	($62)

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	
	2018	2017	2018	2017
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$160,671	$153,987	$26,981	$10,493
Service cost	-	-	489	675
Interest cost	5,328	6,663	457	458
Actuarial loss (gain)	(8,968)	8,721	(1,395)	41
Benefits paid	(7,145)	(8,700)	(573)	(759)
Plan settlements	(28,403)	-	-	-
Liability (Gain)/Loss due to Curtailment	-	-	-	(177)
Net increase in obligation due to acquisition	-	-	-	14,805
Currency translation	-	-	(1,179)	1,445
Estimated benefit obligation at end of year	$121,483	$160,671	$24,780	$26,981
Change in plan assets:				
Fair value of plan assets at beginning of year	$113,918	$107,447	$1,343	$2,278
Actual return on plan assets	(5,701)	14,631	40	77
Employer contribution	3,183	540	97	-
Benefits paid	(7,145)	(8,700)	(97)	(1,325)
Plan settlements	(28,403)	-	-	-
Currency translation	-	-	(61)	313
Fair value of plan assets at end of year	$75,852	$113,918	$1,322	$1,343
Unfunded status of the plan	($45,631)	($46,753)	($23,458)	($25,638)

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2018	2017	2018	2017
Amounts recognized in statement of financial position:				
Current liabilities	($74)	($71)	($159)	($164)
Noncurrent liabilities	(45,557)	(46,682)	(23,340)	(25,474)
Net amount recognized	($45,631)	($46,753)	($23,499)	($25,638)

The funded status of these pension plans as a percentage of the projected benefit obligation was 53% in 2018 compared to 61% in 2017.

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2018	2017	2018	2017
Projected benefit obligation	$121,483	$160,671	$24,780	$26,981
Fair value of plan assets	$75,852	$113,918	$1,322	$1,343

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

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

	U.S. Pension Benefits			Non U.S. Pension Benefits		
	2018	2017	2016	2018	2017	2016
Component of net period benefit cost						
Service cost	$ -	$ -	$ -	$503	$640	$415
Interest cost	5,328	6,663	7,093	470	428	204
Expected return on plan assets	(5,128)	(7,709)	(8,144)	(40)	(72)	(125)
Amortization of prior service cost	-	-	-	13	-	-
Amortization of actuarial loss	1,034	4,605	4,369	120	237	171
Settlement loss recognized	7,381	-	-	-	-	-
	$8,615	$3,559	$3,318	$1,066	$1,233	$665

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	
	2018	2017	2018	2017
Discount rate	4.41%	3.86%	1.78%	1.77%
Expected return on plan assets	5.85%	7.50%	3.20%	3.20%
Rate of compensation increase	N/A	N/A	2.67%	2.57%

The Company evaluates its discount rate assumption annually as of December 31 for each of its retirement-related benefit plans. The Company is using a Mercer bond model for determining its U.S. pension benefits. The Company is using a weighted average discount rate of 1.78% on its non-U.S. pension plans for 2018.

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

The Company's overall investment strategy is to achieve growth through a mix of approximately 75% of investments for long-term growth and 25% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 65% equity securities, 5% hedge funds and 25% to fixed income investments. Equity securities primarily include investments in large-cap, mid-cap and small-cap companies primarily located in the United States and international developed markets. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds that follow several different strategies.

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

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

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

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

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

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

Common stocks - marketable corporate equity securities traded on active markets.
The fair values of the Company's pension plan asset allocation at December 31, 2018 and 2017, by asset category are as follows:

		Fair Value Measurement at December 31, 2018		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$3,224	$3,224	$ -	$ -
US Government and agency obligations	2,497	879	1,618	
Exchange traded funds	16,551	16,551	-	-
Mutual funds	24,318	22,355	1,963	-
Common stocks	20,785	20,785	-	-
Total Assets in the fair value hierarchy	67,375	$63,794	$3,581	$ -
Investments measured at NAV (a)	9,799			
Investments at fair value	$77,174			

		Fair Value Measurement at December 31, 2017		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$3,794	$3,794	$ -	$ -
US Government and agency obligations	4,189	1,493	2,696	
Exchange traded funds	25,690	25,690	-	-
Mutual funds	38,613	35,776	2,837	-
Common stocks	33,559	33,559	-	-
Total Assets in the fair value hierarchy	105,845	$100,312	$5,533	$ -
Investments measured at NAV (a)	9,416			
Investments at fair value	$115,261			

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

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

	Total Estimated Benefit Payments	
	U.S.	Non U.S
2019	$7,382	$632
2020	7,650	562
2021	7,823	818
2022	7,921	760
2023	8,041	727
Thereafter	40,763	46,472

The Company's expected contribution for the 2019 fiscal year is $3,883 for the U.S. pension plan. There is no funding requirement for non U.S. pension plans.

