SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): JUNE 19, 1996

ZAPATA CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	1-4219	C-74-1339132
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

1717 ST. JAMES PLACE
SUITE 550
HOUSTON, TEXAS 77056
(Address of principal executive offices)

(713) 940-6100
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

On June 19, 1996, Zapata Corporation, a Delaware corporation ("Zapata"), purchased 818,006 shares of common stock, par value $0.01 per share ("Envirodyne Common Stock"), of Envirodyne Industries, Inc., a Delaware corporation ("Envirodyne"), in a brokerage transaction (which settled on June 24, 1996) at a purchase price of $4.165 per share, including brokerage commissions. Also, on June 19, 1996, Zapata contracted to acquire, at a purchase price of $4.125 per share, all the shares of Envirodyne Common Stock held by a holder of 900,000 shares of Envirodyne Common Stock, subject to reductions in the number of shares held by such holder (estimated not to exceed 30,000 shares) effected prior to the closing of the transaction, which is to occur no later than June 30, 1996. Upon the closing of such transaction (assuming that 870,000 shares of Envirodyne Common Stock are acquired in such transaction and based upon the most recently available filing by Envirodyne with the Securities and Exchange Commission), Zapata will own approximately 40.6% of the outstanding shares of Envirodyne Common Stock. For additional information with respect to Envirodyne, reference is made to the audited consolidated financial statements of Envirodyne and subsidiaries as of December 28, 1995 and December 29, 1994 and for the 52-week periods ended December 28, 1995, December 29, 1994 and December 31, 1993 and to the unaudited interim consolidated financial statements of Envirodyne and subsidiaries as of March 28, 1996 and for the three months ended March 28, 1996 and March 30, 1995, all of which are included as an exhibit to this Current Report on Form 8-K and are incorporated herein by this reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) EXHIBITS.

Exhibit 23 - Consent of independent accountants.

Exhibit 99 - Financial statements of Envirodyne Industries, Inc. and subsidiaries, including independent accountant's report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ZAPATA CORPORATION

By: /s/ Joseph L. von Rosenberg III

Joseph L. von Rosenberg III
Executive Vice President, General Counsel and Corporate Secretary

Date: June 24, 1996

EXHIBIT INDEX

Exhibit	Description
23	Consent of independent accountants.
99	Financial statements of Envirodyne Industries, Inc. and subsidiaries, including independent accountant's report.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Zapata Corporation of Form S-3 (File No. 33-68034) and on Form S-8's (File Nos. 33-19085 and 33-45251) of our reports, which include explanatory paragraphs discussing the comprehensive financial restructuring through implementation of reorganization under Chapter 11 of the United States Bankruptcy Code, dated March 26, 1996, on our audits of the consolidated financial statements and financial statement schedules of Envirodyne Industries, Inc. and subsidiaries as of December 28, 1995 and December 29, 1994 and for the period December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994 (Post-consummation) and January 1 to December 31, 1993 (Pre-consummation) and the consolidated financial statements and financial statement schedules of Viskase Holding Corporation and subsidiaries as of December 28, 1995 and December 29, 1994, and for the period December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994 (Post-consummation) and January 1 to December 31, 1993 (Pre-consummation), which reports are included in this Form 8-K.

Coopers & Lybrand L.L.P.

Chicago, Illinois
June 21, 1996

AUDITED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Envirodyne Industries, Inc.

We have audited the consolidated financial statements and the financial statement schedules of Envirodyne Industries, Inc. and Subsidiaries listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on December 31, 1993, the Company completed a comprehensive financial restructuring through the implementation of reorganization under Chapter 11 of the United States Bankruptcy Code and applied fresh start reporting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Envirodyne Industries, Inc. and Subsidiaries as of December 28, 1995 and December 29, 1994, and the consolidated results of their operations and their cash flows for the period December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994 (Post-consummation) and January 1 to December 31, 1993 (Pre-consummation), in conformity with generally accepted accounting principles. In addition, in our opinion the schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

Chicago, Illinois
March 26, 1996

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 28, 1995	DECEMBER 29, 1994
	(in thousands)	
ASSETS		
Current assets:		
Cash and equivalents	$ 30,325	$ 7,289
Receivables, net	89,454	86,868
Inventories	99,474	110,483
Other current assets	21,646	19,466
Total current assets	240,899	224,106
Property, plant and equipment, including those under capital leases	545,491	506,099
Less accumulated depreciation and amortization	75,987	35,761
Property, plant and equipment, net	469,504	470,338
Deferred financing costs	8,090	9,143
Other assets	45,589	47,181
Excess reorganization value	135,485	145,868
	$899,567	$896,636
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt and obligations under capital leases	$ 12,504	$ 25,798
Accounts payable	39,117	34,335
Accrued liabilities	67,553	72,246
Total current liabilities	119,174	132,379
Long-term debt including obligations under capital leases	530,181	489,358
Accrued employee benefits	55,626	56,217
Deferred and noncurrent income taxes	77,490	83,333
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; none outstanding		
Common stock, $.01 par value; 13,579,460 shares issued and outstanding at December 28, 1995 and 13,515,000 shares at December 29, 1994	136	135
Paid in capital	134,864	134,865
Accumulated (deficit)	(25,131)	(3,612)
Cumulative foreign currency translation adjustments	7,227	3,961
Total stockholders' equity	117,096	135,349
	$899,567	$896,636

