VISKASE COMPANIES, INC.

ANNUAL REPORT FOR 2009

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

VISKASE COMPANIES, INC.

Annual Report - 2009

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SECTION 1. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements.” Forward-looking statements are those that do not relate solely to historical fact. Forward-looking statements in this report are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance and implicate known and unknown risks, uncertainties and other factors that may cause the actual results, performances or levels of activity of our business or our industry to be materially different from that expressed or implied by any such forward-looking statements and are not guarantees of future performance. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. In some cases, you can identify forward-looking statements by use of words such as “believe,” “anticipate,” “expect,” “estimate,” “intend,” “project,” “plan,” “will,” “would,” “could,” “predict,” “propose,” “potential,” “may” or words or phrases of similar meaning. Statements concerning our financial position, business strategy and measures to implement that strategy, including changes to operations, competitive strengths, goals, plans, references to future success and other similar matters are forward-looking statements. Although it is not possible to identify all of the factors that may affect our financial position, business strategy and measures to implement that strategy, such factors may include, among others, the following:

- our ability to meet liquidity requirements and to fund necessary capital expenditures;
- the strength of demand for our products, prices for our products and changes in overall demand;
- market and industry conditions and changes in the relative market shares of industry participants;
- consumption patterns and consumer preferences in our markets;
- the effects of competition;
- our ability to realize operating improvements and anticipated cost savings;
- pending or future legal proceedings and regulatory matters, including but not limited to proceedings, claims or problems related to environmental issues, or the impact of any adverse outcome of any currently pending or future litigation on the adequacy of our reserves;
- general economic conditions and their effect on our business both in the United States and global markets;
- continued expansion of the middle class and an increasing shift towards protein-rich diets in the emerging markets in which we compete;
- changes in the cost or availability of raw materials and changes in other costs;
- pricing pressures for our products;
- the cost of and compliance with environmental laws and other governmental regulations;
- our ability engage in capital markets transactions;
- our ability to protect our intellectual property; and
- our ability to implement our strategy for the future, including capitalizing on opportunities that may be presented to and pursued by us.

SECTION 2. <u>RISK FACTORS</u>

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

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

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

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

Our results of operations are affected by many economic factors, including the strength of economic conditions and level of economic development in the markets in which we operate. Over the past 18 months, the United States and international markets have experienced a significant decline in economic activity and a tightening of credit markets. Any further deterioration of national and global economic conditions or disruptions in credit and other financial markets could result in a number of adverse effects to our business and our results of operations, including, among other things:

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

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

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

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

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

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

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

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

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

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

Our business is capital intensive. We operate seven manufacturing facilities, nine distribution centers and two service centers as part of our business. We are required to make substantial capital expenditures and substantial repair and maintenance expenditures to maintain, repair, upgrade and expand existing equipment and facilities to keep pace with competitive developments. In addition, we are required to invest in technological advances to maintain compliance with safety standards and environmental laws or regulations. We spent approximately $23.8 million for capital expenditures in 2009 and expect to spend approximately $15.2 million in 2010. At some point in the future, we may be required to obtain additional financing to fund capital expenditures. If we need to obtain additional funds, we may not be able to do so on terms favorable to us, or at all, which would ultimately negatively affect our production and operating results.

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

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

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

Due to the recent declines in financial markets and a deterioration in the value of our plan assets, we have seen a significant increase in our U.S. defined benefit pension funding liability. As of December 31, 2009, our aggregate minimum funding contribution requirement for our U.S. defined benefit plan from 2010 through 2014 was approximately $38.2 million and our unfunded pension liability was $40.8 million. These amounts could increase or decrease due to market factors, including actual and expected returns on plan assets, and the discount rate used to measure the liability.

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

We currently have manufacturing or sales and distribution centers in seven foreign countries: Brazil, Canada, France, Germany, Italy, Mexico and Poland. Our international sales and operations may be subject to various political and economic risks including, but not limited to: possible unfavorable exchange rate fluctuations or hyperinflation; changes in a country's or region's political or economic conditions; governmental regulations, including import and export controls; tariffs; limits on the repatriation of funds; and taxes. Our sales to customers located outside the United States generally are subject to taxes on the repatriation of funds. In addition, international operations in certain parts of the world may be subject to international balance of payments difficulties that may raise the possibility of delay or loss in the collection of accounts receivable from sales to customers in those countries. Net sales to customers located outside the United States represented approximately 68% of our total net sales in 2009 and approximately 67% of our total net sales in 2008.

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

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

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

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

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

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

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

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

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

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

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

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

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

We have substantial indebtedness. In addition, subject to restrictions in the indenture (the “Indenture”) governing our 9.875% Senior Secured Notes due 2018 (the “9.875% Senior Secured Notes”) and the

credit agreement governing our revolving credit facility, we may incur additional indebtedness. As of December 31, 2009, we had approximately $176.2 million of total debt, exclusive of additional indebtedness that we may borrow under our revolving credit facility.

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

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

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

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

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

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

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

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

Our sales to customers located outside the United States are conducted primarily through subsidiaries organized under the laws of jurisdictions outside of the United States. For the year ended December 31, 2009, our foreign restricted subsidiaries contributed approximately 53% of our consolidated revenues. As of December 31, 2009, 43% of our consolidated assets, based on carrying value, were held by foreign subsidiaries. Our ability to meet our debt service obligations with cash from foreign subsidiaries will depend upon the results of operations of these subsidiaries and may be subject to contractual or other restrictions and other business considerations. In particular, to the extent our foreign subsidiaries incur additional indebtedness to expand their operations, the ability of our foreign subsidiaries to provide us cash may be limited. In addition, dividend and interest payments to us from our foreign subsidiaries may be subject to foreign withholding taxes, which would reduce the amount of funds we receive from such foreign subsidiaries. Dividends and other distributions from our foreign subsidiaries may also be subject

to fluctuations in currency exchange rates and restrictions on repatriation, which could further reduce the amount of funds we receive from such foreign subsidiaries.

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

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

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

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

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

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

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

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

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

Company Overview

We are a worldwide leader in the production and sale of cellulosic, fibrous and plastic casings for the processed meat and poultry industry. We currently operate seven manufacturing facilities and nine distribution centers throughout North America, Europe and South America and we derive approximately 68% of total net sales from customers located outside the United States. We believe we are one of the two largest manufacturers of non-edible cellulosic casings for processed meats and one of the three largest manufacturers of non-edible fibrous casings. We also manufacture heat-shrinkable plastic bags for the meat, poultry and cheese industry. Our management believes that the factors most critical to the success of our business are:

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

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

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

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

Factors Affecting Operating Results and Outlook

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

Selling price. Selling price is the biggest driver of our operating income. Accordingly, management focuses intensely on the selling prices of our products.

Labor costs. In recent years, we have taken many actions to reduce our labor costs to the minimum sustainable level. With the exception of certain employees covered by a collective bargaining agreement, we have frozen our defined benefit pension plan. We have made our defined contribution plan payments variable to financial performance targets. We have moved manufacturing facilities to lower cost areas.