Savings Plans

The Company also has defined contribution savings and similar plans for eligible employees, which vary by subsidiary. The Company's aggregate contributions to these plans are based on eligible employee contributions and certain other factors. The Company expense for these plans was $1,050, $998 and $1,263 in 2018, 2017 and 2016, 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 2018, 2017, and 2016 was $382, $572 and $475, respectively. As of their most recent valuation dates, for those plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately $5,977.

13. 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 100,000,000 shares, respectively.

On January 3, 2018, the Company completed a rights offering of 16,666,666 shares of common stock at $3.00 per share. The Company plans to use the net proceeds of the offering to replenish working capital used for the acquisitions of Walsroder and Darmex and for other general corporate purposes, including acquisitions and capital expenditures.

As a result of the rights offering, Icahn Enterprises L.P. currently owns approximately 78.6% of our outstanding common stock.

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

14. Income Taxes

Income tax provision (benefit) consisted of:

	2018	2017	2016
Current			
Domestic	$139	$274	($51)
Foreign	3,033	4,713	8,976
Total current	3,172	4,987	8,925
Deferred			
Domestic	(394)	15,842	(75)
Foreign	(6,847)	(419)	(1,204)
Total deferred	(7,241)	15,423	(1,279)
Total	($4,069)	$20,410	$7,646

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

Income (loss) before income taxes:

	2018	2017	2016
Domestic	($1,340)	$1,572	($977)
Foreign	(17,199)	14,597	14,183
Total	($18,539)	$16,169	$13,206

Computed income tax (benefit) provision	($3,893)	$5,659	$4,622
State and local taxes, net of federal tax	(26)	(62)	(109)
Foreign taxes, net	(2,650)	(442)	342
Valuation allowance	(97)	612	277
Uncertain tax positions - (benefit) expense	(108)	(1,419)	1,557
Foreign exchange impact	953	167	(1,300)
Permanent differences, net	1,459	(235)	2,018
Tax reform items	(527)	16,146	-
Revaluation of deferreds	302	276	-
Other, net	518	(292)	239
Total income tax (benefit) expense	($4,069)	$20,410	$7,646

Computed income tax (benefit) provision	21.0%	35.0%	35.0%
State and local taxes, net of federal tax	0.1%	-0.4%	-0.8%
Foreign taxes, net	14.3%	-2.7%	2.6%
Valuation allowance	0.5%	3.8%	2.1%
Uncertain tax positions - expense (benefit)	0.6%	-8.8%	11.8%
Foreign exchange impact	-5.1%	1.0%	-9.8%
Permanent differences, net	-7.9%	-1.5%	15.3%
Tax reform items	2.8%	99.9%	-
Revaluation of deferreds	-1.6%	1.7%	-
Other, net	-2.8%	-1.8%	1.8%
Effective income tax rate	21.9%	126.2%	57.9%

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2018 and 2017 are as follows:

	2018	2017
Deferred tax asset		
Provisions not currently deductible	$6,288	$5,434
Inventory basis differences	4,186	3,554
Stock options	151	97
Pension and healthcare	13,263	14,290
Net operating loss carryforwards	25,920	26,088
Valuation allowance	(1,184)	(1,349)
Total deferred tax asset	$48,624	$48,114
Deferred tax liability		
Property, plant, and equipment	($9,745)	($10,852)
Intangible asset	(7,481)	(8,460)
Foreign exchange and other	(819)	(3,278)
Total deferred tax liability	($18,045)	($22,590)
	$30,579	$25,524

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

	2018	2017
Non-current deferred tax assets	$37,105	$35,091
Non-current deferred tax liability	(6,526)	(9,567)
Non-current deferred tax assets, net	$30,579	$25,524

A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. Management believes that is more likely than not that its net deferred tax assets will be realized based on the weight of positive evidence and future income except with respect to the loss in Poland and a portion of the state loss in the US. The Company has a valuation allowance for Viskase Poland at December 31, 2018 and December 31, 2017 of $685 and $999, respectively. The Company has a valuation allowance in the U.S. at December 31, 2018 and December 31, 2017 of $473 and $320, respectively. The Company has gross U.S. federal net operating loss carryforwards at December 31, 2018 and December 31, 2017 of $69,381 and $82,409, respectively, with amounts beginning to expire in 2024. The Company has gross net operating loss carryforwards in Brazil at December 31, 2018 and December 31, 2017 of $8,315 and $10,792, respectively and has an unlimited carryforward period. The Company has gross net operating loss carryforwards in Poland at December 31, 2018 and December 31, 2017 of $4,429 and $4,849, respectively and has a five year carryforward period. The Company has gross net operating loss carryforwards in France at December 31, 2018 and December 31, 2017 of $8,510 and $2,541, respectively and has an unlimited carryforward period. The Company has gross net operating loss carryforwards in Viskase Germany at December 31, 2018 and December 31, 2017 of $1,770 and $29 for Income Tax and Trade Tax. The Company has gross net operating loss carryforwards in CT Casings at December 31, 2018 and December 31, 2017 of $403 and $4,982 for Income Tax and Trade Tax. Germany has an unlimited carryforward period on Trade Tax.

