

**VISKASE COMPANIES, INC.**

ANNUAL REPORT 2017

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

CONSOLIDATED FINANCIAL STATEMENTS OF VISKASE COMPANIES, INC. AND  
SUBSIDIARIES

1. Financial Statements:

Report of Independent Certified Public Accountants

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Operations for the years ended December 31,  
2017, 2016 and 2015

Consolidated Statements of Comprehensive Income (Loss) for the years ended  
December 31, 2017, 2016 and 2015

Consolidated Statements of Stockholders' Equity for years ended  
December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the years ended December 31, 2017,  
2016 and 2015

2. Notes to Consolidated Financial Statements



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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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**Board of Directors**  
**Viskase Companies, Inc.**

We have audited the accompanying consolidated financial statements of Viskase Companies, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes to the financial statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

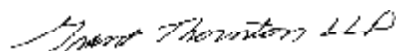
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,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

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Viskase Companies, Inc. and subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.



Chicago, Illinois  
March 29, 2018

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

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$16,050	\$39,129
Restricted cash	1,544	2,063
Receivables, net	77,961	62,938
Inventories	91,589	72,279
Other current assets	39,444	28,361
Total current assets	226,588	204,770
Property, plant and equipment	349,809	304,080
Less accumulated depreciation	(178,757)	(153,554)
Property, plant and equipment, net	171,052	150,526
Asset held for sale	360	-
Other assets, net	18,606	11,463
Intangible assets	26,859	203
Goodwill	3,580	329
Deferred income taxes	35,091	51,386
Total Assets	\$482,136	\$418,677
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$4,774	\$2,750
Short-term portion of capital lease obligations	481	90
Accounts payable	35,954	28,582
Accrued liabilities	38,047	33,491
Total current liabilities	79,256	64,913
Long-term debt, net of current maturities	269,915	261,905
Capital lease obligations, net of current portion	986	61
Long-term liabilities	10,138	1,770
Accrued employee benefits	78,415	59,975
Deferred income taxes	9,567	326
Stockholders' equity:		
Common stock, \$0.01 par value; 37,329,269 shares issued and 36,523,999 outstanding at December 31, 2017 and December 31, 2016	373	373
Paid in capital	32,786	32,472
Retained earnings	81,891	85,832
Less 805,270 treasury shares, at cost	(298)	(298)
Accumulated other comprehensive loss	(80,749)	(88,652)
Total Viskase stockholders' equity	34,003	29,727
Deficit attributable to non-controlling interest	(144)	-
Total stockholders' equity	33,859	29,727
Total Liabilities and Stockholders' Equity	\$482,136	\$418,677

*See notes to consolidated financial statements.*

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

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
NET SALES	\$391,978	\$328,820	\$343,583
Cost of sales	296,100	247,570	258,893
GROSS MARGIN	95,878	81,250	84,690
Selling, general and administrative	62,592	51,934	52,589
Amortization of intangibles	1,556	18	16
Asset impairment charge	1,832	-	445
Restructuring expense	1,745	4,809	2,672
OPERATING INCOME	28,153	24,489	28,968
Interest income	85	22	31
Interest expense, net	13,217	12,543	12,458
Other (income) expense, net	(1,148)	(1,238)	5,358
INCOME BEFORE INCOME TAXES	16,169	13,206	11,183
Income tax provision	20,410	7,646	9,886
NET (LOSS) INCOME	(\$4,241)	\$5,560	\$1,297
Less: net (loss) attributable to noncontrolling interests	(144)	-	-
Net (loss) income attributable to Viskase Companies, Inc	(\$4,097)	\$5,560	\$1,297
WEIGHTED AVERAGE COMMON SHARES			
- BASIC	36,523,999	36,186,302	36,184,334
PER SHARE AMOUNTS:			
EARNINGS PER SHARE			
- BASIC	(\$0.11)	\$0.15	\$0.04
WEIGHTED AVERAGE COMMON SHARES			
- DILUTED	36,523,999	36,243,772	37,189,121
PER SHARE AMOUNTS:			
EARNINGS PER SHARE			
- DILUTED	(\$0.11)	\$0.15	\$0.03

*See notes to consolidated financial statements.*

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

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Net (loss) income	<u>(\$4,241)</u>	<u>\$5,560</u>	<u>\$1,297</u>
Other comprehensive income (loss), net of tax			
Pension liability adjustment	1,256	482	1,454
Foreign currency translation adjustment	<u>6,647</u>	<u>(5,296)</u>	<u>(9,775)</u>
Other comprehensive income (loss), net of tax	7,903	(4,814)	(8,321)
Comprehensive income (loss)	<u>\$3,662</u>	<u>\$746</u>	<u>(\$7,024)</u>
Less: comprehensive (loss) attributable to noncontrolling interests	<u>(144)</u>	<u>-</u>	<u>-</u>
Net comprehensive income attributable to Viskase	<u>\$3,806</u>	<u>\$746</u>	<u>(\$7,024)</u>

*See notes to consolidated financial statements.*

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

	Common stock	Paid in capital	Treasury stock	Retained earnings	Accumulated other comprehensive loss	Total Viskase stockholders' equity	Non-controlling Interest	Total stockholders' equity (deficit)
Balance December 31, 2014	\$370	\$32,801	(\$298)	\$78,975	(\$75,517)	\$36,331	\$ -	36,331
Net income	-	-	-	1,297	-	1,297	-	1,297
Foreign currency translation adjustment	-	-	-	-	(9,775)	(9,775)	-	(9,775)
Pension liability adjustment, net of tax	-	-	-	-	1,454	1,454	-	1,454
Stock option expense	-	-	-	-	-	-	-	-
Stock option exercise	-	60	-	-	-	60	-	60
Balance December 31, 2015	\$370	\$32,861	(\$298)	\$80,272	(\$83,838)	\$29,367	\$ -	29,367
Net income	-	-	-	5,560	-	5,560	-	5,560
Foreign currency translation adjustment	-	-	-	-	(5,296)	(5,296)	-	(5,296)
Pension liability adjustment, net of tax	-	-	-	-	482	482	-	482
Stock option expense	3	(389)	-	-	-	(386)	-	(386)
Balance December 31, 2016	\$373	\$32,472	(\$298)	\$85,832	(\$88,652)	\$29,727	\$ -	29,727
Net loss	-	-	-	(4,097)	-	(4,097)	(144)	(4,241)
Foreign currency translation adjustment	-	-	-	-	6,647	6,647	-	6,647
Pension liability adjustment, net of tax	-	-	-	-	1,256	1,256	-	1,256
Cumulative-effect adjustment resulting from adopting ASU 2016-09	-	-	-	156	-	156	-	156
Stock option expense	-	314	-	-	-	314	-	314
Balance December 31, 2017	\$373	\$32,786	(\$298)	\$81,891	(\$80,749)	\$34,003	(\$144)	\$33,859