We have increased medical care deductibles and other employee costs, and we have cut our workforce to minimal levels. We believe that our labor costs as a percentage of sales will be maintained for the foreseeable future.

Raw material and energy costs. While labor is the highest cost component of our product, materials and energy are nearly as important. Prices for these key elements were stable for many years until recently. In 2008, we experienced dramatic increases in the prices of energy, wood pulp and various chemicals. The timing of these increases was inopportune for us, as most of our prices were set for our major customers and only afterward did we achieve cost increases. We have experienced moderation of prices for raw materials and energy in 2009. We continue to look for additional suppliers for our key materials in order to obtain the lowest prices available.

Results of Operations

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

The following discussion compares the results of operations for the fiscal year ended December 31, 2009 to the results of operations for the fiscal year ended December 31, 2008. We have provided the following table in order to facilitate an understanding of this discussion (dollars in thousands):

	Year Ended December 31, 2009	% Change Over 2008	Year Ended December 31, 2008	% Change Over 2007	Year Ended December 31, 2007
NET SALES	$299.3	5.6%	$283.4	13.2%	$250.3
COST AND EXPENSES					
Cost of sales	220.3	-2.1%	225.0	9.5%	205.4
Selling, general and administrative	39.4	6.5%	37.0	16.1%	31.8
Amortization of intangibles	.5	0.1%	.5	0.1%	.5
Restructuring expense	-	NM	-	NM	.1
Asset impairment charge	1.4	1347.0%	.1	-89.4%	.9
OPERATING INCOME	37.7	80.6%	20.9	81.0%	11.5
Interest income	.1	-78.5%	.3	83.0%	.2
Interest expense	16.3	8.3%	15.1	1.6%	14.8
Other income, net	2.7	-50.7%	5.5	152.7%	2.2
Loss on early extinguishment of debt	6.0	2573.5%	.2	NM	-
Income tax expense	1.5	-84.7%	9.8	335.3%	2.3
NET INCOME (LOSS)	$16.7	903.1%	$1.7	NM	($3.2)

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ended December 31, 2008 Compared to Fiscal Year Ended December 31, 2007

The following discussion compares the results of operations for the fiscal year ended December 31, 2008 to the results of operations for the fiscal year ended December 31, 2007. We have provided the following table in order to facilitate an understanding of this discussion (dollars in thousands):

Net Sales. Our net sales for fiscal 2008 were $283.4 million, which represents an increase of $33.1 million or 13.2% from fiscal 2007. Net sales benefited by a $25.6 million increase due to price and mix, $11.5 million due to foreign currency translation and were offset by a decrease of $4.0 million due to volumes.

Cost of Sales. Cost of sales for fiscal 2008 increased 9.5% or $19.6 million over the prior fiscal year. The increase in cost of sales can be attributed to the increase in volumes, raw material costs and labor costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $5.2 million from fiscal 2007 to fiscal 2008. The change can be attributed to $3.1 million from the achievement of certain performance based compensation benefits, $1.4 million due to foreign currency translation, and $0.5 million in legal expense to recover VAT tax refunds owed to the Company.

Operating Income. The operating income for fiscal 2008 was $20.9 million, representing an increase of $9.4 million from the prior fiscal year. The increase in the operating income resulted primarily from the increases in net sales volume, pricing, and translation, but was offset by the increase in selling, general, and administrative expenses.

Interest Expense. Interest expense, net of interest income, for fiscal 2008 totaled $14.8 million, which is a slight increase compared to the prior fiscal year. The increase is principally due to the increase in interest income offset by an increased amount of long term borrowing with higher interest rates.

Other Income. Other income of approximately $5.5 million for fiscal 2008 consisted principally of foreign currency translation gains.

Income Tax Expense. During fiscal 2008, a tax provision of $9.8 million was recognized in income before income taxes of $11.5 million resulting principally from the results of operations of foreign subsidiaries.

Primarily as a result of the factors discussed above, net income for fiscal 2008 was $1.7 million compared to a net loss of $3.2 million for fiscal 2007.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements, financing or other relations with unconsolidated entities or other persons.

Contingencies

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

Effect of Changes in Exchange Rates

In general, our results of operations are affected by changes in foreign exchange rates. In addition to those markets in which we price our products in U.S. dollars, we price our products in certain of our foreign operations in Euros and Brazilian Reals. As a result, a decline in the value of the U.S. dollar relative to the local currencies of profitable foreign subsidiaries can have a favorable effect on our profitability, and an increase in the value of the U.S. dollar relative to the local currencies of profitable foreign subsidiaries can have a negative effect on our profitability. Exchange rate fluctuations increased comprehensive income by $0.6 million in 2009 and decreased comprehensive income by $11.3 million in 2008.

Liquidity and Capital Resources

As of December 31, 2009, the Company had unrestricted cash and cash equivalents of $39.0 million and restricted cash of $2.3 million, which secures letters of credit. For the year ended December 31, 2009, cash flows provided by operating activities were $15.5 million and cash flows used in investing activities were $23.2 million. Cash flows provided by financing activities were $33.2 million. Cash flows provided in operating activities were principally attributable to a decrease in working capital offset by depreciation and loss on early extinguishment of debt. Cash flows used in investing activities were principally attributable to capital expenditures. Cash flows provided by financing activities principally consisted of the refinancing of our 11.5% Senior Secured Notes less repayment of our revolving credit facility and a capital lease. In the longer term, the Company has significant debt and not enough projected cash flow to pay off the principal balances when they come due. See Note 9 of Notes to Consolidated Financial Statements for detailed information about the amounts, due dates, terms and conditions of our debt.

Set forth below is a table of our material capital expenditures and research and development costs for fiscal 2008 and 2009 and projected commitments for fiscal 2010:

Project	2008 (millions)	2009 (millions)	Projected 2010 (millions)
Move or expansion of manufacturing facility	$ -	$ 10.7	$ -
Other capital expenditures	$ 12.5	$ 13.1	$ 15.2
Research and development costs	$ 3.0	$ 3.4	$ 3.8

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

Contractual Obligations

The following table reflects our future contractual cash obligations and commercial commitments as of December 31, 2009 (dollars in thousands).

		Payment Due by Pay Period					
		Less than					More than
Contractual Obligations	Total	1 year	Year 2	Year 3	Year 4	Year 5	5 years
Long-term debt	$176.5	$0.3	$0.0	$0.0	$0.0	$0.0	$176.2
Cash interest obligations	130.9	9.8	17.3	17.3	17.3	17.3	51.9
Pension obligations	38.3	3.6	8.5	9.9	8.4	7.9	0.0
Operating leases	10.2	3.0	2.6	2.0	1.0	0.6	1.0
Capital leases	2.6	0.8	0.8	0.6	0.3	0.1	0.0
Total	$358.5	$17.5	$29.2	$29.8	$27.0	$25.9	$229.1

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

Critical Accounting Policies

The preparation of financial statements includes the use of estimates and assumptions that affect a number of amounts included in the Company's financial statements, including, among other things, pensions and other postretirement benefits and related disclosures, reserves for excess and obsolete inventory, allowance for doubtful accounts, restructuring charges and income taxes. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company's results for the period in which the actual amounts become known. Historically, the aggregate differences, if any, between the Company's estimates and actual amounts in any year have not had a significant effect on the Company's consolidated financial statements.