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

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income ("GILTI") provisions of H.R. 1.The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. In the first quarter of 2018, the Company elected to treat any potential GILTI inclusions as a period cost. Due to the worldwide foreign losses incurred in 2018, the Company currently estimates no tax due to the GILTI inclusion but expects the GILTI inclusion to impact the tax liability in future years.

Pursuant to ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, for the December 31, 2017 financials, the Company recognized the provisional effects of the enactment of the Tax Legislation for which measurement could be reasonably estimated including the one-time deemed repatriation tax. Pursuant to ASU 2018-05, adjustments to the provisional amounts recorded by the Company as of December 31, 2017 identified within a subsequent measurement period of up to one year from the enactment date were included as a 429K favorable adjustment to tax expense from continuing operations for the December 31, 2018 financials. The Company has also considered all other material financial reporting impacts of the Tax Cuts and Jobs Act including Global Intangible Low-Taxed Income (“GILTI”) and all amounts are complete.

Uncertainty in Income Taxes

The uncertain tax positions as of December 31, 2018 totaled $11,677. The following table summarizes the activity related to the unrecognized tax benefits.

(in thousands)	2018	2017
Unrecognized tax benefits as of January 1	$11,855	$7,747
Increases in positions taken in a prior period	-	256
Decreases in positions taken in a prior period	(28)	(1,517)
Increases in positions taken in a current period	-	6,970
Decreases in positions taken in a current period	-	-
Decreases due to currency translation	(21)	-
Decreases due to lapse of statute of limitations	(129)	(1,601)
Unrecognized tax benefits as of December 31	$11,677	$11,855

In 2018, the Company recognized an approximate net decrease of $157 to the reserves for uncertain tax positions. The majority of the decrease in the reserve is due to the lapse of statute of limitations for reserves in Brazil and Philippines.

Approximately $11,677 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 2014. Substantially all material state and local and foreign income tax matters have been concluded for years through 2012. 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 $200.

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, 2018 and 2017, the Company recorded adjustments for interest of $(4) and $154, respectively, and for penalties of $(68) and $(212), respectively related to these unrecognized tax benefits. In total, as of December 31, 2018 and 2017, the Company has recorded a liability of interest of $670 and $674, respectively, and $174 and $242, respectively, for potential penalties.

15. Goodwill and Intangible Assets, net

The Company currently has $3,428 of goodwill with no accumulated impairment.

Goodwill consists of the following:

	December 31, 2018	December 31, 2017
Beginning balance	$3,580	$329
Acquisitions	0	2,854
Translation	(152)	397
Gross carrying amount, December 31st	$3,428	$3,580

Intangible assets, net consist of the following:

	December 31, 2018		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite live intangible assets:			
Customer relationships	$20,083	($2,002)	$18,081
Technologies	2,402	(378)	2,024
Patents/Trademarks	9,482	(5,448)	4,034
In-place leases	208	(30)	178
	$32,175	($7,858)	$24,317

	December 31, 2017		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite live intangible assets:			
Customer relationships	$21,036	($1,052)	$19,984
Technologies	2,517	(199)	2,318
Patents/Trademarks	9,413	(5,059)	4,354
In-place leases	219	(16)	203
	$33,185	($6,326)	$26,859

Amortization expense associated with definite-lived intangible assets was $1,664, $1,546 and $18 for the period ended December 31, 2018, 2017 and 2016, respectively. We utilize the straight-line method of amortization, recognized over the estimated useful lives of the assets.

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

2019	$1,595
2020	1,595
2021	1,595
2022	1,595
2023	1,595
Total thereafter	16,342
Total amortization	$24,317

The acquisition during the year ended December 31, 2017 allocated $2,854 to goodwill and $24,742 to definite-lived intangible assets amortized over a weighted average of 18 years.

16. Contingencies

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

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

Stock-based compensation cost is measured at the grant date based on fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period. Included in net income is non-cash compensation expense of $224 for the years ended December 31, 2018 and 2017.

The fair values of the options granted during 2016 and 2013 were estimated on the date of grant using the binomial option pricing model. The assumptions used and the estimated fair values are as follows:

	2016	2013
Expected term	10 years	10 years
Expected stock volatility	4.38%	17.33%
Risk-free interest rate	2.45%	1.75%
Expected forfeiture rate	0.00%	0.00%
Fair value per option	$1.12	$0.51

In December 2016, the Company granted non-qualified stock options to its current chief executive officer for the purchase of 600,000 shares of its common stock under an employment agreement. Options were granted at the fair market value at date of grant and will vest one third each on December 31, 2017, December 31, 2018 and December 31, 2019. The options for the chief executive officer expire on December 31, 2026.

In April 2013, the Company granted non-qualified stock options to its current chief administrative officer for the purchase of 325,000 shares of its common stock under an employment agreement. Options were granted at the fair market value at date of grant and are fully vested. The options for the chief administrative officer expire on April 16, 2023.

