# VISKASE®

Financial report for the fiscal quarter ended

**June 30, 2020**

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

**CONSOLIDATED FINANCIAL STATEMENTS**
**OF VISKASE COMPANIES, INC. AND SUBSIDIARIES**

1. Financial Statements:

   - Report of Independent Certified Public Accountants

   - Condensed Consolidated Balance Sheets as of June 30, 2020 (unaudited) and December 31, 2019

   - Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2020 and June 30, 2019 (unaudited)

   - Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months and six months ended June 30, 2020 and June 30, 2019 (unaudited)

   - Condensed Consolidated Statements of Stockholders' Equity for the for the six months ended June 30, 2020 (unaudited) and year ended December 31, 2019

   - Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and June 30, 2019 (unaudited)

   - Notes to Condensed Consolidated Financial Statements

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

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# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Viskase Companies, Inc.

We have reviewed the accompanying condensed consolidated interim financial statements of Viskase Companies, Inc. (a Delaware corporation) and subsidiaries (the “Company”), which comprise the condensed consolidated balance sheet, and the related condensed consolidated statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows, as of June 30, 2020 and for the three-month and six-month periods ended June 30, 2020 and 2019, and the related notes to the interim financial statements.

**Management’s responsibility**
The Company’s management is responsible for the preparation and fair presentation of the condensed consolidated interim financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

**Auditor’s responsibility**
Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.

**Conclusion**
Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter regarding going concern**
The accompanying condensed consolidated interim financial statements have been prepared assuming that the Company will continue as a going concern. Note 25 of the Company's audited consolidated financial statements as of and for the year ended December 31, 2019 includes a statement that substantial doubt exists about the Company's ability to continue as a going concern. Note 25 of the Company's audited (consolidated) financial statements also discloses the fact that the Company as of December 31, 2019 has been delayed in refinancing its $258 million term loan due January 2021 due to the Coronavirus outbreak. Our auditor's report on those consolidated financial statements includes an emphasis of matter paragraph referring to the matters in Note 25 of those consolidated financial statements. As indicated in Note 18 of the accompanying unaudited condensed consolidated interim financial statements as of June 30, 2020, and for the three months then ended, the Company was still delayed in refinancing its $258 million term loan or obtain alternative financing as of June 30, 2020, and has stated that therefore substantial doubt exists about the Company's ability to continue as a going concern. The accompanying unaudited condensed consolidated interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Other matter**
The accompanying management discussion and analysis of Viskase Companies, Inc. and subsidiaries as of June 30, 2020, and for the three-month and six-month periods ended was not reviewed by us, and accordingly, we do not express any form of assurance on it.

**Report on condensed consolidated balance sheet as of December 31, 2019**
We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 1, 2020. In our opinion, the accompanying condensed consolidated balance sheet of the Company as of December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

Chicago, Illinois
August 14, 2020

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

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| ASSETS | (unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | $9,667 | $21,820 |
| Restricted cash | 1,295 | 1,153 |
| Receivables, net | 94,405 | 77,956 |
| Inventories | 97,683 | 99,821 |
| Other current assets | 42,839 | 43,617 |
| Total current assets | 245,889 | 244,367 |
| Property, plant and equipment | 387,986 | 384,290 |
| Less accumulated depreciation | (232,535) | (222,495) |
| Property, plant and equipment, net | 155,451 | 161,795 |
| Right of use assets | 32,063 | 34,062 |
| Other assets, net | 15,197 | 16,617 |
| Intangible assets | 21,636 | 22,471 |
| Goodwill | 3,350 | 3,376 |
| Deferred income taxes | 29,515 | 30,199 |
| Total Assets | $503,101 | $512,887 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Short-term debt | $268,293 | $11,840 |
| Accounts payable | 31,338 | 35,038 |
| Accrued liabilities | 42,185 | 44,679 |
| Short-term portion lease liabilities | 5,744 | 6,128 |
| Total current liabilities | 347,560 | 97,685 |
| Long-term debt, net of current maturities | 609 | 255,865 |
| Long-term liabilities | 5,623 | 5,929 |
| Accrued employee benefits | 68,824 | 70,648 |
| Deferred income taxes | 4,065 | 3,991 |
| Long-term lease liabilities | 30,595 | 32,296 |
| Stockholders' equity: | | |
| Common stock, $0.01 par value; 53,995,935 shares issued and 53,190,665 outstanding | 540 | 540 |
| Paid in capital | 82,843 | 82,843 |
| Retained earnings | 40,467 | 41,415 |
| Less 805,270 treasury shares, at cost | (298) | (298) |
| Accumulated other comprehensive loss | (77,059) | (77,435) |
| Total Viskase stockholders' equity | 46,493 | 47,065 |
| Deficit attributable to non-controlling interest | (668) | (592) |
| Total stockholders' equity | 45,825 | 46,473 |
| Total Liabilities and Stockholders' Equity | $503,101 | $512,887 |

*See notes to consolidated financial statements.*

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

| | 3 Months Ended June 30, 2020 | 3 Months Ended June 30, 2019 | 6 Months Ended June 30, 2020 | 6 Months Ended June 30, 2019 |
|---|---|---|---|---|
| NET SALES | $103,152 | $96,881 | $201,630 | $191,876 |
| Cost of sales | 81,130 | 75,064 | 159,359 | 150,213 |
| GROSS MARGIN | 22,022 | 21,817 | 42,271 | 41,663 |
| Selling, general and administrative | 11,898 | 12,849 | 24,152 | 27,429 |
| Amortization of intangibles | 387 | 456 | 793 | 801 |
| Asset impairment | - | - | - | 951 |
| Restructuring expense | - | 273 | - | 7,476 |
| OPERATING INCOME | 9,737 | 8,239 | 17,326 | 5,006 |
| Interest income | (7) | (80) | (14) | (194) |
| Interest expense | 3,267 | 4,271 | 7,055 | 8,531 |
| Other expense (income), net | 2,517 | (802) | 9,334 | 1,615 |
| INCOME (LOSS) BEFORE INCOME TAXES | 3,960 | 4,850 | 951 | (4,946) |
| Income tax provision(benefit) | 1,503 | 1,907 | 1,975 | (1,411) |
| NET INCOME (LOSS) | $2,457 | $2,943 | ($1,024) | ($3,535) |
| Less: net loss attributable to noncontrolling interests | (138) | (31) | (76) | (62) |
| Net income (loss) attributable to Viskase Companies, Inc | $2,595 | $2,974 | ($948) | ($3,473) |