*See notes to consolidated financial statements.*



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

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Cash flows from operating activities:			
Net (loss) income	(\$4,241)	\$5,560	\$1,297
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	22,106	19,051	18,843
Stock-based compensation	224	-	60
Amortization of intangibles	1,556	18	16
Amortization of deferred financing fees	597	639	589
Deferred income taxes	15,423	(1,279)	3,078
Loss on disposition of assets	211	244	1,375
Loss on impairment of assets	1,832	-	-
Bad debt and accounts receivable provision	348	10	475
Non-cash interest on term loans	480	123	90
Changes in operating assets and liabilities:			
Receivables	(594)	(3,191)	1,164
Inventories	(6,759)	3,297	(2,207)
Other current assets	(8,694)	(4,131)	1,968
Accounts payable	2,054	3,400	(1,297)
Accrued current liabilities	(2,406)	4,752	2,788
Accrued employee benefits	1,263	5,078	347
Other assets	(266)	(4,086)	(2,294)
Other long term liabilities	1,237	-	-
Other	(668)	(1,109)	(1,383)
Total adjustments	27,944	22,816	23,612
Net cash provided by operating activities	23,703	28,376	24,909
Cash flows from investing activities:			
Capital expenditures	(25,674)	(18,091)	(21,991)
Acquisition of businesses, net of cash acquired	(31,141)	(4,063)	-
Proceeds from disposition of assets	308	51	40
Net cash used in investing activities	(56,507)	(22,103)	(21,951)
Cash flows from financing activities:			
Issuance of common stock	-	3	-
Deferred financing costs	(120)	(245)	(120)
Proceeds from long-term debt	10,716	-	-
Repayment of short-term debt	(2,750)	(3,166)	(3,310)
Repayment of capital lease	(476)	(170)	(348)
Restricted cash	519	(699)	-
Net cash (used in) provided by financing activities	7,889	(4,277)	(3,778)
Effect of currency exchange rate changes on cash	1,836	(188)	(1,169)
Net increase (decrease) in cash and equivalents	(23,079)	1,808	(1,989)
Cash and equivalents at beginning of period	39,129	37,321	39,310
Cash and equivalents at end of period	\$16,050	\$39,129	\$37,321
Supplemental cash flow information:			
Interest paid less capitalized interest	\$12,169	\$11,845	\$13,761
Income taxes paid	\$7,820	\$6,750	\$6,376
Non cash capital expenditures	-	\$1,760	-

See notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In Thousands)

**1. Summary of Significant Accounting Policy**

**Nature of Operations**

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

**Principles of Consolidation**

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

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

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

**Reclassifications**

Certain prior period financial statement balances have been reclassified to conform to the current period presentation. Items include the reclassification of employee benefits from other current liabilities to long-term accrued employee benefits in the balance sheet.

**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 \$180 and \$158 of short-term investments at December 31, 2017 and December 31, 2016, 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. This estimated allowance is primarily based upon our evaluation of the financial condition of each customer, each customer’s ability to pay and historical write-offs.

## **Inventories**

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

## **Property, Plant and Equipment**

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

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

During 2017, the Company approved a restructuring plan in its European segment that included the marketing and sale of a certain fixed asset. The Company has approved a plan for sale and recorded the asset as Asset Held for Sale at year end. We have reached a tentative agreement and expect to finalize the sale of the asset in early 2018. The Company recognized an asset impairment of \$559 in recording the asset at fair market value. The restructuring plan also included an additional asset impairment of \$417 for fixed assets retired from service.

The Company also recognized an asset impairment of \$856 for assets with no future cash flow considerations.

## **Deferred Financing Costs**

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

## **Intangible Assets and Goodwill**

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

We evaluate the carrying value of goodwill annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. Goodwill impairment testing involves a two-step process. Step 1 compares the fair value of our reporting units to their carrying values. If the fair value of the reporting unit exceeds its carrying value, no further analysis is necessary. 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. If the carrying amount of the reporting unit exceeds its fair value, Step 2 must be completed to quantify the amount of impairment. Step 2 calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit, from the fair value of the reporting unit as determined in Step 1. The implied fair value of goodwill determined in this step is compared to the carrying value of

goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss, equal to the difference, is recognized.

### **Long-Lived Assets**

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

### **Shipping and Handling**

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

### **Pensions and Other Postretirement Benefits**

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

Actual results that differ from assumptions used are accumulated and amortized over future periods and, accordingly, generally affect recognized expense and the recorded obligation in future periods. Therefore, assumptions used to calculate benefit obligations as of the end of a fiscal year directly impact the expense to be recognized in future periods. The primary assumptions affecting the Company's accounting for employee benefits as of December 31, 2017 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 7.50% for 2017. The Company is using a long-term rate of return on French plan assets of 3.20% for 2017. 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 is using a discount rate of 4.47% for 2017. The Company is using a weighted average discount rate of 1.77% on its non-U.S. pension plans for 2017.

### **Income Taxes**

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

## **Other Comprehensive Income (Loss)**

Comprehensive income (loss) includes all other non-stockholder changes in equity. Changes in other comprehensive income (loss) in 2017 and 2016 resulted from changes in foreign currency translation and minimum pension liability.

## **Revenue Recognition**

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

## **Acquisitions of Businesses**

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

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

## **Financial Instruments**

The Company routinely enters into fixed price natural gas agreements which require us to purchase a portion of our natural gas each month at fixed prices. These fixed price agreements qualify for the "normal purchases" scope exception under derivative and hedging standards, therefore the natural gas purchases under these contracts were expensed as incurred and included within cost of sales. As of December 31, 2017, future annual minimum purchases remaining under the agreement are \$1,602.

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

## **New Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09), Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. On July 9, 2015, the FASB board voted to defer the effective date to annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019 (early adoption is permitted no earlier than the original effective date). The guidance permits the use of either a retrospective or cumulative effect transition method.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarify the implementation guidance on principal versus agent considerations. The effective date to annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019 (early adoption is permitted no earlier than the original effective date). The Company will adopt the provisions of ASU 2014-09 and ASU 2016-08 on January 1, 2018 using the modified retrospective application method.