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, 2016	925,000	$ 4.45	104 months	$ 0.91
Vested and exercisable at Dec. 31, 2016	*325,000*	$ 8.00	76 months	$ 0.51
Granted	-	$ -	-	-
Exercised	-	$ -	-	-
Forfeited	-	$ -	-	-
Outstanding, December 31, 2017	925,000	$ 4.45	93 months	$ 0.91
Vested and exercisable at Dec. 31, 2017	*525,000*	$ 5.92	81 months	$ 0.74
Granted	-	$ -	-	-
Exercised	-	$ -	-	-
Forfeited	-	$ -	-	-
Outstanding, December 31, 2018	925,000	$ 4.45	81 months	$ 0.91
Vested and exercisable at Dec. 31, 2018	*725,000*	$ 4.98	77 months	$ 0.85

Vested and exercisable options as of December 31, 2018 were 725,000 with a weighted average share price of $4.98.

18. Research and Development Costs

Research and development costs are expensed as incurred and totaled $5,808, $4,947 and $4,418 for 2018, 2017, and 2016, respectively.

19. Related-Party Transactions

As of December 31, 2018, Icahn Enterprises L.P. owned approximately 78.6% of our outstanding common stock. There were 14,564,832 shares of common stock purchased during the period ended June 30, 2018 as a result of our Rights Offering.

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

On January 1, 2013, Viskase acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses, which is approximately $189 and $184 for the year ended December 31, 2018 and December 31, 2017. A number of other entities with which Mr. Icahn has a relationship also acquired equity interests in Insight Portfolio Group and also agreed to pay certain of Insight Portfolio Group's operating expenses in 2018. As of December 31, 2018, Viskase has a prepaid expense for $95 with Insight Portfolio Group.

Icahn Enterprises L.P. was the lender on the Company's Revolving Credit Facility as of December 31, 2018. The Company paid Icahn Enterprises L.P. service, commitment fees and interest of $114 and $110 during the year ended December 31, 2018 and December 31, 2017.

20. Business Segment Information and Geographic Area Information

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

Reporting Segment Information:

	2018	2017	2016
Net sales			
North America	$193,135	$183,771	$188,346
South America	46,541	52,715	49,302
Europe	175,594	178,502	114,027
Asia	43,571	39,032	35,827
Other and eliminations	(63,512)	(62,042)	(58,682)
	$395,329	$391,978	$328,820
Operating income			
North America	$17,491	$13,799	$14,066
South America	(813)	5,210	4,145
Europe	(12,079)	3,991	3,600
Asia	7,865	9,305	6,246
	$12,464	$32,305	$28,057

	2018	2017	2016
Net Sales by market			
Emerging	$193,244	$197,466	$171,974
Mature	202,085	194,512	156,846
	$395,329	$391,978	$328,820
Net Sales by country			
United States	$115,575	$109,357	$97,071
Brazil	27,928	32,233	28,458
Italy	24,052	23,132	23,577
Germany	28,229	28,445	9,864
France	12,569	12,220	11,727
Philippines	21,549	18,682	21,809
Poland	11,450	10,664	8,416
Other international	153,977	157,245	127,898
	$395,329	$391,978	$328,820

Identifiable assets	2018	2017
North America	$213,496	$185,911
South America	70,771	73,647
Europe	180,676	179,048
Asia	43,300	43,530
	$508,243	$482,136

21. Interest Expense, Net

Net interest expense consisted of:

	December 31, 2018	December 31, 2017	December 31, 2016
Interest expense	$15,821	$13,293	$12,667
Less Capitalized interest	-	(76)	(124)
Interest expense, net	$15,821	$13,217	$12,543

22. Changes in Accumulated Other Comprehensive Loss

	Accrued Employee Benefits	Translation Adjustments	Total
Balance at December 31, 2017	($50,483)	($30,266)	($80,749)
Other comprehensive (loss) income before reclassifications	-	(4,622)	(4,622)
Reclassifications from accumulated other comprehensive loss to earnings	6,095	-	6,095
Balance at December 31, 2018	($44,388)	($34,888)	($79,276)

	Amounts Reclassified from Accumulated Other Comprehensive Loss	Affected Line Items in the Consolidation Statement of Operations and Comprehensive Loss
Accrued Employee Benefits		
Settlement charges	$7,381	Other Income/Expense
Amortization of net actuarial loss	1,167	Other Income/Expense
	$8,548	

23. Restructuring Charges

During the year ended December 31, 2018, the Company recognized a restructuring expense in our European segment of $8,862, which we believe is our statutory cost for the plan. The costs relate to a restructuring of its French and German subsidiary operations to safeguard the Company's competitive environment in the European market. The plan will involve the involuntary termination of approximately 150 employees for $8,862 in restructuring recognized in 2018. The social plans were finalized in February 2019 and an additional $6,706 of restructuring expense was recognized.