*See notes to consolidated financial statements.*

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

| | 3 Months Ended June 30, 2020 | 3 Months Ended June 30, 2019 | 6 Months Ended June 30, 2020 | 6 Months Ended June 30, 2019 |
|---|---|---|---|---|
| Net loss | $2,457 | $2,943 | ($1,024) | ($3,535) |
| Other comprehensive loss, net of tax | | | | |
| Pension liability adjustment | 261 | 335 | 498 | 677 |
| Foreign currency translation adjustment | 3,277 | (597) | (122) | (1,519) |
| Other comprehensive income (loss), net of tax | 3,538 | (262) | 376 | (842) |
| Comprehensive income (loss) | $5,995 | $2,681 | ($648) | ($4,377) |
| Less: comprehensive loss attributable to noncontrolling interests | (138) | (31) | (76) | (62) |
| Net comprehensive income (loss) attributable to Viskase Companies, Inc | $6,133 | $2,712 | ($572) | ($4,315) |

*See notes to consolidated financial statements.*

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

| | Common stock | Paid in capital | Treasury stock | Retained earnings | Accumulated other comprehensive loss | Total stockholders' equity | Non-controlling Interest | Total stockholde equity |
|---|---|---|---|---|---|---|---|---|
| Balance December 31, 2018 | $540 | $82,843 | ($298) | $67,699 | ($79,276) | $71,508 | $ (422) | $71,08 |
| Net loss | - | - | - | (24,947) | - | (24,947) | (170) | (25,11 |
| Foreign currency translation adjustment | - | - | - | - | (1,234) | (1,234) | - | (1,23 |
| Pension liability adjustment, net of tax | - | - | - | - | 1,738 | 1,738 | - | 1,73 |
| Elimination of stranded tax effects within AOCI resulting from tax reform | - | - | - | (1,337) | 1,337 | - | - | - |
| Balance December 31, 2019 | $540 | $82,843 | ($298) | $41,415 | ($77,435) | $47,065 | ($592) | $46,47 |
| Net loss | - | - | - | (948) | - | (948) | (76) | (1,02 |
| Foreign currency translation adjustment | - | - | - | - | (122) | (122) | - | (12 |
| Pension liability adjustment, net of tax | - | - | - | - | 498 | 498 | - | 49 |
| Balance June 30, 2020 | $540 | $82,843 | ($298) | $40,467 | ($77,059) | $46,493 | ($668) | $45,82 |

*ee notes to consolidated financial statements.*

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

| | 6 Months Ended June 30, 2020 | 6 Months Ended June 30, 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (1,024) | ($3,535) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 11,990 | 12,245 |
| Stock-based compensation | - | 112 |
| Amortization of intangibles | 793 | 801 |
| Amortization of deferred financing fees | 343 | 307 |
| Deferred income taxes | - | (92) |
| Loss on disposition or impairment of assets | 186 | 960 |
| Bad debt and accounts receivable provision | (74) | 41 |
| Non-cash interest on term loans | 55 | 235 |
| Changes in operating assets and liabilities: | | |
| Receivables | (17,276) | (7,800) |
| Inventories | 1,262 | (18,401) |
| Other current assets | (588) | (5,703) |
| Other assets | 1,400 | 3,019 |
| Accounts payable | (3,474) | 2,294 |
| Accrued liabilities | (1,382) | 4,648 |
| Accrued employee benefits | (1,230) | 136 |
| Other | 832 | 18 |
| Total adjustments | (7,163) | (7,180) |
| Net cash used in operating activities | (8,187) | (10,715) |
| Cash flows from investing activities: | | |
| Capital expenditures | (5,761) | (9,777) |
| Proceeds from disposition of assets | 30 | - |
| Net cash used in investing activities | (5,731) | (9,777) |
| Cash flows from financing activities: | | |
| Proceed from short term borrowing | 10,000 | 0 |
| Deferred financing costs | (140) | (120) |
| Repayment of short-term debt | (9,049) | (2,314) |
| Repayment of capital lease | - | (265) |
| Net cash provided by (used in) financing activities | 811 | (2,699) |
| Effect of currency exchange rate changes on cash | 1,096 | (668) |
| Net decrease in cash and equivalents | (12,011) | (23,859) |
| Cash, equivalents and restricted cash at beginning of period | 22,973 | 47,190 |
| Cash, equivalents and restricted cash at end of period | 10,962 | 23,331 |
| Supplemental cash flow information: | | |
| Interest paid less capitalized interest | $6,641 | $7,890 |
| Income taxes paid | $915 | $527 |

*See notes to consolidated financial statements.*

## 1. Summary of Significant Accounting Policy

### Nature of Operations

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

### Seasonality

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

### Principles of Consolidation

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

### Use of Estimates in the Preparation of Financial Statements

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

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash equivalents to consist of all highly liquid debt investments purchased with an initial maturity of approximately three months or less. Due to the short-term nature of these instruments, the carrying values approximate the fair market value. Of the cash held on deposit, 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, which includes the evaluation of expected credit losses following the adoption of ASC Topic 326. This estimated allowance is primarily based upon our evaluation of the future expected loss for the asset. The Company estimates this using the financial condition of each customer, each customer's ability to pay and the economic conditions of the country the customer resides in. For all trade accounts receivable, the Company defines "past due" as any payment, that is at least 15 days past the contractual due date. For the six months ended June 30, 2020, there have been no losses or write offs related to expected credit losses.