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

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	52 WEEKS DECEMBER 30, 1994 TO DECEMBER 28, 1995	52 WEEKS JANUARY 1, TO DECEMBER 29, 1994	52 WEEKS JANUARY 1, TO DECEMBER 31, 1993
	(in thousands, except for number of shares and per share amounts)		
NET SALES	$ 650,212	$ 599,029	$ 587,385
Patent infringement settlement income		9,457	
COSTS AND EXPENSES			
Cost of sales	485,048	435,760	418,692
Selling, general and administrative	111,230	108,437	99,350
Amortization of intangibles and excess reorganization value	15,799	15,612	15,711
OPERATING INCOME	38,135	48,677	53,632
Interest income	670	307	931
Interest expense	57,336	49,514	31,190
Other expense (income), net	1,710	(1,668)	5,540
Minority interest in loss of subsidiary		50	717
INCOME (LOSS) BEFORE INCOME TAXES, REORGANIZATION ITEMS AND EXTRAORDINARY ITEMS	(20,241)	1,188	18,550
Reorganization items, net			104,745
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(20,241)	1,188	(86,195)
Income tax provision (benefit)	(2,918)	4,800	12,000
(LOSS) BEFORE EXTRAORDINARY ITEMS	(17,323)	(3,612)	(98,195)
Extraordinary gain (loss), net of tax	(4,196)		183,784
NET INCOME (LOSS)	$ (21,519)	$ (3,612)	$ 85,589
WEIGHTED AVERAGE COMMON SHARES	13,516,771	13,500,703	320
PER SHARE AMOUNTS:			
(LOSS) BEFORE EXTRAORDINARY ITEMS	$ (1.28)	$ (.27)	$(306,859)
NET INCOME (LOSS)	$ (1.59)	$ (.27)	$ 267,466

Due to the implementation of the Plan of Reorganization and Fresh Start Reporting, the consolidated statement of operations for the fiscal years ended December 28, 1995 and December 29, 1994 are not comparable to the fiscal year ended December 31, 1993. (Refer to Note 1 of Notes to Consolidated Financial Statements.)

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

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	COMMON STOCK	PAID IN CAPITAL	ACCUMULATED (DEFICIT)	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
			(IN THOUSANDS)		
Balance December 31, 1992	$ 1	$ 12,900	$ (98,776)	$ 2,330	$ (83,545)
Net income			85,589		85,589
Translation adjustments				(2,044)	(2,044)
Cancellation of preconsummation Common Stock	(1)	(12,900)			(12,901)
Elimination of accumulated deficit and cumulative foreign currency translation adjustments			13,187	(286)	12,901
	$ 0	$ 0	$ 0	$ 0	$ 0
Issuance of new Common Stock	$ 135	$134,865			$ 135,000
Balance December 31, 1993	135	134,865			135,000
Net (loss)			$ (3,612)		(3,612)
Translation adjustments				$ 3,961	3,961
Balance December 29, 1994	135	134,865	(3,612)	3,961	135,349
Net (loss)			(21,519)		(21,519)
Issuance of Common Stock	1	(1)			
Translation adjustments				3,266	3,266
Balance December 28, 1995	$ 136	$134,864	$ (25,131)	$ 7,227	$ 117,096

Due to the implementation of the Plan of Reorganization and Fresh Start Reporting, the stockholders' equity for the fiscal years ended December 28, 1995 and December 29, 1994 are not comparable to the fiscal year ended December 31, 1993. (Refer to Note 1 of Notes to Consolidated Financial Statements.)

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

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
		(IN THOUSANDS)	
Cash flows from operating activities:			
(Loss) before extraordinary item	$ (17,323)	$ (3,612)	$ (98,195)
Extraordinary gain (loss)	(4,196)		183,784
Net income (loss)	(21,519)	(3,612)	85,589
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization under capital leases	40,262	35,775	36,687
Amortization of intangibles and excess reorganization value	15,799	15,612	15,711
Amortization of deferred financing fees and discount	2,196	1,569	2,418
Increase (decrease) in deferred and noncurrent income taxes	(6,450)	(52)	9,547
Loss on debt extinguishment	6,778		
Foreign currency transaction loss (gain)	(1,233)	(3,465)	3,380
Loss (gain) on sales of property, plant and equipment	73	(9)	650
Reorganization items and fresh start reporting			(79,039)
Changes in operating assets and liabilities:			
Accounts receivable	(839)	(11,257)	(1,319)
Inventories	12,741	(10,548)	4,163
Other current assets	(1,837)	(1,607)	(2,152)
Accounts payable and accrued liabilities	(1,670)	3,774	15,894
Other	(5,334)	(2,894)	672
Total adjustments	60,486	26,898	6,612
Net cash provided by operating activities before reorganization expense	38,967	23,286	92,201
Net cash used for reorganization items			(14,929)
Total net cash provided by operating activities	38,967	23,286	77,272
Cash flows from investing activities:			
Capital expenditures	(34,465)	(32,566)	(40,887)
Proceeds from sale of property, plant and equipment	86	359	124
Purchase of minority interest in subsidiary		(4,200)	
Net cash (used in) investing activities	(34,379)	(36,407)	(40,763)
Cash flows from financing activities:			
Proceeds from revolving loan and long-term borrowings	207,922	37,668	106,003
Deferred financing costs	(7,887)	(1,608)	(9,779)
Repayment of revolving loan, long-term borrowings and capital lease obligations	(181,375)	(22,617)	(138,736)
Net cash provided by (used in) financing activities	18,660	13,443	(42,512)
Effect of currency exchange rate changes on cash	(212)	(776)	(316)
Net increase (decrease) in cash and equivalents	23,036	(454)	(6,319)
Cash and equivalents at beginning of period	7,289	7,743	14,062
Cash and equivalents at end of period	$ 30,325	$ 7,289	$ 7,743