Revenue Recognition

The Company's revenues are recognized at the time products are shipped to the customer, under F.O.B. Shipping Point terms or under F.O.B. Port terms. Revenues are net of any discounts, rebates and allowances. The Company records all labor, raw materials, in-bound freight, plant receiving and purchasing, warehousing, handling and distribution costs as a component of cost of goods sold.

Allowance for Doubtful Accounts Receivable

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

Allowance for Obsolete and Slow Moving Inventories

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

Income Taxes

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

During 2007, we adopted guidance on accounting for uncertainty in income taxes, which had no impact on the Company's financial statements. See Note 16 of Notes to Consolidated Financial Statements.

Pension Plans and Other Postretirement Benefit Plans

Using appropriate actuarial methods and assumptions, the Company's defined benefit pension plans and non-pension postretirement benefits are accounted for in accordance with GAAP.

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits under GAAP as of December 31, 2009 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company used a long-term rate of return on plan assets of 8.25% for 2009 and 8.50% for 2008.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. During 2007, the Company changed its discount rate assumption to use a Hewitt yield curve. The Company used a discount rate of 5.9% for 2009 and 6.9% for 2008.

Intangible Assets

Intangible assets that have an indefinite useful life are not amortized and are tested at least annually for impairment. We use a discounted cash flow methodology in determining fair 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. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years and (iv) auto and trucks - 2 to 5 years. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations.

In the ordinary course of business, we lease certain equipment, and certain real property, consisting of manufacturing and distribution facilities and office facilities. Substantially all such leases as of December 31, 2009 were operating leases, with the majority of those leases requiring us to pay maintenance, insurance and real estate taxes.

Long-Lived Assets

The Company continues to evaluate the recoverability of long-lived assets including property, plant and equipment, patents and other intangible assets. 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.

Impairments are also recognized when the realizable value of assets held for sale is less than their carrying value. The Company had an impairment charge of $1,447 for the assets held for sale during 2009 compared to a charge of $100 during 2008.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued guidance on accounting for the consolidation of variable interest entities. This guidance changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. This guidance will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. This guidance will be effective at the start of a reporting entity’s first fiscal year beginning after November 15, 2009, or January 1, 2010, for the Company. The Company does not expect the adoption of this guidance to have a material effect on its consolidated results of operations or financial position.

In August 2009, the FASB issued guidance on measuring liabilities at fair value. This guidance provides clarification and guidance regarding how to value a liability when a quoted price in an active market is not available for that liability. This guidance is effective for the first reporting period (including interim periods) beginning after issuance (October 1, 2009 for the Company), and adoption is not expected

SECTION 4. CONSOLIDATED FINANCIAL STATEMENTS OF VISKASE COMPANIES, INC AND SUBSIDIARIES

1. Financial Statements:

   Report of Independent Certified Public Accountants

   Consolidated Balance Sheets as of December 31, 2009 and 2008

   Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007

   Consolidated Statements of Stockholders' (Deficit) Equity for the years ended December 31, 2009, 2008 and 2007

   Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007

2. Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Viskase Companies, Inc.

We have audited the accompanying consolidated balance sheets of Viskase Companies, Inc. (a Delaware corporation) and Subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above presented fairly, in all material respects, the financial position of Viskase Companies, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles general accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
April 8, 2010

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

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

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$39,049	$12,997
Restricted cash	2,283	2,283
Receivables, net	46,607	44,703
Inventories, net	52,276	43,384
Other current assets	18,958	12,056
Total current assets	159,173	115,423
Property, plant and equipment	164,778	144,605
Less accumulated depreciation	56,884	46,598
Property, plant and equipment, net	107,894	98,007
Asset held for sale	500	1,000
Deferred financing costs, net	6,968	2,675
Other assets	2,145	2,535
Deferred tax asset	970	-
Total Assets	$277,650	$219,640
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Short-term debt	262	717
Short-term portion capital lease obligation	717	532
Accounts payable	25,199	26,808
Accrued liabilities	36,694	37,319
Deferred income taxes	-	1,110
Total current liabilities	62,872	66,486
Long-term debt, net of current maturities	174,018	128,397
Capital lease obligation	1,083	959
Accrued employee benefits	45,490	43,387
Deferred income taxes	-	748
Stockholders’ deficit :		
Common stock, $.01 par value; 36,592,341 shares issued and 35,787,071 shares outstanding at December 31, 2009; and 36,334,449 shares issued and 35,529,229 shares outstanding at December 31, 2008	366	363
Additional paid in capital	32,474	32,154
Accumulated deficit	(6,976)	(23,707)
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(31,379)	(28,849)
Total stockholders' deficit	(5,813)	(20,337)
Total Liabilities and Stockholders' Deficit	$277,650	$219,640

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

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

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
NET SALES	$299,301	$283,447	$250,297
Cost of sales	220,340	225,049	205,433
GROSS MARGIN	78,961	58,398	44,864
Selling, general and administrative	39,356	36,962	31,835
Amortization of intangibles	460	460	461
Restructuring expense	-	-	90
Asset impairment charge	1,447	100	944
OPERATING INCOME	37,698	20,876	11,534
Interest income	74	344	188
Interest expense	16,309	15,062	14,824
Other income, net	2,735	5,549	2,196
Loss on early extinguishment of debt	5,962	223	-
INCOME (LOSS) BEFORE INCOME TAXES	18,236	11,484	(906)
Income tax provision	1,505	9,816	2,255
NET INCOME (LOSS)	16,731	1,668	(3,161)
Less preferred dividends	-	-	(1,507)
INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	16,731	1,668	(4,668)
WEIGHTED AVERAGE COMMON SHARES - BASIC	35,535,534	31,162,198	26,126,456
PER SHARE AMOUNTS:			
EARNINGS (LOSS) PER SHARE - BASIC	$0.47	$0.05	($0.18)
WEIGHTED AVERAGE COMMON SHARES - DILUTED	35,926,683	31,558,017	26,126,456
PER SHARE AMOUNTS:			
EARNINGS (LOSS) PER SHARE - DILUTED	$0.47	$0.05	($0.18)