### Inventories

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

### Property, Plant and Equipment

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

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

### Deferred Financing Costs

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

### Intangible Assets and Goodwill

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

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

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

**Long-Lived Assets**

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

**Shipping and Handling**

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

**Repairs and Maintenance**

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

**Pensions and Other Postretirement Benefits**

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

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits as of June 30, 2020 are as follows:

- Long-term rate of return on plan assets: The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate actual earned long-term returns. The Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop an assumption of the expected long-term rate of return on plan assets. The expected long-term rate of return is used to calculate net periodic pension cost. In determining its pension obligations, the Company is using a long-term rate of return on U.S. plan assets of 5.85% for June 30,2020. The Company is using a long-term rate of return on French plan assets of 3.20% for 2020. The German pension plan has no assets.

- Discount rate: The discount rate is used to calculate future pension and postretirement obligations. The Company is using a Mercer Bond yield curve in determining its pension obligations. The Company was using a discount rate of 3.38% for June 30,2020. The Company is using a weighted average discount rate of 1.70% on its non-U.S. pension plans for June 30, 2020.

**Income Taxes**

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

**Other Comprehensive Loss**

Comprehensive loss includes all other non-stockholder changes in equity. Changes in other comprehensive loss in 2020 and 2019 resulted from changes in foreign currency translation and pension liability.

**Revenue Recognition**

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

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

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

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

**Financial Instruments**

The Company routinely enters into fixed price natural gas agreements which require us to purchase a portion of our natural gas each month at fixed prices. These fixed price agreements qualify for the "normal purchases" scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. As of June 30, 2020, future annual minimum purchases remaining under the agreement are $1,794.

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

**Leases**

On January 1, 2019, we adopted FASB ASC Topic 842, Leases, using the modified retrospective approach, which does not require the application of this Topic to periods prior to January 1, 2019. The guidance under Topic 842 significantly impacts our presentation of financial condition and disclosures, but did not have significant impact to our results of operations. We now have a material amount reported as a right of use ("ROU") asset and lease liability related to operating leases reported on our balance sheet. Financing leases under current U.S. GAAP are classified and accounted for in substantially the same manner as capital leases under prior U.S. GAAP and therefore, we do not distinguish between financing leases and capital leases unless the context requires. The determination of whether an arrangement is or contains a lease occurs at inception. We have elected the practical expedient to include both the lease component and the non-lease component as a single component when accounting for each lease and calculating the resulting lease liability and ROU asset. The following is our accounting policy for leases in which we are the lessee.

Leases are classified as either operating or financing by the lessee depending on whether the lease terms provide for control of the underlying asset to be transferred to the lessee. When control transfers to the lessee, we classify the lease as a financing lease. All other leases are recorded as operating leases. Effective January 1, 2019, for all leases with an initial lease term in excess of twelve months, we record a right-of-use asset with a corresponding liability in our balance sheet. We have elected the practical expedient for all leases less than 12 months to not record a ROU asset or corresponding lease liability. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at commencement of the lease based on the present value of lease payments over the lease term. Right-of-use assets are adjusted for any lease payments made on or before commencement of the lease, less any lease incentives received.

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

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

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

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

**New Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which replaces the current incurred loss impairment method with a new method that reflects expected credit losses. Subsequent to the issuance of ASC Topic 326, the FASB clarified and amended guidance through several Accounting Standard Updates; hereinafter the collection of credit loss guidance is referred to as "ASC Topic 326.". These ASUs require financial assets measured at amortized cost to be presented at the net amount to be collected, which may result in the Company recognizing an impairment allowance equal to its current estimate of credit losses for assets measured. ASC Topic 326 requires the Company to broaden the range of information utilized in estimating credit losses, including the consideration of forecasted and other supportable information to explain credit loss estimates. These ASUs are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings (deficit) in the period of adoption. We have adopted this standard effective January 1, 2020, and based on the insignificant impact of this ASU on our condensed consolidated financial statements, no adjustments to retained earnings (deficit) were required upon adoption of ASC Topic 326.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract, which amends FASB ASC Subtopic 350-40, Intangibles-Goodwill and Other-Internal-Use Software. This ASU adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this ASU should be applied either using a retrospective or prospective approach. We have adopted this standard on January 1, 2020 prospectively. The adoption of this standard did not have a significant impact on our consolidated financial statements.

## 2. Cash and cash equivalents

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Cash and cash equivalents | $9,667 | $21,820 |
| Restricted cash | 1,295 | 1,153 |
| | $10,962 | $22,973 |

As of June 30, 2020, and December 31, 2019, cash held in foreign banks was $6,368 and $15,358, respectively.

As of June 30, 2020, and December 31, 2019, letters of credit in the amount of $735 and $985 were outstanding under facilities with a commercial bank, and were cash collateralized in a restricted account.

## 3. Inventories

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Raw materials | $13,539 | $15,841 |
| Work in process | 53,180 | 59,036 |
| Finished products | 30,964 | 24,944 |
| | $97,683 | $99,821 |

## 4. Leases

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

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

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Operating Leases: | | |
| Right-of-use assets | $ 32,063 | $ 34,062 |
| Lease liabilities | 36,010 | 37,850 |
| Financing Leases: | | |
| Right-of-use assets (property, plant and equipment, net) | 328 | 572 |
| Lease liabilities | 329 | 574 |

Upon adoption of the new lease standard as of January 1, 2019, the Company reclassed $1,358 of lease incentive liability, $1,286 of deferred rent liability and $1,024 of lease restructuring liability to ROU assets.

The following is an analysis of leased property under financing (formerly capital) leases by major classes as of June 30, 2020 and December 31, 2019.