Supplemental cash flow information and noncash investing and financing activities:			
Interest paid	$ 55,030	$ 43,484	$ 28,001
Income taxes paid	$ 4,895	$ 5,058	$ 1,154
Capital lease obligations (machinery and equipment)	$ 2,081		

Due to the implementation of the Plan of Reorganization and Fresh Start Reporting, the consolidated statement of cash flows for the fiscal years ended December 28, 1995 and December 29, 1994 are not comparable to the fiscal year ended December 31, 1993. (Refer to Note 1 of Notes to Consolidated Financial Statements.)

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

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CHAPTER 11 REORGANIZATION PROCEEDINGS (DOLLARS IN THOUSANDS)

On January 6, 1993, a group of bondholders filed an involuntary petition for reorganization of Envirodyne Industries, Inc. under Chapter 11 of the U.S. Bankruptcy Code. On January 7, 1993 Viskase Corporation, Viskase Sales Corporation, Viskase Holding Corporation, Clear Shield National, Inc., Sandusky Plastics of Delaware, Inc., Sandusky Plastics, Inc. and Envirodyne Finance Company each filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). On December 17, 1993, the Bankruptcy Court confirmed the First Amended Joint Plan of Reorganization as twice modified (Plan of Reorganization) with respect to Envirodyne Industries, Inc. (Envirodyne) and certain of its subsidiaries. The Plan of Reorganization was consummated and Envirodyne and certain of its subsidiaries emerged from Chapter 11 on December 31, 1993 (Effective Date). For accounting purposes, the Plan of Reorganization was deemed to be effective as of December 31, 1993.

Pursuant to the Plan of Reorganization, Envirodyne's shares of common stock that were outstanding prior to the effective date were canceled. Emerald Acquisition Corporation, the sole stockholder of Envirodyne prior to the consummation of the bankruptcy, received no distribution pursuant to the Plan of Reorganization. The Plan of Reorganization provided for the initial issuance of approximately 13,500,000 new shares of Envirodyne common stock (subject to adjustment), warrants to purchase an additional 1,500,000 shares and distributions to major creditors as follows:

-- Holders of Envirodyne's former Senior Discount Notes Due 1997 (14.5%) (Old Discount Notes) with an accreted value as of January 6, 1993 of $200,838 became entitled to receive a pro rata portion of $219,262 principal amount of 10 1/4% Senior Notes Due 2001 (10 1/4% Notes).

-- Holders of Envirodyne's former $200,000 principal amount of 14% Senior Subordinated Debentures Due 2001 (Old 14% Debentures), with accrued but unpaid interest through January 6, 1993 of $42,812 became entitled to receive a pro rata portion of 12,142,737 shares of the Envirodyne common stock, par value $.01 per share, representing in the aggregate approximately 89.95% of the common stock initially issued pursuant to the Plan of Reorganization.

-- Holders of the Envirodyne's former $91,350 principal amount of 13 1/2% Subordinated Notes Due 1996 (Old 13 1/2% Notes), with accrued but unpaid interest through January 6, 1993 of $13,604 became entitled to receive a pro rata portion of (i) 903,625 shares of Envirodyne common stock, representing in the aggregate approximately 6.69% of the common stock initially issued pursuant to the Plan of Reorganization, and (ii) warrants (Warrants) to purchase 1,500,000 shares of common stock. The Warrants were issued pursuant to a Warrant Agreement dated as of December 31, 1993 between Envirodyne and Bankers Trust Company, as Warrant Agent. The Warrants are exercisable at any time until December 31, 1998 at an exercise price of $17.25 per share. The number of shares of common stock for which a Warrant is exercisable, and the exercise price of the Warrants, are subject to adjustment upon the occurrence of certain events. In addition, holders of Old 13 1/2% Notes, other than Salomon Brothers Inc (Salomon Brothers) and certain of its affiliates, who elected to grant a limited release to Salomon Brothers and its affiliates pursuant to the Plan of Reorganization, of all claims arising out of the 1989 leveraged buyout acquisition of Envirodyne, the Old 13 1/2% Notes or Envirodyne, were entitled to share ratably in 445,928 shares of common stock, representing in the aggregate approximately 3.30% of the common stock initially issued pursuant to the Plan of Reorganization.