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

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

	Preferred stock	Common stock	Common stock distributable	Paid in capital	Treasury stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Total stockholders' equity (deficit)
Balance December 31, 2006	$123	$107	$9	$25,185	($298)	($22,214)	$1,731	$4,643
Net loss						(3,161)		(3,161)
Foreign currency translation adjustment							293	293
Pension liability adjustment, net of tax							7,378	7,378
Comprehensive income								4,510
Redemption of preferred stock	(123)			(23,051)				(23,174)
Issuance of common stock		198		22,781				22,979
Stock option expense				15				15
Dividend payable			23	(33)				(10)
Dividend paid			(32)					(32)
Balance December 31, 2007	-	$305	-	$24,897	($298)	($25,375)	$9,402	$8,931
Net income						1,668		1,668
Foreign currency translation adjustment							(11,312)	(11,312)
Pension liability adjustment, net of tax							(26,939)	(26,939)
Comprehensive loss								(36,583)
Issuance of common stock		58		6,942				7,000
Stock option expense				315				315
Balance December 31, 2008	-	$363	-	$32,154	($298)	($23,707)	($28,849)	($20,337)
Net income						16,731		16,731
Foreign currency translation adjustment							566	566
Pension liability adjustment, net of tax							(3,096)	(3,096)
Comprehensive income								14,201
Issuance of common stock		3		(3)				-
Stock option expense				323				323
Balance December 31, 2009	-	$366	-	$32,474	($298)	($6,976)	($31,379)	($5,813)

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

	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Cash flows from operating activities:			
Net income (loss)	$16,731	$1,668	($3,161)
Adjustments to reconcile net income (loss) to net cash provided (used in) by operating activities:			
Depreciation	11,349	10,835	9,636
Stock-based compensation	323	315	15
Amortization of intangibles	460	460	461
Amortization of deferred financing fees	1,111	935	1,335
Deferred income taxes	(2,801)	1,261	(7,741)
Foreign currency translation gain	(532)	(7,696)	(250)
Loss on disposition of assets	509	62	302
Bad debt provision	657	810	31
Asset impairment charge	1,447	100	944
Loss on early extinguishment of debt	5,962	223	-
Non-cash interest on notes	747	1,306	1,277
Changes in operating assets and liabilities:			
Receivables	(2,095)	(793)	(9,436)
Inventories	(8,174)	(6,929)	7,735
Other current assets	(6,734)	351	2,720
Accounts payable	(2,014)	4,522	3,995
Accrued liabilities	(777)	5,190	10,268
Other	(654)	(5,432)	(16,446)
Total adjustments	(1,216)	5,520	4,846
Net cash provided by operating activities	15,515	7,188	1,685
Cash flows from investing activities:			
Capital expenditures	(23,812)	(12,479)	(8,700)
Proceeds from assets held for sale	577	-	-
Proceeds from disposition of assets	11	94	110
Net cash used in investing activities	(23,224)	(12,385)	(8,590)
Cash flows from financing activities:			
Issuance of common stock	-	7,000	22,979
Redemption of preferred stock	-	-	(23,174)
Deferred financing costs	(6,540)	(203)	(1,672)
Preferred stock dividend	-	-	(40)
Proceeds from revolving loan	4,999	3,114	-
Proceeds from capital lease	6,815	1,891	-
Proceeds from long-term debt	173,784	18,503	24,132
Repayment of long-term debt	(113,711)	-	-
Repayment of short-term debt	(25,454)	(18,648)	(12,113)
Repayment of capital lease	(6,674)	(295)	-
Restricted cash	-	-	136
Net cash provided by financing activities	33,219	11,362	10,248
Effect of currency exchange rate changes on cash	542	(609)	406
Net increase in cash and equivalents	26,052	5,556	3,749
Cash and equivalents at beginning of period	12,997	7,441	3,692
Cash and equivalents at end of period	$39,049	$12,997	$7,441
Supplemental cash flow information:			
Interest paid less capitalized interest	$14,808	$12,237	$10,913
Income taxes paid (refunded)	$11,952	$3,490	($596)

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

1. **Summary of Significant Accounting Policies**

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash equivalents to consist of all highly liquid debt investments purchased with an initial maturity of approximately three months or less. Due to the short-term nature of these instruments, the carrying values approximate the fair market value. Cash equivalents include $216 and $2,832 of short-term investments at December 31, 2009 and December 31, 2008, respectively. Of the cash held on deposit, essentially all of the cash balance was in excess of amounts insured by the Federal Deposit Insurance Corporation or other foreign provided bank insurance. The Company performs periodic evaluations of these institutions for relative credit standing and has not experienced any losses as a result of its cash concentration. Consequently, no significant concentrations of credit risk are considered to exist.

Receivables

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

Inventories

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

Property, Plant and Equipment

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

the estimated useful lives of the assets ranging from (i) building and improvements - 10 to 32 years, (ii) machinery and equipment - 4 to 12 years, (iii) furniture and fixtures - 3 to 12 years, (iv) auto and trucks - 2 to 5 years, and (v) leasehold improvements - shorter of lease or useful life.

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

Deferred Financing Costs

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

Patents

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

Long-Lived Assets

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

Accounts Payable

The Company's cash management system provides for the daily replenishment of its bank accounts for check-clearing requirements. The outstanding check balances of $1,401 and $1,646 at December 31, 2009 and December 31, 2008, respectively, are not deducted from cash but are reflected in Accounts Payable on the consolidated balance sheets.

Shipping and Handling

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

Pensions and Other Postretirement Benefits

The Company's 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, affect recognized expense and the recorded obligation in those periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits under GAAP as of December 31, 2009 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company used a long-term rate of return on plan assets of 8.25% for 2009 and 8.50% for 2008.

• Discount rate: The discount rate is used to calculate future pension obligations. The Company used a Hewitt yield curve in determining its pension obligations. The Company used a discount rate of 5.90% for 2009 and 6.90% for 2008.

Income Taxes

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

Other Comprehensive Income

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

Revenue Recognition

The Company's revenues are recognized at the time products are shipped to the customer, under F.O.B. Shipping Point terms or under F.O.B. Port terms. Revenues are net of any discounts, rebates and allowances. Allowances for doubtful accounts and sales returns are estimated by management using historical experience rates.

Accounting for Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period. Included in net income is a non-cash compensation expense of $323 in 2009, $315 in 2008 and $15 in 2007.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance on accounting for the consolidation of variable interest entities. This guidance changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. This guidance will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. This guidance will be effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for the Company. The Company does not expect the adoption of this guidance to have a material effect on its consolidated results of operations or financial position.

In August 2009, the FASB issued guidance on measuring liabilities at fair value. This guidance provides clarification and guidance regarding how to value a liability when a quoted price in an active market is not available for that liability. This guidance is effective for the first reporting period (including interim periods) beginning after issuance (October 1, 2009 for the Company), and adoption is not expected.

2. Cash and cash equivalents

	December 31, 2009	December 31, 2008
Cash and cash equivalents	$39,049	$12,997
Restricted cash	2,283	2,283
	$41,332	$15,280

As of December 31, 2009 and December 31, 2008, cash held in foreign banks was $6,504 and $7,006, respectively.

3. Receivables

	December 31, 2009	December 31, 2008
Accounts receivable, gross	$48,759	$46,315
Less allowance for doubtful	(1,818)	(1,300)
Less allowance for sales returns	(334)	(312)
	$46,607	$44,703

Receivables reserve activity:

	December 31, 2009	December 31, 2008	December 31, 2007
Beginning balance	$1,612	$981	$1,166
Provision	657	810	3
Write-offs	(156)	(107)	(136)
Other	39	(72)	(52)
Ending balance	$2,152	$1,612	$981

The Company has a broad base of customers, with no single customer accounting for more than 5.2% of sales or 7.2% of receivables.