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Building and improvements | $453 | $453 |
| Machinery and equipment | 3,599 | 3,599 |
| Less: Accumulated depreciation | (3,724) | (3,480) |
| | $328 | $572 |

Additional information with respect to our operating and finance leases as of June 30, 2020 is presented below.

| | Operating | Finance |
|---|---|---|
| Weighted average remaining lease term (years) | 11.42 | 1.09 |
| Weighted average discount rate | 7.40% | 5.88% |

Lease expense consists of the following:

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Operating lease rent expense | $ 2,883 | $ 2,966 |
| Financing Leases: | | |
| Amortization of right-of-use assets | 225 | 230 |
| Interest expense on lease liabilities | 15 | 26 |
| | $ 240 | $ 256 |

Cash flow information related to leases is as follows:

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Cash Paid For Amounts Included in the Measurement of Lease Liabilities: | | |
| Cash used in operating activities (operating leases) | $ 2,725 | $ 3,941 |
| Cash used in operating activities (financing leases) | 257 | 263 |
| Cash used in financing activities (financing leases) | - | - |
| Supplemental Cash Flow Information: | | |
| Right-of-use assets obtained in exchange for lease obligations (operating leases | $ 44 | $ 116 |
| Right-of-use assets obtained in exchange for lease obligations (financing leases) | - | - |
| Re-measurement of lease liabilities | - | - |

Maturities of operating and financing lease liabilities as of June 30, 2020 are as follows:

| Year | Operating Leases | Financing Leases |
|---|---|---|
| Remaining 2020 | $ 2,734 | $ 257 |
| 2021 | 5,469 | 37 |
| 2022 | 5,270 | 45 |
| 2023 | 4,995 | 12 |
| 2024 | 4,764 | - |
| Thereafter | 31,116 | - |
| Total lease payments | 54,348 | 351 |
| Less: discounted interest | (18,338) | (22) |
| | $ 36,010 | $ 329 |

## 5. Debt Obligations

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Short-term debt: | | |
| Bank term loan | $256,707 | $2,750 |
| Europe bank loans | $1,586 | $1,875 |
| Revolving credit facility | 10,000 | - |
| Restructured term loan | - | 7,215 |
| Total short-term debt | 268,293 | 11,840 |
| Long-term debt: | | |
| Bank term loan, net of discount | $ - | 255,075 |
| Europe bank loans | 189 | 375 |
| Other | 420 | 415 |
| Total long-term debt | 609 | 255,865 |
| Total debt | $268,902 | $267,705 |

Revolving Credit Facility

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

On June 30, 2019, the Company entered into the Eleventh Amendment to the Loan and Security Agreement with Icahn Enterprises L.P., extending the maturity date of the Revolving Credit Facility from January 30, 2020 to January 30, 2021 and amending the maximum revolver amount to $45,000.

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

The amended Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, create liens on our assets, make investments, enter into merger, consolidation or acquisition transactions, dispose of assets (other than in the ordinary course of business), make certain restricted payments, enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The amended Revolving Credit Facility also requires that we comply with certain financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures, in the event our usage of the Revolving Credit Facility exceeds 90% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of June 30, 2020. The amended Revolving Credit Facility had borrowings of $10,000 as of June 30, 2020 and no borrowings as of December 31, 2019.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately $5,500 of availability. There were no borrowings under the lines of credit at June 30, 2020 and December 31, 2019.

Term Loan Facility

On January 30, 2014, the Company entered into a Credit Agreement with UBS AG, Stamford Branch ("UBS"), as Administrative Agent and Collateral Agent, and the Lenders parties thereto, providing for a $275,000 senior secured covenant lite term loan facility ("Term Loan"). The Term Loan bears interest at a LIBOR Rate plus 3.25% (with the LIBOR Rate carrying a 1.00% floor or at a Base Rate equal to the sum of (1) the greatest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, (c) one-month LIBOR plus 1.0%, or (d) 2.0%, plus (2) 2.25%). As of June 30, 2020, the interest rate was 4.25% on the Term Loan. The Term Loan has a contractual obligation to repay 1% annually that has been classified as short-term debt. The maturity date on the Term Loan is January 30, 2021. The Term Loan is subject to certain additional mandatory prepayments upon asset sales, incurrence of indebtedness not otherwise permitted, and based upon a percentage of excess cash flow. Prepayments on the Term Loan may be made at any time, subject to a prepayment premium of 1% for certain prepayments during the first six months of the term.

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

Restructured Term Loan

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

Europe Bank Loan

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

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

Debt Maturity

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

| | 2020 [(2)] | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|
| Term Loan Facility | $ 1,375 | $ 255,750 | $ - | $ - | $ - | $ - |
| Revolving Loan | - | 10,000 | | | | |
| Europe Bank Loan | 933 | 842 | - | - | - | - |
| Other | - | - | - | - | - | 901 |
| | $ 2,308 | $ 266,592 | $ - | $ - | $ - | $ 901 |

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

(2) The amounts are for the remainder of the calendar year.

## 6. Accrued Liabilities

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Compensation and employee benefits | $14,561 | $7,597 |
| Taxes payable | 16,953 | 15,887 |
| Accrued volume and sales rebates | 2,877 | 5,107 |
| Accrued interest payable | 30 | 14 |
| Restructuring reserve | 4,608 | 10,217 |
| Other | 3,156 | 5,857 |
| | $42,185 | $44,679 |

## 7. Goodwill and Intangible Assets, net

The Company currently has $3,350 of goodwill with no impairment.

Goodwill consists of the following:

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Beginning balance | $3,376 | $3,428 |
| Translation | (26) | (52) |
| Gross carrying amount | $3,350 | $3,376 |

Intangible assets, net consists of the following:

| | June 30, 2020 | | |
|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Definite live intangible assets: | | | |
| Customer relationships | $19,641 | ($3,457) | $16,184 |
| Technologies | 2,347 | (646) | 1,701 |
| Patents/Trademarks | 9,657 | (6,060) | 3,597 |
| In-place leases | 204 | (50) | 154 |
| | $31,849 | ($10,213) | $21,636 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Definite live intangible assets: | | | |
| Customer relationships | $19,704 | ($2,955) | $16,749 |
| Technologies | 2,357 | (494) | 1,863 |
| Patents/Trademarks | 9,626 | (5,927) | 3,699 |
| In-place leases | 204 | (44) | 160 |
| | $31,891 | ($9,420) | $22,471 |

Amortization expense associated with definite-lived intangible assets was $793 and $801 for the six months eneded June 30, 2020 and June 30, 2019, respectively. We utilize the straight-line method of amortization, recognized over the estimated useful lives of the assets.