-- Holders of allowed general unsecured claims of Envirodyne (as opposed to subsidiaries of Envirodyne) became entitled to receive 32.28 shares of common stock for each five hundred dollars amount of their prepetition claims, or a total of 8,070 shares of common stock, representing .06% of the common stock initially issued pursuant to the Plan of Reorganization. These claims totaled approximately $125. If the allowed amount of general unsecured claims of Envirodyne exceeds $125, for example upon the resolution of disputed claims, additional shares of common stock will have to be issued to the holders of allowed general unsecured claims of Envirodyne in order to provide equitable allocation of value among

Envirodyne's unsecured creditors under the Plan of Reorganization. Such additional shares of common stock would be distributed with respect to allowed general unsecured claims of Envirodyne as follows: (i) approximately 2.58 additional shares per five hundred dollars in claims in the event allowed general unsecured claims of Envirodyne are between $125 and $25,000; (ii) approximately 5.61 additional shares per five hundred dollars in claims in the event allowed general unsecured claims of Envirodyne are between $25,000 and $50,000; (iii) approximately 9.22 additional shares per five hundred dollars in claims in the event allowed general unsecured claims of Envirodyne are between $50,000 and $75,000; and (iv) approximately 13.58 additional shares per five hundred dollars in claims in the event allowed general unsecured claims of Envirodyne are between $75,000 and $100,000. Refer to Note 23 for discussion on certain settled claims and open claims which, if determined adversely to Envirodyne, would result in the issuance of common stock.

-- Holders of Envirodyne subsidiary allowed trade claims were paid in full.

-- Salomon Brothers Holding Company Inc 11.25% Pay-in-Kind Notes issued by Envirodyne with an accreted value as of January 6, 1993 of $5,658 were canceled.

The contracts constituting the sale and leaseback transaction with General Electric Capital Corporation were assumed by the relevant Envirodyne subsidiaries under the Plan of Reorganization with minor changes thereto.

The Chapter 11 filing was related only to the Company's domestic operations and did not include the foreign subsidiaries and various inactive domestic subsidiaries.

The Company accounted for the reorganization using the principles of fresh start reporting in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Accordingly, all assets and liabilities have been restated to reflect their reorganization value, which approximates fair value.

The reorganization value of the Company's equity of $135,000 was based on the consideration of many factors and various valuation methods, including discounted cash flows and comparable multiples of earnings valuation techniques believed by management and its financial advisors to be representative of the Company's business and industry. Factors considered by the Company included the following:

- Forecasted operating and cash flow results which gave effect to the estimated impact of debt restructuring and other operational reorganization.

- Discounted residual value at the end of the forecasted period based on the capitalized cash flows for the last year of that period.

- Competition and general economic considerations.

- Projected sales growth.

- Potential profitability.

- Seasonality and working capital requirements.

The excess of the reorganization value over the fair value of net assets and liabilities is reported as excess reorganization value and is being amortized over a fifteen-year period. The Company continues to evaluate the recoverability of excess reorganization value based on the operating performance and expected future undiscounted cash flows of the operating business units.

The reorganization and the adoption of Fresh Start Reporting resulted in the following adjustments to the Company's Consolidated Statement of Operations for the period January 1 to December 31, 1993:

	INCOME (EXPENSE)
Reorganization Items	
Legal, financial advisory and other fees associated with the Chapter 11 proceedings	$ (14,929)
Write-off of deferred financing fees associated with the Bank Credit Agreement	(4,071)
Write-off of existing excess investment over net assets acquired, net of excess reorganization value recorded, and fair market value adjustments to assets and liabilities	(85,745)
	$(104,745)
Extraordinary Gain	
Accreted value of the Old Discount Notes less unamortized deferred financing	$ 197,379
Principal amount of Old 14% Debentures plus accrued interest less unamortized deferred financing	237,125
Principal amount of Old 13 1/2% Notes plus accrued interest less unamortized deferred financing	103,918
Accreted value of 11 1/4% Pay-in-Kind Notes due to Related Party	5,658
Envirodyne untendered shares	2,176
Envirodyne general unsecured creditors allowed claims	90
Principal amount of 10 1/4% Notes exchanged for Old Discount Notes	(219,262)
Fair value of equity exchanged for Old 14% Debentures, Old 13 1/2% Notes and Envirodyne unsecured claims	(135,000)
Extraordinary gain before tax provision	192,084
Tax provision on extraordinary gain	8,300
Extraordinary gain net of taxes	$ 183,784

Had the Fresh Start reporting and the Plan of Reorganization been implemented with the related financing at the beginning of 1993, the pro forma Envirodyne consolidated statement of operations would have been as follows:

(IN THOUSANDS, EXCEPT FOR NUMBER OF SHARES AND PER SHARE AMOUNTS)

	PRO FORMA JANUARY 1 To DECEMBER 31, 1993 (UNAUDITED)
Net sales	$ 587,385
Cost of sales	417,780
Selling, general and administrative	99,350
Amortization of intangibles and excess reorganization cost	15,612
Operating income	54,643
Interest income	931
Interest expense	51,198
Other expense (income), net	5,540
Minority interest in loss of subsidiary	717
Income before income taxes	(447)
Income tax provision	6,140
Net (loss)	$ (6,587)
Weighted average common shares	13,500,703
Net (loss) per share	$ (.49)

The pro forma information reflects the changes in interest cost and depreciation and amortization due to the implementation of the Plan of Reorganization and Fresh Start Reporting.