Revenues are recognized at the time products are shipped to the customer (i.e. point in time), under F.O.B shipping point, customer pick up or F.O.B port terms. As such, the Company expects the adoptions of ASU 2014-09 and ASU 2016-08 will have no significant impact to the Company's financial position or results of operations; however, the Company will present the disclosures required by these new standards.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory." This update provides that an entity should measure inventory with the scope of the update at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The adoption of this guidance will have an immaterial effect on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. This new standard provides guidance on how entities measure certain equity investments and present changes in the fair value. This standard requires that entities measure certain equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. ASU 2016-01 is effective for fiscal years beginning after December 31, 2017. The adoption of this guidance will have an immaterial impact on the Company's financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right of use asset and related lease liability for those leases classified as operating leases at the commencement date and have lease terms of more than 12 months. This topic retains the distinction between finance leases and operating leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, and must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the provisions of this guidance and assessing its impact on the Company's financial statements and disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation-Improvements to Employee Share-Based Payment Accounting (Topic 718), which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. In regards to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company adopted this ASU for fiscal years beginning after December 15, 2016 including interim periods. The adoption of this guidance did not have a material impact on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which amends FASB ASC Topic 230, Statement of Cash Flows. This ASU seeks to reduce the diversity currently in practice by providing guidance on the presentation of eight specific cash flow issues in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We currently are evaluating the impact of this guidance on our consolidated statement of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, which amends FASB ASC Topic 740, Income Taxes. This ASU requires the recognition of income tax consequences of an intraentity transfer of an asset other than inventory when the transfer occurs. Current U.S. GAAP prohibits the recognition of current and deferred incomes taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which amends FASB ASC Topic 230, Statement of Cash Flows. This ASU requires that the statement of cash flows explain the change during the period total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other" (Topic 350). This ASU modifies the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Because the update will eliminate Step 2 from the goodwill impairment test, it should reduce the cost and complexity of evaluating goodwill for impairment. This ASU is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020, with early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

In March 2017, the FASB issued ASU No. 2017-07, Retirement Benefits, which amends FASB ASC Topic 715, Compensation - Retirement Benefits. This ASU requires entities to present the service cost component of net periodic benefit cost in the same line item or items in the financial statements as other compensation costs arising from services rendered by the pertinent employees during the period. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this

guidance on our consolidated financial position, results of operations, comprehensive income, cash flows and disclosures.

In August 2017, the FASB issued ASU 2017-12, Targeting Improvements to Accounting for Hedging Activities, which amends FASB ASC Topic 815, Derivatives and Hedging. This ASU includes amendments to existing guidance to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

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

## 2. Revision of Previously Reported Consolidated Financial Statements

The Company has revised its consolidated balance sheet as of December 31, 2016, and changes in stockholders' equity for the years ended December 31, 2016 and 2015, and the related notes. During 2017, it was determined in a single foreign location that the translation of certain property, plant and equipment used the incorrect exchange rate; therefore, property, plant and equipment and accumulated other comprehensive income were misstated. In addition taxes payables were overstated with the offsetting adjustment to accumulated other comprehensive income.

A reconciliation of the effects of the adjustments to the previously reported consolidated balance sheet at December 31, 2016 follows:

	2016 Previously Reported	Translation Adjustments	Taxes Payable Adjustments	2016 Currently Reported
Property, plant and equipment	\$308,841	(\$4,761)	\$ -	\$304,080
Property, plant and equipment, net	155,287	(4,761)	-	150,526
Total assets	423,438	(4,761)	-	418,677
Accrued liabilities	38,796	-	(1,684)	37,112
Total current liabilities	70,218	-	(1,684)	68,534
Accumulated other comprehensive loss	(85,575)	(4,761)	1,684	(88,652)
Total stockholders' equity	32,804	(4,761)	1,684	29,727
Total liabilities & stockholders' equity	423,438	(4,761)	-	418,677

A reconciliation of the previously reported consolidated statement of stockholders' equity at December 31, 2014, December 31, 2015 and December 31, 2016 follows:



	Previously Reported	Translation Adjustments	Taxes Payable Adjustments	Currently Reported
<u>December 31, 2014:</u>				
Accumulated other comprehensive loss	\$ (72,958)	\$ (2,559)	\$ -	\$ (75,517)
Total stockholders' equity	38,890	(2,559)	-	36,331
<u>December 31, 2015:</u>				
Foreign currency translation adjustment	(8,546)	(1,229)	-	(9,775)
Accumulated other comprehensive loss	\$ (80,050)	\$ (3,788)	\$ -	\$ (83,838)
Total stockholders' equity	33,155	(3,788)	-	29,367
<u>December 31, 2016:</u>				
Foreign currency translation adjustment	(6,007)	(973)	1,684	(5,296)
Accumulated other comprehensive loss	(85,575)	(4,761)	1,684	(88,652)
Total stockholders' equity	32,804	(4,761)	1,684	29,727

A reconciliation of the previously reported consolidated statement of comprehensive income for the year ended December 31, 2015 and December 31, 2016:

	Previously Reported	Translation Adjustments	Taxes Payable Adjustments	Currently Reported
<u>Year Ended December 31, 2015:</u>				
Foreign currency translation adjustment	\$ (8,546)	\$ (1,229)	\$ -	\$ (9,775)
Other comprehensive income (loss)	(7,092)	(1,229)	-	(8,321)
Comprehensive income	(5,795)	(1,229)	-	(7,024)
<u>Year Ended December 31, 2016:</u>				
Foreign currency translation adjustment	(6,007)	(973)	1,684	(5,296)
Other comprehensive income (loss)	(5,525)	(973)	1,684	(4,814)
Comprehensive income	35	(973)	1,684	746

The revision was not material and had no impact on net income, net cash flows from operating, investing or financing activities.

### 3. Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash and cash equivalents	\$16,050	\$39,129
Restricted cash	1,544	2,063
	<u>\$17,594</u>	<u>\$41,192</u>

As of December 31, 2017 and December 31, 2016, cash held in foreign banks was \$13,590 and \$27,224, respectively.

As of December 31, 2017 and December 31, 2016, letters of credit in the amount of \$1,544 and \$2,063, respectively, were outstanding under facilities with a commercial bank, and were cash collateralized in a restricted account.

#### 4. Receivables, net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable, gross	\$79,143	\$63,795
Less allowance for doubtful accounts	(791)	(553)
Less allowance for sales returns	(391)	(304)
	<u>\$77,961</u>	<u>\$62,938</u>

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balance	\$857	\$1,006	\$1,121
Provision (recoveries)	348	10	475
Write-offs	(24)	(152)	(564)
Other and translation	1	(7)	(26)
Ending balance	<u>\$1,182</u>	<u>\$857</u>	<u>\$1,006</u>

#### 5. Inventory

Inventory consisted of:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Raw materials	\$18,224	\$9,777
Work in process	40,194	34,249
Finished products	33,171	28,253
	<u>\$91,589</u>	<u>\$72,279</u>

#### 6. Property, Plant and Equipment, Net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Land and improvements	\$1,954	\$1,954
Buildings and improvements	41,979	37,928
Machinery and equipment	287,974	256,512
Construction in progress	17,902	7,686
	<u>\$349,809</u>	<u>\$304,080</u>