During the year ended December 31, 2017, the Company recognized a restructuring expense in our European segment of $1,745, which we believe is our total cost for the plan. The costs relate to a restructuring of its Warsaw, Poland subsidiary operations to safeguard the Company's competitive environment in the European market. The plan involved the involuntary termination of approximately 13 employees for $414 and an operating lease liability of $1,331.

The following table provides details of our restructuring provisions.

	December 31, 2018	December 31, 2017	December 31, 2016
Beginning balance	$1,237	$3,210	$1,713
Provision	8,862	1,745	4,809
Payments	(381)	(3,718)	(3,312)
Translation	(203)	-	-
Ending balance	$9,515	$1,237	$3,210

25. Variable Interest Entity

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

As the primary beneficiary of the variable interest entity (VIE), the VIEs' assets, liabilities, and results of operations are included in the Company's consolidated financial statements as of, and for the period ended, December 31, 2018 and December 31, 2017. The other equity holders' interests are reflected in "Net loss attributable to noncontrolling interests" in the Consolidated Statements of Operations and "Noncontrolling interests" in the Consolidated Balance Sheets.

The following table summarizes the carrying amount of the VIEs' assets and liabilities included in the Company's Consolidated Balance Sheets at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$28	$15
Receivables, net	49	26
Inventories	232	48
Other current assets	45	76
Property, plant and equipment	1,205	1,031
Less: Accumulated depreciation	(136)	(24)
Property, plant and equipment,net	1,069	1,007
Deferred tax asset	115	115
Other assets	20	4
Total Assets	$1,558	$1,291
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	221	149
Total Liabilites	221	149
Paid in capital	2,181	1,431
Retained earnings	(844)	(289)
Total Stockholder Equity	1,337	1,142
Total Liabilities and Stockholders' Equity	$1,558	$1,291

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

The following table summarizes the Statement of Operations of the VIE included in the Company's Consolidated Statement of Operations for the period ended December 31, 2018 and December 31, 2017.

	December 31, 2018	December 31, 2017
Net sales	$90	$31
Cost of sales	384	146
Gross margin	(294)	(115)
Selling, general and administrative	223	279
Operating loss	(517)	(394)
Other (income) expense	38	10
Loss before income taxes	(555)	(404)
Income tax benefit	-	115
Net loss	($555)	($289)

26. Subsequent Events

Viskase evaluated its December 31, 2018 consolidated financial statements for subsequent events through March 29, 2019, the date the consolidated financial statements were available to be issued.

On January 2, 2019, the Company legally merged Walsroder Polska Sp z.o.o. and Darmex Casings Sp z.o.o. into Viskase Polska Sp z.o.o. This was a planned integration as part of our Poland restructuring plan.

Our social plans in France and Germany were finalized in February 2019. The Company will recognize an additional restructuring expense of $6,706 in 2019. Please refer to Footnote 23- Restructuring Expenses for further details.

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

Company Overview

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

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

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

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

Comparison of Results of Operations for Years Ended December 31, 2018, 2017 and 2016.

The following discussion compares the results of operations for the fiscal year ended December 31, 2018 to the results of operations for the fiscal year ended December 31, 2017, and compares the results of operations for the fiscal year ended December 31, 2017 to the results of operations for the fiscal year ended December 31, 2016. We have provided the table below in order to facilitate an understanding of this discussion. The table shows our results of operations for the 2018, 2017 and 2016 fiscal years.

	Year Ended Dec 31, 2018		Year Ended Dec 31, 2017		Year Ended Dec 31, 2016
NET SALES	$395.3	0.8%	$392.0	19.2%	$328.8
Cost of sales	315.8	6.7%	296.1	19.6%	247.6
Selling, general and administrative	56.4	-3.4%	58.4	20.7%	48.4
Amortization of intangibles	1.7	6.2%	1.6	NM	-
Asset impairment	0.1	-94.4%	1.8	NM	-
Restructing expense	8.9	423.5%	1.7	-64.6%	4.8
OPERATING INCOME	12.4	-61.7%	32.4	15.7%	28.0
Interest expense, net of income	15.3	16.8%	13.1	4.8%	12.5
Other expense, net	15.7	423.3%	3.0	30.4%	2.3
Income tax (benefit) provision	(4.1)	NM	20.4	168.4%	7.6
NET INCOME	($14.4)	242.9%	($4.2)	NM	$5.6

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

2018 Versus 2017

Net Sales. Our net sales for 2018 were $395.3 million, which represents an increase of $3.3 million or 0.8% from the prior year. Net sales decreased $3.1 million from volume, $0.6 million due to price and mix offset by an increase of $7.0 million due to foreign currency translation.

Cost of Sales. Cost of sales for 2018 increased 6.7% from the comparable prior year period. The increase is due to higher raw material and labor costs, plus lower absorption of manufacturing costs at our plants.

Selling, General and Administrative Expenses. We decreased selling, general and administrative expenses from $58.4 million in 2017 to $56.4 million in 2018. The decrease is mainly due to favorable settlement of open claims, lower employee expenses and lower costs associated with the prior acquisitions.