2. NATURE OF BUSINESS

Envirodyne manufactures food packaging products and foodservice supplies through three primary operating subsidiaries -- Viskase, Sandusky and Clear Shield. The operations of these subsidiaries are primarily in North and South America and Europe. Viskase is a leading producer of cellulosic casings used in preparing and packaging processed meat products and is a major producer of heat shrinkable plastic bags and specialty films for packaging and preserving fresh and processed meat products, poultry and cheeses. The Company is also a leading domestic and international manufacturer of plasticized polyvinyl chloride (PVC) films, primarily for use in packaging food items. Through Sandusky, the Company is a producer of thermoformed and injection molded plastic containers, used in the packaging of cultured dairy and delicatessen products, and of horticultural trays and inserts. Finally, through Clear Shield, the Company is a major domestic producer of disposable plastic cutlery, drinking straws, custom dining kits and related products.

INTERNATIONAL OPERATIONS

Viskase has seven manufacturing facilities located outside the continental United States, in Beauvais, France; Thaon, France; Lindsay, Ontario, Canada; Sedgefield, England (Great Britain); Swansea, Wales (Great Britain); Guarulhos, Brazil and Nuevo Laredo, Mexico.

The aggregate of domestic exports and net sales of foreign operations represents approximately 56% of Viskase's total net sales.

International sales and operations may be subject to various risks including, but not limited to, possible unfavorable exchange rate fluctuations, political instability, governmental regulations (including import and export controls), restrictions on currency repatriation, embargoes, labor relations laws and the possibility of governmental expropriation. Viskase's foreign operations generally are subject to taxes on the repatriation of funds.

International operations in certain parts of the world may be subject to international balance of payments difficulties which may raise the possibility of delay or loss in the collection of accounts receivable from sales to customers in those countries. Viskase believes that its allowance for doubtful accounts makes adequate provision for the collectibility of its receivables. Management believes that growth potential exists for many of Viskase's products outside the United States and that Viskase is well positioned to participate in these markets.

All of Sandusky's and Clear Shield's operations are located in the United States.

SALES AND DISTRIBUTION

Viskase sells its products in virtually every country in the world with principal markets in North America, Europe, Latin America and Asia Pacific. In the United States, Viskase has a staff of technical sales representatives responsible for sales to fresh meat, processed meat and poultry producers. Approximately 50 distributors market Viskase products to customers in Europe, Africa, Asia, and Latin America. Its products are marketed through its own subsidiaries in the United Kingdom, Germany, France, Italy, Russia, Brazil, Mexico and Australia.

In the United States, Viskase sells its PVC film products primarily to the retail grocery industry through packaging material distributors, food wholesalers and a direct sales force. Additionally the sales organization is supported by a technical service group. The United Kingdom operation sells directly and through distributors, primarily to the retail grocery and foodservice industries in Europe.

In the United States, Viskase operates casings service centers in Atlanta, Georgia, and Bensalem, Pennsylvania, as well as service centers within the Chicago, Illinois, and Pauls Valley, Oklahoma, plants. In Europe, Viskase operates casings service centers in Milan, Italy, Pulheim, Germany, and Moscow, Russia. Viskase also operates a service center in Brisbane, Australia. These service centers provide finishing, inventory and delivery services to Viskase customers.

Sandusky's and Clear Shield's sales are predominantly in the United States.

COMPETITION

Viskase is one of the world's leading producers of cellulosic casings and a major producer of films. From time to time, Viskase experiences reduced market share or reduced profits due to price competition; however, management believes that such market conditions will not result in any long-term material loss of business.

The dairy and delicatessen containers industry is highly fragmented. Sandusky competes in the manufacture and sale of dairy and delicatessen containers with several domestic manufacturers of thermoformed and injection molded plastic containers. Major competitive factors in the dairy and delicatessen container business are price, quality and customer service. Major competitive factors in the specialized thermoformed container business are price and technical and customer service capabilities.

Clear Shield's primary competitors include several major corporations, some of which are larger and better capitalized than Clear Shield and, in some cases, offer a wider product line than Clear Shield. Clear Shield's competitors periodically engage in aggressive price discounting to gain business. Clear Shield management believes, however, that such market conditions will not result in any long-term material loss of business for Clear Shield, although its profit margins may be affected from time to time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

Effective in 1990 Envirodyne adopted a 52/53 week fiscal year ending on the last Thursday of December. The 1993 financial statements include December 31, 1993 in order to present the effect of the consummation of the Plan of Reorganization.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Envirodyne Industries, Inc. and its subsidiaries (the Company).