Accumulated Depreciation

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Land and improvements	\$352	\$328
Buildings and improvements	15,169	12,551
Machinery and equipment	163,236	140,675
	<u>\$178,757</u>	<u>\$153,554</u>

## 7. Other Assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other taxes receivable	\$10,924	\$11,145
Indemnification asset	6,793	-
Other	889	318
	<u>\$18,606</u>	<u>\$11,463</u>

## 8. Accrued Liabilities

Accrued liabilities were comprised of:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Compensation and employee benefits	\$13,210	\$10,532
Taxes payable	13,606	12,493
Accrued volume and sales rebates	4,598	1,305
Accrued interest payable	89	41
Restructuring reserve	200	3,210
Other	6,345	5,910
	<u>\$38,048</u>	<u>\$33,491</u>

## 9. Debt Obligations

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Short-term debt:		
Bank term loan	\$2,750	\$2,750
Restructured term loan	2,024	-
Total short-term debt	<u>4,774</u>	<u>2,750</u>
Long-term debt:		
Bank term loan, net of discount	259,403	261,578
Revolving credit facility	3,000	-
Restructured term loan	7,103	-
Other	409	327
Total long-term debt	<u>269,915</u>	<u>261,905</u>
Total debt	<u>\$274,689</u>	<u>\$264,655</u>

### Revolving Credit Facility

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

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

Indebtedness under the amended Revolving Credit Facility is secured by liens on substantially all of the Company's domestic and Mexican assets, with liens on (i) accounts, inventory, lockboxes, deposit accounts and investment property (the "ABL Priority Collateral") to be contractually senior to the liens

securing the Term Loan (as hereafter defined) pursuant to an intercreditor agreement, (ii) real property, fixtures and improvements thereon, equipment and proceeds thereof (the "Fixed Asset Priority Collateral"), to be contractually subordinate to the liens securing the Term Loan pursuant to such intercreditor agreement, and (iii) all other assets, to be contractually pari passu with the liens securing the Term Loan pursuant to such intercreditor agreement. Our future direct or indirect material domestic subsidiaries are required to guarantee the obligations under the amended Revolving Credit Agreement, and to provide security by liens on their assets as described above.

The amended Revolving Credit Facility contains various covenants which restrict the Company's ability to, among other things, incur indebtedness, create liens on our assets, make investments, enter into merger, consolidation or acquisition transactions, dispose of assets (other than in the ordinary course of business), make certain restricted payments, enter into sale and leaseback transactions and transactions with affiliates, in each case subject to permitted exceptions. The amended Revolving Credit Facility also requires that we comply with certain financial covenants, including meeting a minimum EBITDA requirement and limitations on capital expenditures, in the event our usage of the Revolving Credit Facility exceeds 90% of the facility amount. The Company is in compliance with the Revolving Credit Facility covenants as of December 31, 2017. The amended Revolving Credit Facility had borrowings of \$3,000 as of December 31, 2017 and no borrowings at December 31, 2016. As of December 31, 2017, the interest rate was 3.694% on the Revolving Credit Facility.

In its foreign operations, the Company has unsecured lines of credit with various banks providing approximately \$8,000 of availability. There were no borrowings under the lines of credit at December 31, 2017.

#### Term Loan Facility

On January 30, 2014, the Company entered into a Credit Agreement with UBS AG, Stamford Branch ("UBS"), as Administrative Agent and Collateral Agent, and the Lenders parties thereto, providing for a \$275,000 senior secured covenant lite term loan facility ("Term Loan"). The Term Loan bears interest at a LIBOR Rate plus 3.25% (with the LIBOR Rate carrying a 1.00% floor or at a Base Rate equal to the sum of (1) the greatest of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 0.50%, (c) one-month LIBOR plus 1.0%, or (d) 2.0%, plus (2) 2.25%). As of December 31, 2017, the interest rate was 4.875% 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 (see Footnote 17). As part of the consideration for the purchase, a former Seller shareholder loan was restructured and remained outstanding at the January 10, 2017 closing in the original amount of EUR 8,111 or \$9,257. The Restructured Term Loan is due for repayment as follows: EUR 1,688 is due on January 10, 2018; and the balance of EUR 6,423 is due on January 10, 2020. The Restructured Term Loan bears no interest, and was recorded for a book value of EUR 7,320 using an imputed interest rate of 4%.

## Debt Maturity

The aggregate maturities of debt <sup>(1)</sup> for each of the next five years are:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>
Term Loan Facility	\$ 2,750	\$ 2,750	\$ 2,750	\$ 255,750	\$ -	\$ -
Revolving Credit Facility	-	-	3,000	-	-	-
Restructured Term Loan	2,024	-	7,703	-	-	-
Other	-	-	-	-	-	964
	<u>\$ 4,774</u>	<u>\$ 2,750</u>	<u>\$ 13,453</u>	<u>\$ 255,750</u>	<u>\$ -</u>	<u>\$ 964</u>

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

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

## **10. Capital Lease Obligations**

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

The following is an analysis of leased property under capital leases by major classes as of December 31, 2017 and December 31, 2016.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Building and improvements	\$453	\$453
Machinery and equipment	3,665	2,169
Less: Accumulated depreciation	<u>(2,651)</u>	<u>(2,454)</u>
	<u>\$1,467</u>	<u>\$168</u>

The following is a schedule by years of minimum future lease payments as of December 31, 2017.

Year ending December 31,

2018	\$536
2019	529
2020	492
2021	-
2022	-
Thereafter	<u>-</u>
Total minimum payments required	1,557
Less amount representing interest	<u>(90)</u>
Present value of net minimum lease payments	<u>\$1,467</u>

## 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, 2017, are:

2018	\$4,870
2019	4,780
2020	4,864
2021	4,929
2022	2,504
Total thereafter	<u>13,829</u>
Total minimum lease payments	<u><u>\$35,776</u></u>

Total rent expense during 2017, 2016 and 2015 amounted to \$4,601, \$2,836 and \$3,313 respectively.

## 12. Retirement Plans

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

The Company's operations in the United States, France, Germany and Canada historically offered defined benefit retirement plans ("Plan") to their employees. Most of these benefits have been terminated, resulting in various reductions in liabilities and curtailment gains.