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

| | |
|---|---|
| 2020 | $807 |
| 2021 | 1,615 |
| 2022 | 1,615 |
| 2023 | 1,615 |
| 2024 | 1,615 |
| Total thereafter | 14,369 |
| Total amortization | $21,636 |

## 8. Income Taxes

For the six months ended June 30, 2020, an income tax expense of $1,975 was recognized on the income before income taxes of $951 compared to income tax benefit of $(1,411) for the six months ended June 30, 2019. The projected 2020 effective income tax rate is calculated at 26.1% compared to (44.6%) for 2019. The 2020 tax expense is higher than pretax book income due to the exclusion of the pretax book loss in Brazil and Poland in the effective tax rate due to the valuation allowance against the net operating losses. .

Approximately $17,400 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 2015. Substantially all material state and local and foreign income tax matters have been concluded for years through 2012. Based on the expiration of the statute of limitations for certain jurisdictions, it is reasonably possible that the unrecognized tax benefits will decrease in the next twelve months by approximately $300.

A valuation allowance is provided when it is more likely than not that some portion or all of the net deferred tax assets will not be realized. Management believes that it is more likely than not that its net deferred tax assets will be realized based on the weight of positive evidence and future income.

**9. Retirement Plans**

The Company has contributed $736 pension benefits in the U.S. during the period ended June 30, 2020.

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

| | U.S. Pension Benefits | | Non U.S. Pension Benefits | |
|---|---|---|---|---|
| | 3 Months Ended June 30 2020 | 3 Months Ended June 30 2019 | 3 Months Ended June 30 2020 | 3 Months Ended June 30 2019 |
| Component of net period benefit cost | | | | |
| Service cost | $ - | $ - | $96 | $104 |
| Interest cost | 1,054 | 1,295 | 75 | 110 |
| Expected return on plan assets | (1,295) | (1,077) | (8) | (10) |
| Amortization of prior service cost | - | - | 2 | 3 |
| Amortization of actuarial loss | 256 | 321 | 11 | 12 |
| | $ 15 | $ 539 | $176 | $219 |

| | U.S. Pension Benefits | | Non U.S. Pension Benefits | |
|---|---|---|---|---|
| | 6 Months Ended June 30 2020 | 6 Months Ended June 30 2019 | 6 Months Ended June 30 2020 | 6 Months Ended June 30 2019 |
| Component of net period benefit cost | | | | |
| Service cost | $ - | $ - | $193 | $207 |
| Interest cost | 2,109 | 2,591 | 149 | 219 |
| Expected return on plan assets | (2,590) | (2,155) | (16) | (20) |
| Amortization of prior service cost | - | - | 5 | 6 |
| Amortization of actuarial loss | 513 | 642 | 23 | 24 |
| | $ 32 | $ 1,078 | $354 | $436 |

All componenets of net period benefit cost except for service cost are recorded in Other Expense in the Consolidated Statement of Operations.

## 10. 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.

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

Stock-based compensation cost is measured at the grant date based on fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period. Included in net income is non-cash compensation expense of $0 for the six months ended June 30, 2020 and $112 for the six months ended June 30, 2019.

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

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

In December 2016, the Company granted non-qualified stock options to its former Chief Executive Officer for the purchase of 600,000 shares of its common stock under an employment agreement. Options were granted at the fair market value at date of grant and will vest one third each on December 31, 2017, December 31, 2018 and December 31, 2019. As a result of the termination of the Chief Executive Officer on October 3, 2019, the stock options granted expired at the commencement of business on that date pursuant to the terms of the stock option plan. Stock option expense recognized in 2019 for this grant was reversed in October 2019.

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

The Company's outstanding options were:

| | Shares Under Option | Weighted Average Exercise Price |
|---|---|---|
| Outstanding, December 31, 2019 | 325,000 | $8.00 |
| Granted | - | - |
| Exercised | - | - |
| Forfeited | - | - |
| Outstanding, June 30, 2020 | 325,000 | $8.00 |

Vested and exercisable options as of June 30, 2020 were 325,000 with a weighted average share price of $8.00.

**12. Fair Value Measures**

U.S. GAAP requires enhanced disclosures about investments and non-recurring non-financial assets and non-financial liabilities that are measured and reported at fair value and has established a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments or non-financial assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.
Investments and non-financial assets and/or liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include listed equities and listed derivatives. We do not adjust the quoted price for these investments, even in situations where we hold a large position.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. The inputs and assumptions of our Level 2 investments are derived from market observable sources including reported trades, broker/dealer quotes and other pertinent data.

Level 3 - Pricing inputs are unobservable for the investment and non-financial asset and/or liability and include situations where there is little, if any, market activity for the investment or non-financial asset and/or liability. The inputs into the determination of fair value require significant management judgment or estimation. Fair value is determined using comparable market transactions and other valuation methodologies, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the investment. Significant transfers, if any, between the levels within the fair value hierarchy are recognized at the beginning of the reporting period when changes in circumstances require such transfers.

**13. Related-Party Transactions**

As of June 30, 2020 and December 31, 2019, Icahn Enterprises L.P. owned approximately 78.6% of our outstanding common stock.

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

On January 1, 2013, Viskase acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses, which was approximately $189 for the year ended 2019 and none for 2020.

In December 2019, Insight advised us that it was shutting down its services effective January 1, 2020. Supplier contracts coordinated through Insight will remain in effect through their individual terms. Effective February 10, 2020, the Company withdrew as a member of Insight and assigned its interests in Insight to another Delaware limited liability company.

Icahn Enterprises L.P. was the lender on the Company's Revolving Credit Facility as of June 30, 2020. The Company paid Icahn Enterprises L.P. service, commitment fees and interest of $185 and $67 for the six months ended June 30, 2020 and June 30, 2019.