Reclassifications have been made to the prior years' financial statements to conform to the 1995 presentation.

(C) USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(D) CASH EQUIVALENTS (DOLLARS IN THOUSANDS)

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 $24,536 and $821 of short-term investments at December 28, 1995 and December 29, 1994, respectively.

(E) INVENTORIES

Domestic inventories are valued primarily at the lower of last-in, first-out (LIFO) cost or market. Remaining amounts, primarily foreign, are valued at the lower of first-in, first-out (FIFO) cost or market.

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, property, plant and equipment was reported at the estimated fair value (refer to Note 1).

(G) DEFERRED FINANCING COSTS

Deferred financing costs are amortized on a straight-line basis over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

(H) PATENTS

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

The carrying value of patents is periodically reviewed by the Company and impairments are recognized when the expected undiscounted future operating cash flows derived from such patents is less than the 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 at least on a quarterly basis.

(I) EXCESS REORGANIZATION VALUE AND EXCESS INVESTMENT OVER NET ASSETS ACQUIRED, NET

Excess reorganization value is amortized on the straight-line method over 15 years. Accumulated amortization of excess reorganization value totaled $20 million and $10 million at December 28, 1995, and December 29, 1994, respectively.

Cost in excess of net assets acquired, net was amortized on a straight-line method over 40 years in fiscal 1993.

The Company continues to evaluate the recoverability of excess reorganization value based on operating performance and undiscounted cash flows of the operating business units. Impairment will be recognized when the expected undiscounted future operating cash flows derived from such intangible is less than its carrying value. If impairment is identified, valuation techniques deemed appropriate under the particular circumstances will be used to determine the intangible'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 at least on a quarterly basis.

(J) PENSIONS

The North American operations of Viskase and the Company's operations in Europe have defined benefit retirement plans covering substantially all salaried and full time hourly employees. Pension cost is computed using the projected unit credit method.

The Company's funding policy is consistent with funding requirements of the applicable federal and foreign laws and regulations.

(K) POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The North American operations of Viskase have postretirement health care and life insurance benefits. Effective January 1, 1993, postretirement benefits other than pensions are accounted for in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

(L) POSTEMPLOYMENT BENEFITS

Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, the Company adopted SFAS No. 112 "Employers Accounting for Postemployment Benefits." The impact of adopting SFAS No. 112 was not material.

(M) INCOME TAXES

Income taxes are accounted for in accordance with SFAS No. 109. Tax provisions and benefits are recorded at statutory rates for taxable items included in the consolidated statements of operations regardless of the period for which such items are reported for tax purposes. Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities for which income tax benefits will be realized in future years.

(N) NET INCOME (LOSS) PER SHARE

Net income (loss) per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year. No effect has been given to options outstanding under the Company's stock option plans and warrants issued pursuant to the Plan of Reorganization as their effect is anti-dilutive.

(O) REVENUE RECOGNITION

Sales to customers are recorded at the time of shipment net of discounts and allowances.

(P) FOREIGN CURRENCY CONTRACTS

The Company maintains a hedging program to partially hedge its forecasted foreign currency revenue cash flows. The hedging program principally addresses revenue cash flows within its European operations. The foreign exchange contracts are denominated predominantly in the major European currencies and have varying maturities up to eighteen months. The effect of this practice is to minimize the effect of foreign exchange rate movements on the Company's operating results. The Company's hedging activities do not subject the Company to additional exchange rate risk because gains and losses on these contracts offset losses and gains on the transactions being hedged. The cash flows from forward contracts accounted for as hedges of identifiable transactions or events are classified consistent with the cash flows from the transactions or events being hedged.

(Q) STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on new fair value acounting rules. Although expense recognition for employee stock-based compensation is not mandatory, SFAS 123 requires companies that choose not to adopt the new fair value accounting to disclose pro forma net income and earnings per share under the new method. This new accounting principle is effective for the Company's fiscal year ending December 26, 1996. The Company believes that adoption is not expected to have a material impact on its financial condition as the Company will not adopt the fair value accounting, but will instead comply with the disclosure requirements.

4. RECEIVABLES (DOLLARS IN THOUSANDS)

Receivables consisted primarily of trade accounts receivable and were net of allowances for doubtful accounts of $3,224 and $2,136 at December 28, 1995, and at December 29, 1994, respectively.

Envirodyne has a broad base of customers, with no single customer accounting for more than 5% of sales.

5. INVENTORIES (DOLLARS IN THOUSANDS)

Inventories consisted of:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Raw materials	$ 17,150	$ 20,358
Work in process	32,800	37,613
Finished products	49,524	52,512
	$ 99,474	$ 110,483

Approximately 54% and 55% of the Company's inventories at December 28, 1995, and December 29, 1994, respectively, were valued at LIFO. These LIFO values exceeded current manufacturing cost by approximately $4,000 and $7,000 at December 28, 1995, and December 29, 1994, respectively. Inventories were net of reserves for obsolete and slow moving inventory of $3,818 and $5,353 at December 28, 1995, and December 29, 1994, respectively.