4. Inventories

Inventories consisted of:

	December 31, 2009	December 31, 2008
Raw materials	$7,916	$10,262
Work in process	21,482	16,395
Finished products	22,878	16,727
	$52,276	$43,384

Inventories are recorded using the first–in, first-out (“FIFO”) method of accounting.

Inventory reserves activity:

	December 31, 2009	December 31, 2008	December 31, 2007
Beginning balance	$2,587	$2,567	$3,475
Provision	1,228	703	96
Write-offs	(1,883)	(621)	(755)
Other	389	(62)	(249)
Ending balance	$2,321	$2,587	$2,567

Inventories were net of reserves for obsolete and slow-moving inventory of $1,830 and $2,481 at December 31, 2009 and 2008, respectively.

5. Property, Plant and Equipment

	December 31, 2009	December 31, 2008
Land and improvements	$2,171	$2,161
Buildings and improvements	20,825	20,509
Machinery and equipment	139,377	118,512
Construction in progress	2,405	3,423
	$164,778	$144,605

Capitalized interest for 2009, 2008, and 2007 totaled $663, $344, and $332 respectively. Maintenance and repairs charged to costs and expenses for 2009, 2008, and 2007 aggregated $19,280, $17,549 and $16,946, respectively.

6. Assets Held For Sale and Impairment Loss

During December 2009, the Company recognized an impairment loss on a plastic extruder in its Monterrey, Mexico plant to the realizable market value and changed its classification to an asset held for sale in the amount of $500.

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

7. Other Assets

	December 31, 2009	December 31, 2008
Patents	$4,598	$4,598
Less: Accumulated amortization	(3,104)	(2,644)
Patents, net	1,494	1,954
Miscellaneous	651	581
	$2,145	$2,535

Amortization of intangible assets for each fiscal year 2010, 2011, 2012 and 2013 will be approximately $460, $460, $460 and $114, respectively.

8. Accrued Liabilities

Accrued liabilities consisted of:

	December 31, 2009	December 31, 2008
Compensation and employee benefits	$16,532	$15,529
Taxes	13,647	15,712
Accrued volume and sales discounts	1,731	1,753
Other	4,784	4,325
	$36,694	$37,319

9. Debt Obligations (Dollars in Thousands, Except For Number of Shares and Warrants, and Per Share, Per Warrant and Per Bond Amounts)

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

	December 31, 2009	December 31, 2008
Short-term debt including current maturities of long-term debt:		
Revolving credit facilities	$262	$717
Total short-term debt	$262	$717
Long-term debt:		
Revolving credit facilities	-	$20,000
9.875% Senior secured notes, net of discount	$173,789	-
11.5% Senior secured notes, net of discount	-	108,196
Other	229	201
Total long-term debt	$174,018	$128,397

Revolving Credit Facility

On November 14, 2007, the Company entered into a $25,000 secured revolving credit facility (“Revolving Credit Facility”) with an affiliate of Carl C. Icahn. The Revolving Credit Facility expires on January 31, 2011. Borrowings under the loan and security agreement governing the Revolving Credit Facility are subject to a borrowing base formula based on percentages of eligible domestic receivables and eligible domestic inventory. Under the Revolving Credit Facility, the interest rate option is LIBOR plus a margin of 2.00% currently (which margin will be subject to performance based increases up to 2.50%); provided that the minimum interest rate shall be at least equal to 3.00%. The weighted average interest rate as of December 31, 2009 is 3.00%. The Revolving Credit Facility also provides for an unused line fee of 0.375% per annum.

There were no borrowings under the Revolving Credit Facility at December 31, 2009 and $20,000 of borrowings at December 31, 2008.

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

contractually *pari passu* with the liens securing the 9.875% Senior Secured Notes and such guarantees pursuant to such intercreditor agreement.

The Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, enter into mergers or consolidation transactions, dispose of assets (other than in the ordinary course of business), acquire assets, make certain restricted payments, create liens on our assets, make investments, create guarantee obligations and enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The Revolving Credit Facility also requires that we comply with various financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures in the event our usage of the Revolving Credit Facility exceeds 30% of the facility amount. The Company is in compliance with these requirements as of December 31, 2009.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately $6,000 of availability. There were borrowings of $262 under the lines at December 31, 2009.

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

On December 21, 2009, the Company issued $175,000 of 9.875% Senior Secured Notes. The 9.875% Senior Secured Notes bear interest at a rate of 9.875% per annum, payable semi-annually in cash on January 15 and July 15, commencing on July 15, 2010. The 9.875% Senior Secured Notes have a maturity date of January 15, 2018.

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

Prior to January 15, 2014, we may redeem, at our option, up to 35% of the aggregate principal amount of the 9.875% Senior Secured Notes issued under the Indenture with the net proceeds of any equity offering at 109.875% of their principal amount, plus accrued and unpaid interest to the date of redemption, provided that at least 65% of the aggregate principal amount of the 9.875% Senior Secured Notes issued under the Indenture dated December 21, 2009 remains outstanding immediately following the redemption.

<u>11.5% Senior Secured Notes due 2011</u>

On June 29, 2004, the Company issued $90,000 of 11.5% Senior Secured Notes due 2011 ("11.5% Senior Secured Notes") and 90,000 warrants ("New Warrants") to purchase an aggregate of 805,230 shares of common stock of the Company. The proceeds of the 11.5% Senior Secured Notes and the 90,000 New Warrants totaled $90,000. On December 16, 2009, the Company filed a notice of redemption effectively discharging the entire aggregate principal amount outstanding of its 11.5% Senior Secured Notes plus accrued interest

Each of the 90,000 New Warrants entitles the holder to purchase 8.947 shares of the Company's common stock at an exercise price of $.01 per share. The New Warrants were valued for accounting purposes using a fair value method. Using a fair value method, each of the 90,000 New Warrants was valued at $11.117 for an aggregate fair value of the warrant issuance of $1,001. The New Warrants expire on June 15, 2011. The remaining $88,899 of aggregate proceeds was allocated to the carrying value of the 11.5% Senior Secured Notes as of June 29, 2004.

On June 2, 2008, the Company exchanged $7,964 aggregate principal amount of its 8% Senior Notes plus accrued interest for $7,820 principal amount of its 11.5% Senior Secured Notes. The holders of the exchanged 8% Senior Notes agreed that any accrued but unpaid interest on the exchanged 8% Senior Notes was reflected in the principal amount of the new 11.5% Senior Secured Notes that were issued, and accordingly the holders were not entitled to any separate payment with respect to such accrued but unpaid interest. The issuance of the new 11.5% Senior Secured Notes in exchange for the exchanged 8% Senior Notes was in full satisfaction and discharge of the Company's obligations to such holders with respect to the exchanged 8% Senior Notes.

On October 1, 2008, in connection with a tender and exchange offer of the 8% Senior Notes, the Company issued $2,563 of 11.5% Senior Secured Notes.