Included in accumulated other comprehensive loss, net of tax of \$10,832 for U.S. and \$1,151 non U.S. , as of December 31, 2017 are the following amounts not yet recognized in net periodic benefit cost:

	<u>U.S. Pension Benefits</u>	<u>Non U.S. Pension Benefits</u>
Net actuarial loss	(\$47,796)	(2,469)
Prior service credit	3	(221)

Amounts included in other comprehensive loss expected to be recognized as a component of net periodic benefit cost for the year ending December 31, 2018 are:

	<u>U.S. Pension Benefits</u>	<u>Non U.S. Pension Benefits</u>
Net actuarial loss	(\$3,651)	(\$137)

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

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$153,987	\$156,435	\$10,493	\$10,023
Service cost	-	-	675	394
Interest cost	6,663	7,092	458	194
Actuarial loss (gain)	8,721	3,918	41	639
Benefits paid	(8,700)	(13,458)	(759)	(612)
Liability (Gain)/Loss due to Curtailment	-	-	(177)	174
Net increase in obligation due to acquisition	-	-	14,805	-
Currency translation	-	-	1,445	(319)
Estimated benefit obligation at end of year	<u>\$160,671</u>	<u>\$153,987</u>	<u>\$26,981</u>	<u>\$10,493</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$107,447	\$113,321	\$2,278	\$3,973
Actual return on plan assets	14,631	7,309	77	(135)
Employer contribution	540	275	-	-
Benefits paid	(8,700)	(13,458)	(1,325)	(1,434)
Currency translation	-	-	313	(126)
Fair value of plan assets at end of year	<u>\$113,918</u>	<u>\$107,447</u>	<u>\$1,343</u>	<u>\$2,278</u>
Unfunded status of the plan	<u>(\$46,753)</u>	<u>(\$46,540)</u>	<u>(\$25,638)</u>	<u>(\$8,215)</u>

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2017	2016	2017	2016
Amounts recognized in statement of financial position:				
Current liabilities	(\$71)	(\$71)	(\$164)	(\$147)
Noncurrent liabilities	(46,682)	(46,469)	(25,474)	(8,068)
Net amount recognized	<u>(\$46,753)</u>	<u>(\$46,540)</u>	<u>(\$25,638)</u>	<u>(\$8,215)</u>

The funded status of these pension plans as a percentage of the projected benefit obligation was 61% in 2017 compared to 67% in 2016.

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2017	2016	2017	2016
Projected benefit obligation	\$160,671	\$153,987	\$26,981	\$10,493
Fair value of plan assets	\$113,918	\$107,447	\$1,343	\$2,278

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

	U.S. Pension Benefits			Non U.S. Pension Benefits		
	2017	2016	2015	2017	2016	2015
Component of net period benefit cost						
Service cost	\$ -	\$ -	\$ -	\$640	\$415	\$441
Interest cost	6,663	7,093	6,895	428	204	222
Expected return on plan assets	(7,709)	(8,144)	(8,953)	(72)	(125)	(141)
Amortization of prior service cost	-	-	-	-	-	-
Amortization of actuarial loss	4,605	4,369	4,083	237	171	176
	<u>\$3,559</u>	<u>\$3,318</u>	<u>\$2,025</u>	<u>\$1,233</u>	<u>\$665</u>	<u>\$698</u>

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

	U.S. Pension Benefits		Non U.S. Pension Benefits	
	2017	2016	2017	2016
Discount rate	3.86%	4.47%	1.77%	1.45%
Expected return on plan assets	7.50%	7.50%	3.20%	3.20%

The Company evaluates its discount rate assumption annually as of December 31 for each of its retirement-related benefit plans. The Company is using a Mercer bond model for determining its U.S. pension benefits. The Company is using a weighted average discount rate of 1.77% on its non U.S. pension plans for 2017.

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

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

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

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

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

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

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

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

Common stocks - marketable corporate equity securities traded on active markets.



The fair values of the Company's pension plan asset allocation at December 31, 2017 and 2016, by asset category are as follows:

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

	Fair Value Measurement at December 31, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$4,097	\$4,097	\$ -	\$ -
US Government and agency obligations	3,774	1,574	2,200	-
Exchange traded funds	23,389	23,389	-	-
Mutual funds	38,529	35,847	2,682	-
Common stocks	30,820	30,819	-	1
Total Assets in the fair value hierarchy	100,609	\$95,726	\$ 4,882	\$ 1
Investments measured at NAV (a)	9,116			
Investments at fair value	\$109,725			

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

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

	<u>Total Estimated Benefit</u>	
	<u>Payments</u>	
	<u>U.S.</u>	<u>Non U.S</u>
2018	\$9,513	\$531
2019	9,728	517
2020	9,899	799
2021	9,988	735
2022	10,058	765
Thereafter	50,305	17,043

The Company's expected contribution for the 2018 fiscal year is \$3,106 for the U.S. pension plan. There is no funding requirement for non U.S. pension plans.

### **Savings Plans**

The Company also has defined contribution savings and similar plans for eligible employees, which vary by subsidiary. The Company's aggregate contributions to these plans are based on eligible employee contributions and certain other factors. The Company expense for these plans was \$998, \$1,263 and \$1,212 in 2017, 2016 and 2015, respectively.

### **International Plans**

The Company maintains various pension and statutory separation pay plans for its European employees. The expense, not including the French and German pension plan, in 2017, 2016, and 2015 was \$572, \$475 and \$564, respectively. As of their most recent valuation dates, for those plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately \$5,961.

### **13. Capital Stock, Treasury Stock and Paid in Capital**

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

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

### **14. Income Taxes**

Income tax provision (benefit) consisted of:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current			
Domestic	\$274	(\$51)	\$240
Foreign	4,713	8,976	6,568
Total current	4,987	8,925	6,808
Deferred			
Domestic	15,842	(75)	4,782
Foreign	(419)	(1,204)	(1,704)
Total deferred	15,423	(1,279)	3,078
Total	<u>\$20,410</u>	<u>\$7,646</u>	<u>\$9,886</u>

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

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2017 and 2016 are as follows:

Income (loss) before income taxes:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Domestic	\$1,572	(\$977)	\$9,006
Foreign	<u>14,597</u>	<u>14,183</u>	<u>2,177</u>
Total	<u>\$16,169</u>	<u>\$13,206</u>	<u>\$11,183</u>
Computed income tax provision	\$5,659	\$4,622	\$3,914
State and local taxes, net of federal tax	(62)	(109)	440
Foreign taxes, net	(442)	342	940
Valuation allowance	612	277	282
Uncertain tax positions - (benefit) expense	(1,419)	1,557	1,138
Foreign exchange impact	167	(1,300)	2,475
Permanent differences, net	(235)	2,018	(449)
Tax reform items	16,146	-	-
Revaluation of deferreds	276	-	-
Other, net	(292)	239	1,146
Total income tax expense	<u>\$20,410</u>	<u>\$7,646</u>	<u>\$9,886</u>
Computed income tax provision	35.0%	35.0%	35.0%
State and local taxes, net of federal tax	-0.4%	-0.8%	3.9%
Foreign taxes, net	-2.7%	2.6%	8.4%
Valuation allowance	3.8%	2.1%	2.5%
Uncertain tax positions - expense (benefit)	-8.8%	11.8%	10.2%
Foreign exchange impact	1.0%	-9.8%	22.1%
Permanent differences, net	-1.5%	15.3%	-4.0%
Tax reform items	99.9%	-	-
Revaluation of deferreds	1.7%	-	-
Other, net	-1.8%	1.8%	10.2%
Effective income tax rate	<u>126.2%</u>	<u>57.9%</u>	<u>88.4%</u>
Statutory federal rate	35.0%	35.0%	35.0%