## 14. Business Segment Information and Geographic Area Information

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

Reporting Segment Information:

| | 3 Months Ended June 30, 2020 | 3 Months Ended June 30, 2019 | 6 Months Ended June 30, 2020 | 6 Months Ended June 30, 2019 |
|---|---|---|---|---|
| Net sales by region | | | | |
| North America | $53,435 | $50,986 | $104,149 | $99,079 |
| South America | 11,751 | 9,828 | 22,521 | 19,997 |
| Europe | 42,528 | 42,179 | 83,600 | 84,869 |
| Asia | 12,471 | 11,547 | 21,620 | 22,224 |
| Other and eliminations | (17,033) | (17,659) | (30,260) | (34,293) |
| | $103,152 | $96,881 | $201,630 | $191,876 |

| | 3 Months Ended June 30, 2020 | 3 Months Ended June 30, 2019 | 6 Months Ended June 30, 2020 | 6 Months Ended June 30, 2019 |
|---|---|---|---|---|
| Operating income | | | | |
| North America | $4,349 | $5,103 | $9,464 | $7,889 |
| South America | 1,466 | 341 | 1,466 | (757) |
| Europe | 1,798 | 652 | 2,787 | (5,820) |
| Asia | 2,128 | 2,143 | 3,613 | 3,694 |
| | $9,741 | $8,239 | $17,330 | $5,006 |

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Identifiable assets | | |
| North America | $205,778 | $211,723 |
| South America | 58,839 | 58,422 |
| Europe | 193,215 | 194,732 |
| Asia | 45,269 | 48,010 |
| | $503,101 | $512,887 |

| | 3 Months Ended June 30, 2020 | 3 Months Ended June 30, 2019 | 6 Months Ended June 30, 2020 | 6 Months Ended June 30, 2019 |
|---|---|---|---|---|
| Net Sales from operations by country | | | | |
| United States | $31,400 | $31,607 | $62,843 | $60,937 |
| Brazil | 5,405 | 5,357 | 10,844 | 10,684 |
| Italy | 5,561 | 5,814 | 11,446 | 11,080 |
| Philippines | 6,462 | 4,912 | 11,238 | 9,537 |
| Germany | 5,711 | 6,302 | 12,592 | 13,135 |
| France | 2,548 | 3,273 | 5,744 | 6,343 |
| Poland | 2,206 | 1,857 | 4,627 | 3,981 |
| Other international | 43,859 | 37,759 | 82,296 | 76,179 |
| | $103,152 | $96,881 | $201,630 | $191,876 |

## 15. Changes in Accumulated Other Comprehensive Loss

| | Accrued Employee Benefits | Translation Adjustments | Total |
|---|---|---|---|
| Balance at December 31, 2019 | ($41,313) | ($36,122) | ($77,435) |
| Other comprehensive (loss) before reclassifications | (43) | (122) | (165) |
| Reclassifications from accumulated other comprehensive loss to earnings | 541 | - | 541 |
| Balance at June 30, 2020 | ($40,815) | ($36,244) | ($77,059) |

| | Amounts Reclassified from Accumulated Other Comprehensive Loss | Affected Line Items in the Consolidation Statement of Operations and Comprehensive Loss |
|---|---|---|
| Accrued Employee Benefits | | |
| Amortization of net actuarial loss | 541 | Other Income/Expense |
| | $541 | |

## 16. Restructuring Charges

During the year ended December 31, 2019, the Company recognized a restructuring expense in our European segment of $9,224, which we believe is our final approved restructuring plans. The costs relate to a restructuring of its French and German subsidiary operations to safeguard the Company's competitive environment in the European market. The plan will involve the involuntary termination of approximately 150 employees, the closure of our European sales office and relocation of part of our finishing operation. The Company has also opened a European shared service center with the consolidation of corporate jobs in this market.

The following table provides details of our restructuring provisions.

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| Beginning balance | $10,217 | $9,515 |
| Provision | - | 9,224 |
| Payments | (5,575) | (7,778) |
| ASC 842 adoption | - | (310) |
| Translation | (34) | (434) |
| Ending balance | $4,608 | $10,217 |

**17. Variable Interest Entity**

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

As the primary beneficiary of the variable interest entity (VIE), the VIEs' assets, liabilities, and results of operations are included in the Company's consolidated financial statements as of, and for the period ended, June 30, 2020 and December 31, 2019. The other equity holders' interests are reflected in "Net loss attributable to noncontrolling interests" in the Consolidated Statements of Operations and "Noncontrolling interests" in the Consolidated Balance Sheets.

The following table summarizes the carrying amount of the VIEs' assets and liabilities included in the Company's Consolidated Balance Sheets at June 30, 2020 and December 31, 2019:

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $71 | $14 |
| Receivables, net | 151 | 139 |
| Inventories | 254 | 211 |
| Other current assets | 241 | 148 |
| Property, plant and equipment | 1,237 | 1,237 |
| Less: Accumulated depreciation | (321) | (260) |
| Property, plant and equipment,net | 916 | 977 |
| Deferred tax asset | 115 | 115 |
| Other assets | 27 | 26 |
| Total Assets | $1,775 | $1,630 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities | 179 | 634 |
| Total Liabilites | 179 | 634 |
| Paid in capital | 2,931 | 2,181 |
| Retained earnings | (1,335) | (1,185) |
| Total Stockholder Equity | 1,596 | 996 |
| Total Liabilities and Stockholders' Equity | $1,775 | $1,630 |

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

The following table summarizes the Statement of Operations of the VIE included in the Company's Consolidated Statement of Operations for the period ended June 30, 2020 and June 30, 2019.

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Net sales | $330 | $118 |
| Cost of sales | 336 | 157 |
| Gross margin | (6) | (39) |
| Selling, general and administrative | 122 | 117 |
| Operating loss | (128) | (156) |
| Other expense (income) | 23 | (32) |
| Loss before income taxes | (151) | (124) |
| Income tax benefit | - | - |
| Net loss | ($151) | ($124) |

## 18. Going Concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. While the Company has sufficient operating income to fund normal operations, the ability of the Company to continue as a going concern is dependent on the

Company obtaining adequate refinancing of its Term B loan before its maturity in January 2021.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan to obtain such resources for the Company include traditional financing, such as loans; sales of equity instruments; and obtaining capital from significant stockholders sufficient to meet its debt obligations.