On December 1, 2008, in connection with the redemption of the 8% Senior Notes, the Company issued $10,150 of 11.5% Senior Secured Notes to an affiliate of Carl C. Icahn at a purchase price of $8,120. The discount of $2,030 was amortized using the effective interest method.

Letter of Credit Facility

Letters of credit in the amount of $2,283 were outstanding under facilities with a commercial bank, and were cash collateralized at December 31, 2009.

Debt Maturity

The Company finances its working capital needs through a combination of internally generated cash from operations, cash on hand and our revolving credit facilities. The availability of funds under the Revolving Credit Facility is subject to the Company's compliance with certain covenants, borrowing base limitations measured by accounts receivable and inventory of the Company, and reserves that may be established at the discretion of the lender. The Company received a waiver for exceeding the limitation on capital lease obligations for the quarter ended December 31, 2009.

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

	2010	2011	2012	2013	2014	thereafter
Revolving Credit Facility						
9.875% Senior Secured Notes						$175,000
Other	262					1,158
	$262					$176,158

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

10. Capital Lease Obligations

During 2008 and 2009, the Company entered into multiple separate capital lease obligations to acquire certain equipment and building improvements for its manufacturing facilities. The equipment leases have a term of 3 to 5 years and the building improvement lease has a term of 5 years. The Company has determined the automobiles leased in the U.S. are capital leases with an average term of 4 years.

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

Building and improvements	$569
Machinery and equipment	2,119
Less: Accumulated depreciation	(965)
	$1,723

The following is a schedule by years of minimum future lease payments as of December 31, 2009.

Year ending December 31,	
2010	$814
2011	802
2012	568
2013	280
2014	125
Thereafter	0
Total minimum payments required	2,589
Less amount representing interest	(789)
Present value of net minimum lease payments	$1,800

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, 2009, are:

2010	$3,192
2011	2,887
2012	2,070
2013	908
2014	610
Total thereafter	358
Total minimum lease payments	$10,025

Total rent expense during 2009, 2008 and 2007 amounted to $3,190, $2,991 and $3,068, respectively.

12. Retirement Plans

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

North American Plans

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

The defined benefit retirement plan for United States employees was closed to new entrants on March 31, 2003, except those covered by a collective bargaining agreement, for which the closure date was September 30, 2004. The early retirement option under the U.S. plan was eliminated on April 1, 2004, except for employees covered by a collective bargaining agreement, for which the elimination date is December 31, 2007. The plan for U.S. participants not covered by a collective bargaining agreement was frozen as of December 31, 2006; accordingly no additional benefits will be earned after that date.

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

Included in accumulated other comprehensive income, net of tax, as of December 31, 2009 are the following amounts not yet recognized in net periodic benefit cost:

Net actuarial loss	$28,422
Prior service (credit)	(699)

Amounts included in other comprehensive income expected to be recognized as a component of net periodic benefit cost for the year ending December 31, 2010 are:

Net actuarial loss	$1,706
Prior service (credit)	(131)

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

	Pension Benefits		
	2009	2008	2007
Change in benefit obligation:			
Projected benefit obligation at beginning of year	118,652	121,647	130,332
Service cost	224	266	251
Interest cost	7,893	7,735	7,428
Actuarial loss (gain)	13,468	(3,300)	(8,868)
Benefits paid	(7,751)	(7,696)	(7,496)
Estimated benefit obligation at end of year	$132,486	$118,652	$121,647
Change in plan assets:			
Fair value of plan assets at beginning of year	79,537	103,458	96,078
Actual return (loss) on plan assets	15,614	(21,400)	6,876
Employer contribution	4,276	5,175	8,000
Benefits paid	(7,751)	(7,696)	(7,496)
Fair value of plan assets at end of year	$91,676	$79,537	$103,458
Unfunded status of the plan	($40,810)	($39,115)	($18,189)
Net amount recognized			
Amounts recognized in statement of financial position:			
Current liabilities	($62)	($62)	($62)
Accrued benefit liability			
Noncurrent liabilities	(40,748)	(39,053)	(18,127)
Net amount recognized	($40,810)	($39,115)	($18,189)

The funded status of these pension plans as a percentage of the projected benefit obligation was 69 percent in 2009 compared to 67 percent in 2008.

	Pension Benefits		
	2009	2008	2007
Projected benefit obligation	$132,486	$118,652	$121,647
Accumulated benefit obligation	$131,683	$117,777	$120,934
Fair value of plan assets	$91,676	$79,537	$103,458

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

	Pension Benefits		
	2009	2008	2007
Component of net period benefit cost			
Service cost	$224	$266	$251
Interest cost	7,894	7,734	7,427
Expected return on plan assets	(6,616)	(8,710)	(8,239)
Amortization of prior service cost	(131)	(131)	(131)
Amortization of actuarial loss	1,504	3	5
	$2,875	($838)	($687)

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

	2009	2008	2007
Discount rate	5.90%	6.90%	6.55%
Expected return on plan assets	8.25%	8.50%	8.50%
Rate of compensation increase	3.00%	3.50%	3.50%

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

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

The Company's overall investment strategy is to achieve growth through a mix of approximately 67 percent of investments for long-term growth and 33 percent for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 37 percent equity securities, 30 percent hedge funds and 33 percent to fixed income investments. Equity securities primarily include investments in large-cap, mid-cap and small-cap companies primarily located in the United States and international developed markets. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds that follow several different strategies.

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

Asset Category	Total	Fair Value Measurement at December 31, 2009 (in millions) Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	2,530	2,530	-	-
Equity securities:				-
U.S. companies	8,159	8,159	-	-
International companies	9,046	9,046	-	-
Unclassified Common Stock	28	28	-	-
U.S-Small Cap Growth	1,334	-	1,334	-
U.S-Large Cap Enhanced Core (a)	11,142	-	11,142	-
U.S-Large Cap Equity Growth (a)	4,084	-	4,084	-
Fixed income securities:				
U.S. Treasuries	4,694	4,694	-	-
Mortgage-backed securities	5,439	-	5,439	-
Aggregate bond fund	13,983	-	13,983	-
High yield fund	5,973	5,973	-	-
Convertible Securities				
Convertible Preferred Stocks	20	20	-	-
Other types of investments:				
Hedge funds	25,244	-	-	25,244
Total	$ 91,676	$ 30,450	$ 35,982	$ 25,244

(a) This category comprises low-cost actively managed equity funds.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Combined Hedge Funds
Beginning balance at December 31, 2008	15,187
Actual return on plan assets:	
Relating to assets still held at the reporting date	5,145
Relating to assets sold during the period	(88)
Purchases, sales, and settlements	5,000
Ending balance at December 31, 2009	$ 25,244

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

Year	Total Estimated Benefit Payments
2010	$8,275
2011	8,366
2012	8,391
2013	8,456
2014	8,584

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 $973, $915 and $627 in 2009, 2008 and 2007, respectively.