Temporary differences and net operating loss carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Deferred tax asset		
Provisions not currently deductible	\$5,434	\$7,800
Inventory basis differences	3,554	4,336
Foreign exchange and other	3,762	58
Stock options	97	63
Pension and healthcare	14,290	18,209
Intangible asset	7	8
Net operating loss carryforwards	26,088	39,097
Valuation allowance	<u>(1,349)</u>	<u>(595)</u>
Total deferred tax asset	<u>\$51,883</u>	<u>\$68,976</u>
Deferred tax liability		
Property, plant, and equipment	(\$10,852)	(\$16,481)
Intangible asset	(8,467)	-
Foreign exchange and other	<u>(7,040)</u>	<u>(1,435)</u>
Total deferred tax liability	<u>(\$26,359)</u>	<u>(\$17,916)</u>
	<u>\$25,524</u>	<u>\$51,060</u>

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

	<u>2017</u>	<u>2016</u>
Non-current deferred tax assets	\$35,091	\$51,386
Non-current deferred tax liability	<u>(9,567)</u>	<u>(326)</u>
Non-current deferred tax assets (liability), net	<u>\$25,524</u>	<u>\$51,060</u>

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 except with respect to the loss in Poland and a portion of the state loss in the US. The Company has a valuation allowance for Viskase Poland at December 31, 2017 and December 31, 2016 of \$999 and \$425, respectively. The Company has a valuation allowance for Darmex Casings Sp. z o.o. at December 31, 2017 of \$30. The Company has a valuation allowance in the U.S. at December 31, 2017 and December 31, 2016 of \$527 and \$170, respectively. The Company has gross U.S. federal net operating loss carryforwards at December 31, 2017 and December 31, 2016 of \$82,317 and \$91,477, respectively, with amounts beginning to expire in 2024. The Company has gross net operating loss carryforwards in Brazil at December 31, 2017 and December 31, 2016 of \$10,792 and \$12,917, respectively and has an unlimited carryforward period. The Company has gross net operating loss carryforwards in Poland at December 31, 2017 and December 31, 2016 of \$3,976 and \$2,236, respectively and has a five year carryforward period. The Company has gross net operating loss carryforwards in Poland Darmex at December 31, 2017 of \$156, and has a five year carryforward period. The Company has gross net operating loss carryforwards in France at December 31, 2017 and December 31, 2016 of \$2,541 and \$1,233, respectively and has an unlimited carryforward period. The Company has gross net operating loss carryforwards in Germany at December 31, 2017 of \$14 for Trade Tax. Germany has an unlimited carryforward period on Trade Tax.

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

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The new standard is intended to simplify accounting for share based employment awards to employees. Changes include: all excess tax benefits/deficiencies should be

recognized as income tax expense/benefit; entities can make elections on how to account for forfeitures; and cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity on the cash flow statement. The standard becomes effective for fiscal years beginning after December 15, 2016. The Corporation implemented the new standard for fiscal 2017 and recorded an entry to increase the deferred tax asset on the net operating loss carryforward of \$156.

On December 22, 2017 the H.R. 1 was signed into law significantly revising certain U.S. corporate income tax provisions; including, among other items, a reduction of the U.S. corporate rate from 35% to 21%, effective for tax years beginning after December 31, 2017; the transition of U.S. international taxation from a worldwide tax system to a territorial system; and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017, (or, if greater, November 2, 2017 ) of a specified foreign corporation which included foreign controlled foreign corporations and other foreign corporations which have at least one U.S. corporate shareholder that owns 10% or more of the value or voting power of such foreign corporation. We estimated the impact of the Tax Legislation on our income tax provision for the year ended December 31, 2017 in accordance with our understanding of the Tax Legislation and guidance available at the date of this filing as a result have recorded adjustments to the various tax balances, current, long-term and deferred tax assets and liabilities, all during the fourth quarter of 2017, the period in which the Tax Legislation was enacted. The provisional amount related to remeasurement of certain deferred tax assets and liabilities based on rates at which they are expected to reverse in the future was \$13,768, representing an income tax expense recorded during the current period. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was \$2,184 of additional income tax expense which was offset by the net operating loss carryforward.

The Company has not completed all aspects of its accounting for the tax effects of the enactment of the H.R. 1 law. However, in certain instances the company has made a reasonable estimate of the effects on the Company's tax provision. Primarily, the Company has recorded a provisional tax amount of \$2,184 related to the one-time transition tax. This amount is provisional while the Company completes its calculation of E&P for the foreign subsidiaries. The Company intends to complete the calculation prior to the filing of their 2017 federal tax return.

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

#### Uncertainty in Income Taxes

The uncertain tax positions as of December 31, 2017 totaled \$11,855. The following table summarizes the activity related to the unrecognized tax benefits.

<u>(in thousands)</u>	<u>2017</u>	<u>2016</u>
Unrecognized tax benefits as of January 1	\$7,747	\$6,969
Increases in positions taken in a prior period	256	5
Decreases in positions taken in a prior period	(1,517)	(547)
Increases in positions taken in a current period	6,970	1,325
Decreases in positions taken in a current period	-	-
Decreases due to settlements	-	-
Decreases due to lapse of statute of limitations	(1,601)	(5)
<u>Unrecognized tax benefits as of December 31</u>	<u>\$11,855</u>	<u>\$7,747</u>

In 2017, the Company recognized an approximate net increase of \$4,108 to the reserves for uncertain tax positions. The majority of the decrease in the reserve is due to the increase of the tax positions domestically.

Approximately \$11,855 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 2013. Substantially all material state and local and foreign income tax matters have been concluded for years through 2011. 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 \$100.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the years ended December 31, 2017 and 2016, the Company recorded adjustments for interest of \$154 and \$311, respectively, and for penalties of \$(212) and \$123, respectively related to these unrecognized tax benefits. In total, as of December 31, 2017 and 2016, the Company has recorded a liability of interest of \$674 and \$520, respectively, and \$242 and \$454, respectively, for potential penalties.

## 15. Goodwill and Intangible Assets, net

The Company currently has \$3,580 of goodwill with no accumulated impairment.