Raw materials used by Viskase include cellulose (from wood pulp), fibrous paper, petroleum based resins, plasticizers and various other chemicals. Viskase generally purchases its raw materials from a single or small number of suppliers with whom it maintains good relations. Certain primary and alternative sources of supply are located outside the United States. Viskase believes, but there can be no assurance, that adequate alternative sources of supply currently exist for all of Viskase's raw materials or raw material substitutes that Viskase could modify its processes to utilize.

The principal raw materials used by Sandusky and Clear Shield are thermoplastic resins, which are readily available from several domestic sources.

6. PROPERTY, PLANT AND EQUIPMENT (DOLLARS IN THOUSANDS)

	DECEMBER 28, 1995	DECEMBER 29, 1994
Property, plant and equipment:		
Land and improvements	$ 16,369	$ 15,930
Buildings and improvements	81,767	76,202
Machinery and equipment	292,176	256,621
Construction in progress	15,938	20,178
Capital leases:		
Machinery and equipment	139,241	137,168
	$ 545,491	$ 506,099

Maintenance and repairs charged to costs and expenses for 1995, 1994, and 1993 aggregated $33,227, $33,045 and $32,636, respectively. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years.

7. OTHER ASSETS (DOLLARS IN THOUSANDS)

Other assets were comprised of:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Patents	$ 50,000	$ 50,000
Less accumulated amortization	10,000	5,000
Patents, net	40,000	45,000
Other	5,589	2,181
	$ 45,589	$ 47,181

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

8. ACCRUED LIABILITIES (DOLLARS IN THOUSANDS)

Accrued liabilities were comprised of:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Compensation and employee benefits	$31,997	$33,521
Taxes, other than on income	6,535	6,454
Accrued interest	2,535	3,630
Accrued volume and sales discounts	13,218	11,958
Accrued reorganization fees and expenses	2,027	3,167
Other	11,241	13,516
	$67,553	$72,246

9. DEBT OBLIGATIONS (DOLLARS IN THOUSANDS)

On June 20, 1995, Envirodyne completed the sale of $160,000 aggregate principal amount of senior secured notes (Senior Secured Notes) to certain institutional investors in a private placement. The senior secured notes were issued pursuant to an indenture dated June 20, 1995 (Indenture) and consist of (i) $151,500 of 12% Senior Secured Notes due 2000 and (ii) $8,500 of Floating Rate Senior Secured Notes due 2000 (collectively, the Senior Secured Notes). Envirodyne used the net proceeds of the offering primarily to (i) repay the Company's $86,125 domestic term loan, (ii) repay the $68,316 of obligations under the Company's domestic and foreign revolving loans and (iii) pay transaction fees and expenses. Concurrently with the June 20, 1995 placement, Envirodyne entered into a new $20,000 domestic revolving credit facility (Revolving Credit Facility) and a new $28,000 letter of credit facility (Letter of Credit Facility). The Senior Secured Notes and the obligations under the Revolving Credit Facility and the Letter of Credit Facility are guaranteed by Envirodyne's significant domestic subsidiaries and secured by a collateral pool (Collateral Pool) comprised of: (i) all domestic accounts receivable (including intercompany receivables) and inventory; (ii) all patents, trademarks and other intellectual property (subject to non-exclusive licensing agreements); (iii) substantially all domestic fixed assets (other than assets subject to a lease agreement with General Electric Capital Corporation); and (iv) a senior pledge of 100% of the capital stock of Envirodyne's significant domestic subsidiaries and 65% of the capital stock of Viskase S.A. Such guarantees and security are shared by the holders of the Senior Secured Notes and the holders of the obligations under the Revolving Credit Facility on a pari passu basis pursuant to an intercreditor agreement. Pursuant to such intercreditor agreement, the security interest of the holders of the obligations under the Letter of Credit Facility has priority over all other liens on the Collateral Pool.

The Company finances its working capital needs through a combination of cash generated through operations and borrowings under the Revolving Credit Facility. The availability of funds under the Revolving Credit Facility is subject to the Company's compliance with certain covenants (which are substantially similar to those included in the Indenture), borrowing base limitations measured by accounts receivable and inventory of the Company and reserves which may be established at the discretion of the lenders. Currently, there are no drawings under the Revolving Credit Facility. The available borrowing capacity under the Revolving Credit Facility was $20 million at December 28, 1995.

The Company recognized an extraordinary loss of $6,778 representing the write-off of deferred financing fees related to the June 20, 1995 debt refinancing. The extraordinary loss, net of applicable income taxes of $2,582, was included in the Company's Statement of Operations for the quarter ended June 29, 1995.

The $151,500 tranche of Senior Secured Notes bears interest at a rate of 12% per annum and the $8,500 tranche bears interest at a rate equal to the six month London Interbank Offered Rate (LIBOR) plus 575 basis points. The current interest rate on the floating rate tranche is approximately 11.4%. The interest rate on the floating rate tranche is reset semi-annually on June 15 and December 15. Interest on the Senior Secured Notes is payable each June 15 and December 15.