International Plans

The Company maintains various pension and statutory separation pay plans for its European employees. The expense for these plans in 2009, 2008, and 2007 was $863, $1,981 and $2,077, respectively. As of their most recent valuation dates, for those plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately $4,666.

13. Restructuring Charges and Asset Impairment

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

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

During the fourth quarter of 2007, the company recognized an impairment charge of $250 for the further write down of the Kentland plant to the fair market value of the facility. The Company also recognized asset impairment charges for an extrusion machine in Europe of $565 and printing presses from our Kentland plant of $129.

During the second quarter of 2007, the Company revised the estimated expense accrued for the 2005 Kentland restructuring plan. The revised estimate resulted in before tax income of $415. The revision was for severance owed to laid off employees. The other restructuring expense of $505 was recognized during 2007 for one-time employee costs related to various restructurings to address the Company's competitive environment.

14. Capital Stock and Paid in Capital

Authorized shares of preferred stock ($0.01 par value per share) and common stock ($0.01 par value per share) for the Company are 50,000,000 shares and 50,000,000 shares, respectively.

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

On June 29, 2004, the Company issued $90,000 of 11.5% Senior Secured Notes together with the 90,000 Warrants to purchase an aggregate of 805,230 shares of common stock of the Company ("New Warrants"). The aggregate purchase price of the 11.5% Senior Secured Notes and the 90,000 of New Warrants was $90,000. Each of the New Warrants entitles the holder to purchase 8.947 shares of the Company's common stock at an exercise price of $.01 per share through the June 15,

2011 expiration date. As of December 31, 2009, 15,955 New Warrants, which entitle the holders to purchase 142,749 shares of the Company's common stock, were outstanding.

In 2003, the Company issued warrants, expiring on April 2, 2010, to purchase shares of common stock (the "2010 Warrants). At December 31, 2009, the outstanding 2010 Warrants are exercisable for a total of 304,127 shares of common stock with an exercise price of $10.00 per share.

16. Income Taxes

Income tax provision (benefit) consisted of:

	2009	2008	2007
Current			
Federal	$ 147	$ 140	$ 2,239
Foreign	4,159	8,415	7,063
State and local			
Total current	4,306	8,555	9,302
Deferred			
Federal	(23)	(43)	(2,489)
Foreign	(2,778)	1,304	(4,558)
State and local			
Total deferred	(2,801)	1,261	(7,047)
Total	$ 1,505	$ 9,816	$ 2,255

The reconciliation of income tax provision (benefit) attributable to earnings differed from the amounts computed by applying the U.S. Federal statutory income tax rate of 35% to earnings by the following amounts:

Income (loss) before income taxes:	2009	2008	2007
Domestic	$ (14,115)	$ (14,007)	$ (8,929)
Foreign	32,351	25,491	8,953
Total	$ 18,236	$ 11,484	$ 24
Computed income tax provision (benefit)	6,383	4,644	8
State and local taxes, net of federal tax	82	(469)	(291)
Foreign taxes, net	(461)	2,057	(1,574)
Valuation allowance	(4,704)	273	6,826
Other, net	205	3,311	(2,714)
Total income tax expense (benefit)	1,505	9,816	2,255
Computed income tax provision (benefit)	35.0%	35.0%	35.0%
State and local taxes, net of federal tax	0.4%	-4.1%	-1214.3%
Foreign taxes, net	-2.5%	17.9%	-6558.6%
Valuation allowance	-25.8%	2.4%	28440.5%
Other, net	1.1%	28.8%	-11306.4%
Effective income tax rate	8.2%	80.0%	9396.2%

The effective income tax rate realized is generated by the $14,115 U.S. loss before income taxes, which has a valuation allowance because management believes it is more likely than not that all of the deferred tax assets will not be fully realized.

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2009 and 2008 are as follows:

	2009	2008
Current deferred tax asset		
Pension and healthcare	$599	$572
Provisions not currently deductible	4,082	3,763
Inventory basis differences	2,130	2,241
Valuation allowance	(6,811)	(6,576)
Total current deferred tax asset	$ -	$ -
Non-current deferred tax assets		
Stock option	$358	$227
Pension and healthcare	5,039	5,578
Foreign Exchange and Other	-	1,090
Net operating loss carryforwards	44,356	49,231
Valuation Allowance	(29,858)	(37,166)
Total non-current deferred tax assets	19,895	18,960
Total deferred tax asset	$19,895	$18,960
Current deferred tax liability		
Inventory basis differences	$ -	$1,110
Self ins. accruals and reserves	-	-
Total current deferred tax liability	$ -	$1,110
Non-current deferred tax liability		
Property, plant, and equipment	$12,967	$19,708
Intangible asset	-	-
Foreign exchange and other	5,957	-
Total non-current deferred tax liability	18,924	19,708
Total deferred tax liability	$18,924	$20,818

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

	As of December 31	
	2009	2008
Current deferred tax assets	-	-
Current deferred tax liability	-	($1,110)
Current deferred tax assets (liability), net	$ -	($1,110)
Non-current deferred tax assets	$19,894	$18,960
Non-current deferred tax liability	(18,924)	(19,708)
Non-current deferred tax assets (liability), net	$970	($748)
Current deferred tax liability (net)	$ -	($1,110)
Non-current deferred tax liability (net)	970	(748)
Net deferred tax liability	$970	($1,858)

In the consolidated balance sheets, these deferred tax assets and liabilities are classified as either current or non-current based on the classification of the related liability or asset for financial reporting. A deferred tax asset or liability that is not related to an asset or liability for financial reporting,

including deferred taxes related to carryforwards, is classified according to the expected reversal date of the temporary differences as of the end of the year.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance of $36,700 has been recorded at December 31, 2009, as management believes that it is more likely than not that all deferred tax assets will not be fully realized based on the expectation of taxable income in future years. There were net operating loss carryforwards at December 31, 2009 and 2008 of $44,300 and $49,200, respectively. The federal net operating loss carryforwards will start to expire in the year 2023.

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

Uncertainty in Income Taxes

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

The uncertain tax positions as of December 31, 2009 totaled $8,185. The following table summarizes the activity related to the unrecognized tax benefits:

(in thousands)	31-Dec-09
Unrecognized tax benefits as of January 1, 2009	$6,420
Increases in positions taken in a prior period	1,798
Decreases in positions taken in a prior period	(1,810)
Increases in positions taken in a current period	2,027
Decreases in positions taken in a current period	-
Decreases due to settlements	(150)
Decreases due to lapse of statute of limitations	(100)
Unrecognized tax benefits as of December 31, 2009	$8,185

In 2009, the Company recognized an approximate net increase of $1,765 to reserves for uncertain tax positions.

Approximately $6,000 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 2005. Substantially all material state and local and foreign income tax matters have been concluded for years through 2005. U.S. federal income tax returns for 2006 through 2009 are currently open for examination.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recorded adjustments to interest and potential penalties related to these unrecognized tax benefits during 2009, and in total, as of December 31, 2009, the Company has recorded a liability for interest and potential penalties of $1,500.