Most recently, from the beginning of 2020, the global spread of a novel coronavirus pandemic, also known as COVID-19, has delayed the proposed refinancing arranged by the Company. We fully expect the refinancing will be completed before the maturity of our Term B facility. However, there is no assurance that the Company will be able to obtain sufficient additional funds to refinance these maturities occurring within 12 months of the date of the issuance of our financials or that such funds, if available, will be obtainable on terms satisfactory to the Company, and therefore substantial doubt exists about the Company's ability to continue as a going concern.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business.

**19. Subsequent Events**

Viskase evaluated its June 30, 2020 consolidated financial statements for subsequent events through August 15, 2020, the date the consolidated financial statements were available to be issued.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

***Company Overview***

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

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

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

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

<u>Comparison of Results of Operations for Fiscal Quarters Ended June 30, 2020 and 2019.</u>

The following discussion compares the results of operations for the fiscal quarter ended June 30, 2020 to the results of operations for the fiscal quarter ended June 30, 2019

We have provided the table below in order to facilitate an understanding of this discussion.

| | 3 Months Ended June 30, 2020 | % Change over 2018 | 3 Months Ended June 30, 2019 |
|---|---|---|---|
| NET SALES | $103.2 | 6.5% | $96.9 |
| Cost of sales | 81.1 | 8.0% | 75.1 |
| Selling, general and administrative | 11.9 | -7.0% | 12.8 |
| Amortization of intangibles | 0.4 | -20.0% | 0.5 |
| Restructing expense | - | NM | 0.3 |
| OPERATING INCOME | 9.8 | 19.5% | 8.2 |
| Interest expense, net of income | 3.3 | -21.4% | 4.2 |
| Other expense (income), net | 2.5 | NM | (0.8) |
| Income tax expense | 1.5 | -21.1% | 1.9 |
| NET INCOME | $2.5 | -13.8% | $2.9 |

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

Three Months Ended June 30, 2020 Versus Three Months Ended June 30, 2019

*Net Sales.* Our net sales for the six months ended June 30, 2020 were $103.2 million, which represents an increase of $6.3 million or 6.5% from the prior year period. Net sales increased $4.9 million from volume and $2.4 million due to price and mix, offset by a decrease $1.0 million due to foreign currency translation.

*Cost of Sales.* Cost of sales for for the three months ended June 30, 2020 increased 8.0% from the comparable prior year period. The increase is due to higher sales volume.

*Selling, General and Administrative Expenses.* We decreased selling, general and administrative expenses from $12.8 million for the three months ended June 30, 2019 to $11.9 million in 2020. The decrease is mainly due to lower costs with the restructuring plan.

*Amortization of Intangibles.* The Company incurred an expense of $0.4 million on the amortization of intangibles recognized with the acquisitions.

*Restructuring Expense.* Restructuring expense of $0.3 million during the first three months of 2019 resulted from the planned partial relocation of our manufacturing operation in Thaon, France and a downsizing of our facilitiy in Bomlitz, Germany. The plan involved the involuntary termination of approximately 150 employees. The Company anticipates an annual savings of $10.0 million per year when the plan is fully implemented.

*Operating Income.* Operating income for the three months ended June 30, 2020 was $9.8 million, representing an increase of $1.6 million from the same period in 2019. The increase in operating income was primarily due to lower selling, general and administrative expenses.

*Interest Expense.* Interest expense, net of interest income, for 2020 was $3.3 million, representing a decrease of $0.9 million compared to 2019. The decrease is a result of a lower interest rate on our Term loan.

*Other Expense.* Other expense for the three months ending June 2020 was approximately $2.5 million, representing an increase of $3.3 million over 2019. The increase is primarily due to foreign currency devaluation in Brazil.

*Income Tax Provision.* During the three months ended June of 2020, an income tax expense of $1.5 million was recognized on the income before income taxes of $4.0 million compared to income tax expense of $1.9 million in 2019. The projected 2020 effective income tax rate is calculated at (15.7)% compared to (44.6%)for 2019.

Primarily as a result of the factors discussed above, net income was $2.5 million compared to net income of $2.9 million for 2019.

<u>Comparison of Results of Operations for Six Months Ended June 30, 2020 and June 30, 2019</u>

The following discussion compares the results of operations for the fiscal six months ended June 30, 2020 to the results of operations for the fiscal six months ended June 30, 2019. We have provided the table below in order to facilitate an understanding of this discussion.

| | 6 Months Ended June 30, 2020 | % Change over 2018 | 6 Months Ended June 30, 2019 |
|---|---|---|---|
| NET SALES | $201.6 | 5.1% | $191.9 |
| Cost of sales | 159.3 | 6.1% | 150.2 |
| Selling, general and administrative | 24.2 | -11.7% | 27.4 |
| Amortization of intangibles | 0.8 | 0.0% | 0.8 |
| Asset impairment | - | NM | 1.0 |
| Restructing expense | - | NM | 7.5 |
| OPERATING INCOME | 17.3 | 246.0% | 5.0 |
| Interest expense, net of income | 7.0 | -15.7% | 8.3 |
| Other expense, net | 9.3 | 481.3% | 1.6 |
| Income tax (benefit) | 2.0 | NM | (1.4) |
| NET INCOME (LOSS) | ($1.0) | -71.4% | ($3.5) |

*Net Sales.* Our net sales for the first six months of 2020 were $201.6 million, which represents an increase of $9.7 million, or 5.1%, from the comparable period in 2019. Net sales increased $7.5 million from volume, $4.7 million due to price and mix, offset by $2.5 million due to foreign currency translation loss.

*Cost of Sales.* Cost of sales for the first six months of 2020 increased 6.1%, or $9.1, million from the comparable prior year first six months. The increase is due to higher sales volume.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased $3.2 million for the first six months of 2020. The decrease is mainly due to savings from the restructuring plan.

*Amortization of Intangibles.* The Company incurred an expense of $0.8 million on the amortization of intangibles recognized with the acquisitions.

*Asset impairment.* The Company recognized an asset impairment of $1.0 million in 2019 for older manufacturing equipment taken out of service in our South America operation.