Amortization of Intangibles. The Company incurred an expense of $1.7 million on the amortization of intangibles recognized with the acquisitions.

Asset Impairment Charge. The Company incurred an asset impairment charge of $0.1 million in 2018 related to the write down of certain production supplies taken out of service.

Restructuring Expense. Restructuring expense of $8.9 million during of 2018 resulted from the planned partial relocation of our manufacturing operation in Thaon, France and a downsizing of our facilitiy in Bomlitz, Germany. The plan involved the involuntary termination of approximately 150 employees. The Company anticipates an annual savings of $10.0 million per year when the plan is fully implemented.

Restructuring expense of $1.7 million during of 2017 resulted from the closure of our manufacturing operation in Warsaw, Poland. The plan involved the involuntary termination of approximately 13 employees and included an operating lease liability of $1.3 million. The Company anticipates an annual savings of $0.6 million per year when the plan is fully implemented and a similar cash flow savings when the Warsaw facility is subleased.

Operating Income. Operating income for 2018 was $12.4 million, representing an decrease of $20.0 million from the prior year. The decrease in operating income was primarily due to lower gross profit and an increase in restructuring expense.

Interest Expense. Interest expense, net of interest income, for 2018 was $15.3 million, representing an increase of $2.2 million compared to 2017. The increase is a result of a higher interest rate on our Term loan and a new capital lease from an acquisition.

Other Expense. Other expense for 2018 was approximately $15.7 million, representing a increase of $12.7 million over 2017. The increase is primarily due to higher expense related to pension settlement accounting and loss foreign currency translation.

Income Tax Provision. During 2018, an income tax benefit of $4.1 million was recognized on the loss before income taxes of $18.5 million compared to income tax expense of $20.4 million in 2017. The 2018 effective income tax rate was (18.9%) compared to 126.2% for 2017. The Company's 2017 income tax expense and rate differ from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of a $5.5 million increase for a valuation allowance against a Brazilian deferred tax asset.

Primarily as a result of the factors discussed above, net loss was ($14.4) million compared to net loss of $(4.2) million for 2017.

2017 Versus 2016

Net Sales. Our net sales for 2017 were $392.0 million, which represents an increase of $63.2 million or 19.2% from the prior year. Net sales increased $81.1 million from volume mainly due to acquisitions, offset by a decrease of $17.8 million due to price and mix and $0.1 million due to foreign currency translation.

Cost of Sales. Cost of sales for 2017 increased 19.6% from the comparable prior year period. The increase is due to higher sales volume from the acquisitions.

Selling, General and Administrative Expenses. We increased selling, general and administrative expenses from $48.4 million in 2016 to $58.4 million in 2017. The increase is mainly due to $13.1 in additional costs from the acquired companies offset by synergies achieved in the existing business.

Amortization of Intangibles. The Company incurred an expense of $1.6 million on the amortization of $24.8 million of intangibles recognized with the acquisitions.

Asset Impairment Charge. The Company incurred an asset impairment charge of $1.8 million in 2017 related to the write down of certain production equipment taken out of service in the shutdown of its Warsaw, Poland manufacturing facility and other immaterial equipment impairments.

Restructuring Expense. Restructuring expense of $1.7 million during of 2017 resulted from the closure of our manufacturing operation in Warsaw, Poland. The plan involved the involuntary termination of approximately 13 employees and included an operating lease liability of $1.3 million. The Company anticipates an annual savings of $0.6 million per year when the plan is fully implemented and a similar cash flow savings when the Warsaw facility is subleased.

During 2016, the Company recognized a restructuring expense of $4.8 million. The total included $1.8 million of expense related to a board-approved plan of restructuring of our French subsidiary operations. The Company exited its French plastics, printing, and MP coating operations, along with a targeted downsizing of its production and overhead personnel with a projected annual savings of $2 million per year in operating cost. The Company recognized a cost of $0.7 million related to the relocation of its North American finishing operations and $2.3 million related to the voluntary employee reduction of its North American headquarters during 2016. Management anticipates these restructuring plans will save $1 million per year of operating expense and the same amount for cash flow.

Operating Income. Operating income for 2017 was $32.4 million, representing an increase of $4.4 million from the prior year. The increase in operating income was primarily due to higher gross profit.

Interest Expense. Interest expense, net of interest income, for 2017 was $13.1 million, representing an increase of $0.6 million compared to 2016. The increase is a result of a higher interest rate on our Term loan and a new capital lease from an acquisition.

Other (Income) Expense. Other income for 2017 was approximately $1.1 million, representing a decrease of $0.1 million over other income of $1.2 million in 2016. The increase is primarily due to higher income related to foreign currency translation.

Income Tax (Provision). During 2017, an income tax expense of $20.4 million was recognized on the income before income taxes of $16.2 million compared to income tax expense of $7.6 million in 2016. The 2017 effective income tax rate was 126.2% compared to 57.9% for 2016. The Company's 2017 income tax expense and rate differ from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of a $16.1 million increase for tax reform offset by a reduction of $1.4million in uncertain tax positions. The $16.1 million increase from tax reform includes $13.8 million due to the change in tax rate and $2.3 million from mandatory repatriation of foreign earnings.