17. Contingencies

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

18. Earnings Per Share

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

	December 31, 2009	December 31, 2008	December 31, 2007
NUMERATOR:			
Net income (loss)	16,731	1,668	(3,161)
Less: preferred dividends			(1,507)
Net income (loss) available to common stockholders for basic and diluted EPS	16,731	1,668	(4,668)
DENOMINATOR:			
Weighted average shares outstanding for basic EPS	35,535,534	31,162,198	26,126,456
Effect of dilutive securities	391,149	395,819	595,882
Weighted average shares outstanding for diluted EPS	35,926,683	31,558,017	26,722,338

Common stock equivalents, consisting of 142,749 of New Warrants are dilutive and the effect of this dilutive security has been included in weighted average shares for diluted EPS using the treasury method for the Company.

The granted employee stock options were not included in the weighted average shares for diluted EPS, because the effect would be antidilutive. Common stock equivalents, consisting of the 2010 Warrants, exercisable for a total of 304,127 shares of common stock have been excluded as their effect is antidilutive.

19. Comprehensive (Loss) Gain

The following sets forth the changes in the components of other comprehensive (loss) income and the related income tax provision:

	2009	2008	2007
Unrecognized (loss) gain on pension benefits	(3,096)	(26,939)	7,378
Foreign currency translation adjustment [1]	566	(11,312)	293
Other comprehensive (loss) income, net of tax	($2,530)	($38,251)	$7,671

(1) Foreign currency translation adjustments, net of related tax provision of $0 for all periods.

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

Stock-based compensation cost is measured at the grant date based on fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period. Included in net income is a non-cash compensation expense of $323 in 2009, $315 in 2008 and $15 in 2007.

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

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

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

In October 2007, the Company granted non-qualified stock options to its current chief executive officer for the purchase of 1,500,000 shares of its common stock under an employment agreement. Options were granted at the fair market value at date of grant and one-third vests on December 31st of 2008, 2009, and 2010, subject to acceleration in certain events. The options for the chief executive officer expire on October 29, 2017.

The Company has outstanding non-qualified stock options granted to its management for the purchase of 255,000 shares of its common stock. Options were granted at, or above, the fair market value at date of grant and one-third vested on each of the first, second and third anniversaries of the grant date, subject to acceleration in certain events. The options granted to management expire ten years from the date of grant.

The Company's outstanding options were:

	Shares Under Option		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Weighted Average Grant-Date Fair Value
Outstanding, December 31, 2006	926,667	$	2.63	59 months	$	0.72
Vested and exercisable at Dec. 31, 2006	*475,556*	*$*	*2.55*	*48 months*	*$*	*0.66*
Granted	1,500,000	$	1.70	122 months	$	0.66
Exercised						
Forfeited	(38,334)	$	2.90	87 months	$	0.90
Outstanding, December 31, 2007	2,388,333	$	2.04	92 months	$	0.68
Vested and exercisable at Dec. 31, 2007	*763,328*	*$*	*2.57*	*39 months*	*$*	*0.68*
Granted						
Exercised						
Forfeited	(633,333)	$	2.51	154 months	$	0.62
Outstanding, December 31, 2008	1,755,000	$	1.87	103 months	$	0.70
Vested and exercisable at Dec. 31, 2008	*755,000*	*$*	*2.11*	*96 months*	*$*	*0.76*
Granted	300,000	$	1.70	120 months	$	0.09
Exercised						
Forfeited						
Outstanding, December 31, 2009	2,055,000	$	1.85	108 months	$	0.61
Vested and exercisable at Dec. 31, 2009	*1,255,000*	$	1.94	*89 months*	*$*	*0.72*

Exercisable options as of December 31, 2009 were 1,255,000 with a weighted average share price of $1.94.

21. Research and Development Costs

Research and development costs are expensed as incurred and totaled $3,442, $3,046 and $2,978 for 2009, 2008, and 2007, respectively.

22. Related-Party Transactions

During the year ended December 31, 2009 and the year ended December 31, 2008, the Company purchased $33 and $35, respectively, in telecommunication services in the ordinary course of business from XO Communications, Inc., an affiliate of Carl C. Icahn. The Company believes that the purchase of the telecommunications services were on terms at least as favorable as those that the Company would expect to negotiate with an unaffiliated party. As of December 31, 2009, Carl C. Icahn's beneficial ownership in the Company was approximately 71.4%.

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

On November 25, 2008, Barberry Corp., an affiliate of Carl C. Icahn, entered into a master lease agreement with the Company. During July 2009, The Company completed the construction of the cellulosic casing extrusion equipment in France. The total amount financed under the lease agreement, including accrued interest, is $6,118. The Company has repaid the capital lease with Barberry Corp. in conjunction with the 9.875% Senior Secured bond offering during December 2009. The total payments, including fees and interest, amount to $6,327 during 2009.

23. Business Segment Information and Geographic Area Information

The Company primarily manufactures and sells cellulosic food casings. The Company's operations are primarily in North America, South America and Europe. Intercompany sales and charges (including royalties) have been reflected as appropriate in the following information. Certain items are maintained at the Company's corporate headquarters and are not allocated geographically. They include most of the Company's debt and related interest expense and income tax benefits. Other income for 2009, 2008 and 2007 includes net foreign exchange transaction gains of approximately $1,659, $5,815, and $2,994, respectively.

Geographic Area Information:

	2009	2008	2007
Net sales			
North America	$154,686	$142,170	$141,365
South America	34,606	28,584	21,394
Europe	133,473	136,768	111,927
Other and eliminations	(23,464)	(24,075)	(24,389)
	$299,301	$283,447	$250,297
Operating income			
North America	$18,038	$5,510	$5,137
South America	5,266	6,245	4,680
Europe	14,394	9,121	2,514
Other	-	-	133
	$37,698	$20,876	$12,464
Identifiable assets			
United States	$157,861	$120,630	$118,943
South America	21,524	15,036	12,124
Europe	98,265	83,974	83,463
	$277,650	$219,640	$214,530

North America and Europe export sales: (reported in North America and Europe net sales above)			
Asia	$31,008	$24,592	$23,130
South and Central America	14,094	12,988	10,090
Canada	8,889	8,595	8,715
Other international	1,609	1,374	3,510
	$55,600	$47,549	$45,445

26. Quarterly Data (Unaudited)

Quarterly financial information for 2009 and 2008 is as follows (in thousands, except for per share amounts):

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

2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual
Net sales	$66,718	$74,363	$74,172	$68,194	$283,447
Gross margin	12,977	16,388	15,079	13,954	58,398
Operating income	4,091	7,156	5,774	3,855	20,876
Net (loss) income available to common shareholder	947	2,709	(110)	(1,878)	1,668
Net (loss) income per share - basic	$0.03	$0.09	$0.00	($0.07)	$0.05
Net (loss) income per share - diluted	$0.03	$0.09	$0.00	($0.07)	$0.05

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

27. Subsequent Events

Viskase evaluated its December 31, 2009 consolidated financial statements for subsequent events through April 8, 2010, the date the consolidated financial statements were available to be issued.

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

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