*Restructuring Expense.* Restructuring expense of $7.5 million during the first six months of 2019 resulted from the planned partial relocation of our manufacturing operation in Thaon, France and a downsizing of our facility in Bomlitz, Germany. The plan involved the involuntary termination of approximately 150 employees. The Company anticipates an annual savings of $10.0 million per year when the plan is fully implemented.

*Operating Income.* The operating income for the first six months of 2020 was $17.3 million, representing an increase of $12.3 million from the prior year first six months. The increase in the operating income resulted primarily from restructuring events and asset impairment in 2019, plus a decrease in selling, general and administrative expenses.

*Interest Expense.* Interest expense, net of interest income, for the first six months of 2020 was $7.0 million, or a decrease of $1.3 compared to the prior year period. The decrease is due to a decrease in our interest rate on our long term borrowings.

*Other Expense.* Other expense of approximately $9.3 million for the first six months of 2020 consists principally of expense related to unrealized foreign currency translation.

*Income Tax Provision*. During 2020, an income tax expense of $2.0 million was recognized on the income before income taxes of $1.0 million resulting principally from the income tax expense on the results of operations by our profitable subsidiaries.

Primarily as a result of the factors discussed above, our net loss for the first six months of 2020 was $1.0 million compared to a net loss of $3.5 million for the first six months of 2019.

***Liquidity and Capital Resources***

Cash and cash equivalents decreased by $12.0 million for the six months ended June 30, 2020. Net cash used in operating activities was $8.2 million and net cash used in investing activities was $5.7 million. Net cash provided by financing activities was $1.0 million. Cash flows used in operating activities were principally attributable to results from operations, offset by an increase in working capital. Our trade receivables increased during 2020 due to strong market demand on its retail business due to the pandemic. Cash flows used in investing activities were principally attributable to capital expenditures. Cash flows provided by financing activities principally consisted of revolver borrowings offset by debt repayments under our Europe Bank Loan, Term Loan and Restructured Term Loan.

Our cash held in foreign banks was $6.4 million (against a total cash balance of $11.0 million) and $15.4 million (against a total cash balance of $23.0 million) as of June 30, 2020 and December 31, 2019, respectively. Any cash held by our foreign subsidiaries does not have a significant impact on our overall liquidity, but if we fail to generate sufficient cash through our domestic operations, our foreign operations could be a potential source of liquidity.

As of June 30, 2020 the Company had working capital deficit of approximately $101.7 million including restricted cash of $1.3 million, with additional amounts available under its Revolving Credit Facility. The change in working capital is due to the short term maturity of debt dicussed in Footnote 18.

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

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

On June 30, 2019, the Company entered into the Eleventh Amendment to the Loan and Security Agreement with Icahn Enterprises L.P., extending the maturity date of the Revolving Credit Facility from January 30, 2020 to January 30, 2021 and amending the maximum revolver amount to $45,000.

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

The amended Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, create liens on our assets, make investments, enter into merger, consolidation or acquisition transactions, dispose of assets (other than in the ordinary course of business), make certain restricted payments, enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The amended Revolving Credit Facility also requires that we comply with certain financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures, in the event our usage of the Revolving Credit Facility exceeds 90% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of June 30, 2020.

The Company had $10 million of borrowings at June 30, 2020 and no borrowings as of December 31,2019. We have an additional $35.0 million of availability under the amended Revolving Credit Facility as of June 30, 2020.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately $5.5 million of availability. There were no borrowings under the lines of credit at June 30, 2020.

On January 30, 2014, the Company entered into a Credit Agreement with UBS AG, Stamford Branch ("UBS'), as Administrative Agent and Collateral Agent, and the Lenders parties thereto, providing for a $275 million senior secured covenant lite term loan facility ("Term Loan"). The Term Loan bears interest at a LIBOR Rate plus 3.25% (with the LIBOR

Rate carrying a 1.00% floor or at a Base Rate equal to the sum of (1) the greatest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, (c) one-month LIBOR plus 1.0%, or (d) 2.0%, plus (2) 2.25%). As of June 30, 2020, the interest rate was 4.25% on the Term Loan. The Term Loan has a contractual obligation to repay 1% per year and this amount is carried as short term debt. The Term Loan has a maturity date of January 30, 2021. The Term Loan is subject to certain additional mandatory prepayments upon asset sales, incurrence of indebtedness not otherwise permitted, and based upon a percentage of excess cash flow. Prepayments on the Term Loan may be made at any time.

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

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

***Pension and Postretirement Benefits***

Our long-term pension and postretirement benefit liabilities totaled $68.8 million at June 30, 2020.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Pension | $ - | $ 16.9 | $ 7.0 | $ 7.0 | $ 7.0 |

***Contract Obligations***

As of June 30, 2020, the aggregate maturities of debt(1), leases and purchase commitments for each of the next five years are (in millions):

| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|
| Term Loan Facility | $ 1.4 | $ 255.8 | $ - | $ - | $ - | $ - |
| Europe Bank Loan | 0.5 | 0.9 | - | - | - | - |
| Revolver | - | 10.0 | - | - | - | - |
| Operating Leases | 2.7 | 5.5 | 5.3 | 5.0 | 4.8 | 31.1 |
| Other | 1.0 | 1.1 | - | - | - | 0.9 |
| | $ 5.6 | $ 273.3 | $ 5.3 | $ 5.0 | $ 4.8 | $ 32.0 |

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

***Critical Accounting Policies***

The financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America and include the use of estimates and assumptions that affect a number of amounts included in the Company's financial statements, including, among other things, pensions and other postretirement benefits and related disclosures, reserves for excess and obsolete inventory, allowance for doubtful accounts, and income taxes. Management bases its estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company's results for the period in which the actual amounts become known. Historically, the aggregate differences, if any, between the Company's estimates and actual amounts in any year have not had a significant effect on the Company's consolidated financial statements. Please reference Footnote 1 in our Notes to Consolidated Financial Statements for the disclosure on critical accounting policies.

***New Accounting Pronouncements***

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

## FORWARD-LOOKING STATEMENTS

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

- our ability to meet liquidity requirements and to fund necessary capital expenditures;

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

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