Primarily as a result of the factors discussed above, net loss was ($4.2) million compared to net income of $5.6 million for 2016.

Liquidity and Capital Resources

Cash and cash equivalents increased by $29.6 million during 2018. Net cash provided by operating activities was $9.0 million and net cash used in investing activities was $24.6 million. Net cash provided by financing activities was $45.9 million. Cash flows provided by operating activities were principally attributable to results from operations, offset by an increase in working capital. Our inventory increased during 2018 due to soft market demand not forecasted by the Company and certain production related issues in our foreign operations. These issues are reflected in our reduced sales volume for the year. Cash flows used in investing activities were principally attributable to capital expenditures. Cash flows provided by financing activities principally consisted of proceeds received from the Rights Offering and Europe Bank Loans offset by debt repayments under our Revolving Credit Facility, Restructured Term Loan, Term Loan and capital leases.

Our cash held in foreign banks was $18.3 million (against a total cash balance of $47.2 million) and $13.6 million (against a total cash balance of $17.6 million) as of December 31, 2018 and December 31, 2017, respectively. Any cash held by our foreign subsidiaries does not have a significant impact on our overall liquidity, but if we fail to generate sufficient cash through our domestic operations, our foreign operations could be a potential source of liquidity.

As of December 31, 2018 the Company had positive working capital of approximately $179.5 million including restricted cash of $1.2 million, with additional amounts available under its Revolving Credit Facility.

On November 14, 2007, the Company entered into a secured revolving credit facility ("Revolving Credit Facility"), which has been subsequently amended.

On January 30, 2014, the Company entered into an Amendment Agreement to the Revolving Credit Facility, together with an amended Loan Agreement, with Icahn Enterprises Holdings L.P. ("IEH"). Drawings under the amended Revolving Credit Facility bear interest at daily three month LIBOR plus 2.0%. The amended Revolving Credit Facility also provides for an unused line fee of 0.375% per annum.

On March 1, 2016, the Company entered into the Tenth Amendment to the Loan and Security Agreement with respect to the Revolving Credit Facility, extending the maturity date of the Revolving Credit Facility from January 30, 2017 to January 30, 2020. The amendment included a fee of $125,000 for the extension.

Indebtedness under the amended Revolving Credit Facility is secured by liens on substantially all of the Company's domestic and Mexican assets, with liens on (i) accounts, inventory, lockboxes, deposit accounts and investment property (the "ABL Priority Collateral') to be contractually senior to the liens securing the Term Loan (as hereafter defined) pursuant to an intercreditor agreement, (ii) real property, fixtures and improvements thereon, equipment and proceeds thereof (the "Fixed Asset Priority Collateral"), to be contractually subordinate to the liens securing the Term Loan pursuant to such intercreditor

agreement, and (iii) all other assets, to be contractually pari passu with the liens securing the Term Loan pursuant to such intercreditor agreement. Our future direct or indirect material domestic subsidiaries are required to guarantee the obligations under the amended Revolving Credit Agreement, and to provide security by liens on their assets as described above.

The amended Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, create liens on our assets, make investments, enter into merger, consolidation or acquisition transactions, dispose of assets (other than in the ordinary course of business), make certain restricted payments, enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The amended Revolving Credit Facility also requires that we comply with certain financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures, in the event our usage of the Revolving Credit Facility exceeds 90% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of December 31, 2018.

The Company had no borrowings and an additional $25.0 million of availability under the amended Revolving Credit Facility as of December 31, 2018.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately $7.25 million of availability. There were no borrowings under the lines of credit at December 31, 2018.

On January 30, 2014, the Company entered into a Credit Agreement with UBS AG, Stamford Branch ("UBS"), as Administrative Agent and Collateral Agent, and the Lenders parties thereto, providing for a $275 million senior secured covenant lite term loan facility ("Term Loan"). The Term Loan bears interest at a LIBOR Rate plus 3.25% (with the LIBOR Rate carrying a 1.00% floor or at a Base Rate equal to the sum of (1) the greatest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, (c) one-month LIBOR plus 1.0%, or (d) 2.0%, plus (2) 2.25%). As of September 30, 2018, the interest rate was 5.64% on the Term Loan. The Term Loan has a contractual obligation to repay 1% per year and this amount is carried as short term debt. The Term Loan has a maturity date of January 30, 2021. The Term Loan is subject to certain additional mandatory prepayments upon asset sales, incurrence of indebtedness not otherwise permitted, and based upon a percentage of excess cash flow. Prepayments on the Term Loan may be made at any time.