Goodwill consists of the following:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balance	\$329	\$ -
Acquisitions	2,854	329
Translation	397	-
	<u>397</u>	<u>-</u>
Gross carrying amount, December 31st	<u>\$3,580</u>	<u>\$329</u>

Intangible assets, net consist of the following:

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

	December 31, 2016		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite live intangible assets:			
Customer relationships	\$ -	\$ -	\$ -
Technologies	42	-	42
Patents/Trademarks	4,823	(4,662)	161
In-place leases	-	-	-
	<u>\$4,865</u>	<u>(\$4,662)</u>	<u>\$203</u>

Amortization expense associated with definite-lived intangible assets was \$1,546, \$18 and \$16 for the period ended December 31, 2017, 2016 and 2015, 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:

2018	\$1,670
2019	1,670
2020	1,670
2021	1,670
2022	1,670
Total thereafter	<u>18,509</u>
Total amortization	<u>\$26,859</u>

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

## 16. Contingencies

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

## 17. Stock-Based Compensation (Dollars in Thousands, Except Per Share 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 non-cash compensation expense of \$224 and \$60 for the years ended December 31, 2017 and December 31, 2016, respectively.

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

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

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

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

The Company's outstanding options were:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Grant-Date Fair Value
Outstanding, December 31, 2015	1,825,000	\$ 2.84	35 months	\$ 0.64
<i>Vested and exercisable at Dec. 31, 2015</i>	<i>1,726,668</i>	<i>\$ 2.82</i>	<i>34 months</i>	<i>\$ 0.64</i>
Granted	600,000	\$ 2.53	120 months	1.12
Exercised	1,500,000	\$ 1.70	-	-
Forfeited	-	\$ -	-	-
Outstanding, December 31, 2016	925,000	\$ 4.45	104 months	\$ 0.91
<i>Vested and exercisable at Dec. 31, 2016</i>	<i>325,000</i>	<i>\$ 8.00</i>	<i>76 months</i>	<i>\$ 0.51</i>
Granted	-	\$ -	-	-
Exercised	-	\$ -	-	-
Forfeited	-	\$ -	-	-
Outstanding, December 31, 2017	925,000	\$ 4.45	93 months	\$ 0.91
<i>Vested and exercisable at Dec. 31, 2017</i>	<i>525,000</i>	<i>\$ 5.92</i>	<i>81 months</i>	<i>\$ 0.74</i>

Vested and exercisable options as of December 31, 2017 were 525,000 with a weighted average share price of \$5.92.

## 18. Research and Development Costs

Research and development costs are expensed as incurred and totaled \$4,947, \$4,418 and \$4,977 for 2017, 2016, and 2015, respectively.

## 19. Related-Party Transactions

As of December 31, Icahn Enterprises L.P. owned approximately 74.6% of our outstanding common stock. There were no shares of common stock purchased during the period ended December 31, 2017.

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

On January 1, 2013, Viskase acquired a minority equity interest in Insight Portfolio Group and agreed to pay a portion of Insight Portfolio Group's operating expenses, which is approximately \$184 and \$174 for the years ended December 31, 2017 and December 31, 2016. A number of other entities with which Mr. Icahn has a relationship also acquired equity interests in Insight Portfolio Group and also agreed to pay certain of Insight Portfolio Group's operating expenses in 2017.

Icahn Enterprises L.P. was the lender on the Company's Revolving Credit Facility as of December 31, 2017. The Company paid Icahn Enterprises L.P. service, commitment fees, interest and amendment fees of \$110 and \$216 during the years ended December 31, 2017 and December 31, 2016.



## 20. Business Segment Information and Geographic Area Information

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

### Reporting Segment Information:

	2017	2016	2015
Net sales			
North America	\$183,771	\$188,346	\$195,131
South America	52,715	49,302	46,403
Europe	178,502	114,027	118,484
Asia	39,032	35,827	33,399
Other and eliminations	(62,042)	(58,682)	(49,834)
	<u>\$391,978</u>	<u>\$328,820</u>	<u>\$343,583</u>
Operating income			
North America	\$10,240	\$10,748	\$23,361
South America	5,210	4,145	3,848
Europe	3,398	3,350	743
Asia	9,305	6,246	1,016
	<u>\$28,153</u>	<u>\$24,489</u>	<u>\$28,968</u>
Identifiable assets			
North America	\$185,911	\$204,660	\$215,671
South America	73,647	65,786	54,481
Europe	179,048	111,481	101,385
Asia	43,530	41,511	42,403
	<u>\$482,136</u>	<u>\$423,438</u>	<u>\$413,940</u>
	2017	2016	2015
Net Sales by market			
Emerging	\$197,466	\$171,974	\$175,008
Mature	194,512	156,846	168,575
	<u>\$391,978</u>	<u>\$328,820</u>	<u>\$343,583</u>

Net Sales by country			
United States	\$109,357	\$97,071	\$101,903
Brazil	32,233	28,458	24,514
Italy	23,132	23,577	26,365
Germany	28,445	9,864	10,418
France	12,220	11,727	12,812
Philippines	18,682	21,809	19,531
Poland	10,664	8,416	7,144
Other international	157,245	127,898	140,896
	<u>\$391,978</u>	<u>\$328,820</u>	<u>\$343,583</u>

## 21. Interest Expense, Net

Net interest expense consisted of:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Interest expense	\$13,293	\$12,667	\$12,597
Less Capitalized interest	(76)	(124)	(139)
Interest expense, net	<u>\$13,217</u>	<u>\$12,543</u>	<u>\$12,458</u>

## 22. Changes in Accumulated Other Comprehensive Loss

	<u>Accrued Employee Benefits</u>	<u>Translation Adjustments</u>	<u>Total</u>
Balance at December 31, 2016	(\$51,739)	(\$36,913)	(\$88,652)
Other comprehensive (loss) income before reclassifications	(3,586)	6,647	3,061
Reclassifications from accumulated other comprehensive loss to earnings	4,842	-	4,842
Balance at December 31, 2017	<u>(\$50,483)</u>	<u>(\$30,266)</u>	<u>(\$80,749)</u>

	<u>Amounts Reclassified from Accumulated Other Comprehensive Loss</u>	<u>Affected Line Items in the Consolidation Statement of Operations and Comprehensive Loss</u>
Accrued Employee Benefits		
Amortization of net actuarial loss	<u>\$4,842</u>	Selling, general and administrative
	<u>\$4,842</u>	

## 23. Restructuring Charges

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

During the first quarter of 2016, the Company recognized a restructuring expense of \$1,858 in its European segment. The total cost for this restructuring was \$4,170, which was recognized in 2016 and 2015. The costs relate to a Board-approved plan of restructuring of its French subsidiary operations to safeguard the Company's competitive environment in the European market. The Company exited its Beauvais, France plastics, printing, and MP coating operations, along with a targeted downsizing of its production and overhead personnel.

The Company believes this will position us to be in an improved competitive position for the future in the European market.

During the third quarter of 2016, the Company recognized a cost of \$543 related to the relocation of its North American finishing operations. The plan involved the involuntary termination of approximately 53 employees and was completed in the second half of 2016. The restructuring expense included an asset impairment of \$174.

The Company recognized a cost of \$2,286 related to the voluntary employee reduction of its North American headquarters during December 2016. The plan involved the voluntary termination of approximately 20 employees and was completed in December 2017.

The following table provides details of our restructuring provisions.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Beginning balance	\$3,210	\$1,713	\$89
Provision	1,745	4,809	2,672
Payments	<u>(3,718)</u>	<u>(3,312)</u>	<u>(1,048)</u>
Ending balance	<u><u>\$1,237</u></u>	<u><u>\$3,210</u></u>	<u><u>\$1,713</u></u>

## 24. Acquisitions

### *CT Casings Beteiligungs GmbH*

On January 10, 2017, the Company, through its indirect subsidiary, Viskase GmbH, completed the purchase of all of the shares of CT Casings Beteiligungs GmbH ("Walsroder"), certain outstanding shareholder loans to Walsroder, and certain casing assets of Poly-clip System LLC, for a total of EUR 33,611 or \$34,616 paid in cash, subject to certain post-closing adjustments. The share purchase of Walsroder included acquisition of substantially all of the assets, and assumption of substantially all of the liabilities, of Walsroder. The Company completed the purchase to further enhance its production capabilities and product offerings in plastic and fibrous casings. The purchase was recorded using the purchase method of accounting. The allocation of the purchase price to the tangible and intangible assets acquired and liabilities assumed in connection with the acquisition was based on estimated fair values supported by third-party valuations. The Company acquired goodwill with the acquisition due to the value of the synergies between the acquired company and our existing businesses and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. The following summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition for EUR 25,500 in cash and EUR 8,111 in restructured term loan (see Footnote 4).

January 1, 2017

Cash	\$3,475
Accounts receivable	10,428
Inventories	8,378
Other current assets	1,192
Property, plant and equipment	14,148
Other assets	6,794
Intangible assets	24,742
Goodwill	2,854
Accounts payable	(3,169)
Accrued liabilities	(4,827)
Short term capital lease	(426)
Long term capital lease	(1,161)
Accrued employee benefits	(13,285)
Long-term liabilities	(7,098)
Deferred tax liability	(7,429)
	<hr/>
Total purchase price	<u>\$34,616</u>

Transaction costs related to the acquisition amounted to \$728 and were recorded as an expense in the statement of operations.

The Company has no tax deductible goodwill related to the acquisition.

*Darmex Casing sp. z o.o.*

On December 1, 2016, the Company, through its indirect subsidiary, Viskase Polska Sp. z o.o., completed the purchase of all of the shares of Darmex Casing Sp. z o.o. ("Darmex") and certain assets of Supravis Group S.A., for a total of \$4,196USD in cash, subject to certain adjustments. The share purchase of Darmex included acquisition of substantially all of the assets, and assumption of substantially all of the liabilities, of Darmex. The Company completed the purchase to further enhance its production capabilities and product offerings in plastic casings. The purchase was recorded using the purchase method of accounting. The allocation of the purchase price to the tangible and intangible assets acquired and liabilities assumed in connection with the acquisition was based on estimated fair values supported by third-party valuations. The Company acquired goodwill as a result of expected synergies with increased presence in the plastics market. The following summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

December 1, 2016

Cash	\$133
Accounts receivable	730
Inventories	427
Prepaid expenses	15
Property, plant and equipment	3,285
Other assets	83
Goodwill	329
Accounts payable	(280)
Accrued liabilities	(190)
Short term capital lease	(10)
Deferred tax liability	(326)
	<hr/>
Total purchase price	<u>\$4,196</u>

Transaction costs related to the acquisition amounted to \$357 and were recorded as an expense in the statement of operations.

### *Unaudited Pro Forma Results*

The following table summarizes, on a pro forma basis, the combined results of operation of the Company, Darmex and Walsroder as though the acquisitions had occurred as of December 31, 2014. The pro forma amounts presented are not necessarily indicative of either the actual consolidation results had Walsroder and Darmex acquisitions occurred as of December 31, 2014 or future consolidated operating results. Due to the acquisitions occurring at December 1, 2016 and the beginning of 2017, no proforma impact is presented for 2017.

	Unaudited December 31, 2016	Unaudited December 31, 2015
Net sales	\$390,639	\$409,723
Income before income taxes	9,741	3,956
Net income (loss)	3,320	(7,919)

Pro forma results presented above primarily reflect: (1) incremental depreciation relating to fair value adjustments to property, plant and equipment; (2) amortization adjustments relating to fair value estimates of intangible assets.

Pro forma adjustments above have been tax effected using the Company's effective tax rate during the respective period.

## **25. Variable Interest Entity**

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

Viskase's variable interest in the entity relates to the sales, operations, administrative and financial support to the entity through providing certain assets under agreement to be used by the entity. The Company agreed to contribute \$931 in cash and other considerations in forming the venture. In addition the Company could be required to contribute up to \$4,000 less the initial contribution during the course of the joint venture. The Company owns 50% equity in the entity. Based on a review of applicable guidance, this entity was consolidated beginning in September 2017. As a result of the consolidation, financial statements for the period ended December 31, 2017 were affected as follows: sales increased by \$31, net income decreased by \$289, total assets increased by \$1,291, and noncontrolling interests decreased by \$144. Due the evidence presented, Viskase has concluded it is the primary beneficiary.

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

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

	<u>December 31, 2017</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$15
Receivables, net	26
Inventories	48
Other current assets	76
Property, plant and equipment	1,031
Less: Accumulated depreciation	<u>(24)</u>
Property, plant and equipment, net	1,007
Deferred tax asset	115
Other assets	<u>4</u>
Total Assets	<u><u>\$1,291</u></u>
Current liabilities	<u>\$149</u>
Total Liabilities	149
Paid in capital	1,431
Retained earnings	<u>(289)</u>
Total Stockholder Equity	<u>1,142</u>
Total Liabilities and Stockholders' Equity	<u><u>\$1,291</u></u>

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 year ended December 31, 2017:

Net sales	\$31
Cost of sales	<u>146</u>
Gross margin	(115)
Selling, general and administrative	<u>279</u>
Operating loss	(394)
Other expense	<u>10</u>
Loss before income taxes	(404)
Income tax benefit	<u>115</u>
Net loss	<u><u>(\$289)</u></u>

## 26. Subsequent Events

Viskase evaluated its December 31, 2017 consolidated financial statements for subsequent events through March 31, 2018, the date the consolidated financial statements were available to be issued.

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

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

On January 5, 2018, the Company repaid \$3,000 on the Revolving Credit Facility.

On March 15, 2018, the Company purchased an annuity contract for an estimated \$29,000 for approximately 1,043 participants in the U.S. defined benefit pension plan. The purchase of this annuity contract will lower our projected benefit obligation by approximately \$27,850.