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

On December 30, 2016, the Company entered into a Share and Asset Purchase Agreement to purchase all of the shares in CT Casings Beteiligungs GmbH and certain assets of Poly-clip Systems LLC. As part of the consideration for the purchase, a former seller shareholder loan was restructured and remained outstanding at the January 10, 2017 closing in the original amount of €9.8 million ("Restructured Term Loan") or $10.3 million. After reductions for post-closing adjustments, the balance on the Restructured Term Loan was €8.1 million. The Restructured Term Loan is due for repayment as follows: €1.7 million was paid on January 10, 2018; and the balance of €6.4 million is due on January 10, 2020. The Restructured Term Loan bears no interest, and was recorded for a book value of €7.3 million using an imputed interest rate of 4%.

Pension and Postretirement Benefits

Our long-term pension and postretirement benefit liabilities totaled $75.4 million at December 31, 2018.

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

	2019	2020	2021	2022	2023
Pension	$ 3.8	$ 7.4	$ 6.7	$ 7.4	$ 7.4

Contract Obligations

As of December 31, 2018, the aggregate maturities of debt(1), leases and purchase commitments for each of the next five years are (in millions):

	2019	2020	2021	2022	2023	Thereafter
Term Loan Facility	$ 2.8	$ 2.8	$ 255.8	$ -	$ -	$ -
Europe Bank Loan	1.9	1.9	0.4	-	-	-
Restructured Term Loan		7.4	-	-	-	-
Operating Leases	5.4	5.4	5.4	4.8	3.5	21.3
Other	1.3	-	-	-	-	0.9
	$ 11.4	$ 17.5	$ 261.6	$ 4.8	$ 3.5	$ 22.2

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

Critical Accounting Policies

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

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

Property, Plant and Equipment

The Company carries property, plant and equipment at cost less accumulated depreciation. Property and equipment additions include acquisition of property and equipment and costs incurred for computer software purchased for internal use including related external direct costs of materials and services and payroll costs for employees directly associated with the project. Upon retirement or other disposition, cost

and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Depreciation is computed on the straight-line method using a half year convention over the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years, (iv) auto and trucks - 2 to 5 years, (v) data processing — 3 to 7 years and (vi) leasehold improvements - shorter of lease or useful life.

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

Deferred Financing Costs

Deferred financing costs are presented in the balance sheet as a direct deduction from the carrying amount of debt liability and amortized as expense using the effective interest rate method over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

Intangible Assets and Goodwill

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

We evaluate the carrying value of goodwill on at least an annual basis by applying a fair-value-based test. In evaluating the recoverability of the carrying value of goodwill, we must make assumptions regarding the fair value of our reporting units, as defined under FASB ASC Topic 350. Goodwill impairment testing involves comparing the fair value of our reporting units to their carrying values. If the book value of the reporting unit exceeds its fair value, the goodwill of the reporting unit is considered to be impaired. The amount of impairment loss is equal to the excess of the book value of the goodwill over the fair value of goodwill. The reporting unit fair value is based upon consideration of various valuation methodologies, including guideline transaction multiples, multiples of current earnings, and projected future cash flows discounted at rates commensurate with the risk involved.

Long-Lived Assets

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

Shipping and Handling

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

Pensions and Other Postretirement Benefits

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

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits as of September 30, 2018 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company is using a long-term rate of return on U.S. plan assets of 5.85% for 2018. The Company is using a long-term rate of return on French plan assets of 3.20% for 2018. The German pension plan has no assets.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company is using a Mercer Bond yield curve in determining its pension obligations. The Company was using a discount rate of 3.86% for the first quarter of 2018 and then remeasured net periodic benefit cost with the settlement accounting on the plan and will use 4.15% for the remainder of 2018. The Company is using a weighted average discount rate of 1.74% on its non-U.S. pension plans for 2018.

Income Taxes

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

Other Comprehensive Income (Loss)

Other Comprehensive Income (Loss) Comprehensive income (loss) includes all other non-stockholder changes in equity. Changes in other comprehensive income (loss) in 2018 and 2017 resulted from changes in foreign currency translation and minimum pension liability.

Revenue Recognition

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

Acquisitions of Businesses

We account for business combinations under the acquisition method of accounting (other than acquisitions of businesses under common control), which requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement.

Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed, pre-acquisition contingencies, and contingent consideration, where applicable. In valuing our acquisitions we estimate fair values based on industry data and trends and by reference to relevant market rates and transactions, and discounted cash flow valuation methods, among other factors. The discount rates used were commensurate with the inherent risks associated with each type of asset and the level and timing of cash flows appropriately reflect market participant assumptions. The primary items that

generate goodwill include the value of the synergies between the acquired company and our existing businesses and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset.

Financial Instruments

The Company routinely enters into fixed price natural gas agreements which require us to purchase a portion of our natural gas each month at fixed prices. These fixed price agreements qualify for the “normal purchases” scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. Future annual minimum purchases remaining under the agreement are $1.3 million at December 31, 2018.

The Company’s financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The carrying amounts of these financial assets and liabilities approximate fair value due to the short maturities of these instruments.

New Accounting Pronouncements

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

FORWARD-LOOKING STATEMENTS

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

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

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