On June 15, 1999, $80,000 of the aggregate principal amount of the Senior Secured Notes is subject to a mandatory redemption. The remaining principal amount outstanding will mature on June 15, 2000.

In the event the Company has Excess Cash Flow (as defined) in excess of $5,000 in any fiscal year, beginning with fiscal 1995, Envirodyne will be required to make an offer to purchase Senior Secured Notes together with any borrowed money obligations outstanding under the Revolving Credit Facility, on a pro rata basis, in an amount equal to the Excess Cash Flow at a purchase price of 100% plus any accrued interest to the date of purchase. There was no Excess Cash Flow for fiscal 1995.

The Senior Secured Notes are redeemable, in whole or from time to time in part, at Envirodyne's option, at the greater of (i) the outstanding principal amount or (ii) the present value of the expected future cash flows from the Senior Secured Notes discounted at a rate equal to the Treasury Note yield corresponding closest to the remaining average life of the Senior Secured Notes at the time of prepayment plus 100 basis points; plus accrued interest thereon to the date of purchase.

Upon the occurrence of a Change of Control (which includes the acquisition by any person of more than 50% of Envirodyne's Common Stock), each holder of the Senior Secured Notes has the right to require the Company to repurchase such holder's Senior Secured Notes at a price equal to the greater of (i) the outstanding principal amount or (ii) the present value of the expected cash flows from the Senior Secured Notes discounted at a rate equal to the Treasury Note yield corresponding closest to the remaining average life of the Senior Secured Notes at the time of prepayment plus 100 basis points; plus accrued interest thereon to the date of purchase.

The Indenture contains covenants with respect to Envirodyne and its subsidiaries limiting (subject to a number of important qualifications), among other things, (i) the ability to pay dividends or redeem or repurchase common stock, (ii) the incurrence of indebtedness, (iii) the creation of liens, (iv) certain affiliate transactions and (v) the ability to consolidate with or merge into another entity and to dispose of assets.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to the three month London Interbank Offered Rate (LIBOR) on the first day of each calendar quarter plus 300 basis points. The Revolving Credit Facility expires on June 20, 1998.

Envirodyne has entered into interest rate agreements that cap $50 million of interest rate exposure at an average LIBOR rate of 6.50% until January 1997. These interest rate cap agreements were entered into under terms of the senior bank financing that was repaid on June 20, 1995. Interest expense includes $613 of amortization of the interest rate cap premium during fiscal 1995. Envirodyne has not received any payments under the interest rate protection agreements.

The Letter of Credit Facility expires on June 20, 1998. Fees on the outstanding amount of letters of credit are 2.0% per annum, with an issuance fee of 0.5% on the face amount of the letter of credit. There is a commitment fee of 0.5% per annum on the unused portion of the Letter of Credit Facility.

Had the refinancing taken place at the beginning of 1995, the pro forma Envirodyne consolidated statement of operations would have been:

(IN THOUSANDS, EXCEPT FOR NUMBER OF SHARES AND PER SHARE AMOUNTS)

	PRO FORMA DECEMBER 30, 1994 TO DECEMBER 28, 1995
Net sales	$ 650,212
Cost of sales	485,048
Selling, general and administrative	111,230
Amortization of intangibles and excess reorganization cost	15,799
Operating income	38,135
Interest income	670
Interest expense	60,213
Other expense (income), net	1,710
(Loss) before income taxes	(23,118)
Income tax (benefit)	(4,040)
Net (loss)	$ (19,078)
Weighted average common shares	13,516,771
Net (loss) per share	$ (1.41)

The pro forma information reflects the change in interest expense and related tax effect due to the issuance of $160 million principal amount of Senior Secured Notes and the refinancing of the Company's bank debt.

The $219,262 principal amount of 10 1/4% Notes were issued pursuant to an Indenture dated as of December 31, 1993 (10 1/4% Note Indenture) between Envirodyne and Bankers Trust Company, as Trustee. The 10 1/4% Notes are the unsecured senior obligations of Envirodyne, bear interest at the rate of 10 1/4% per annum, payable on each June 1 and December 1, and mature on December 1, 2001. The 10 1/4% Notes are redeemable, in whole or from time to time in part, at the option of Envirodyne, at the percentages of principal amount specified below plus accrued and unpaid interest to the redemption date, if the 10 1/4% Notes are redeemed during the twelve-month period commencing on January 1 of the following years:

YEAR	PERCENTAGE
1996	104%
1997	103%
1998	102%
1999	101%
2000 and thereafter	100%

The 10 1/4% Note Indenture contains covenants with respect to Envirodyne and its subsidiaries limiting (subject to a number of important qualifications), among other things, (i) the ability to pay dividends on or redeem or repurchase capital stock, (ii) the incurrence of indebtedness, (iii) certain affiliate transactions and (iv) the ability of the Company to consolidate with or merge with or into another entity or to dispose of substantially all its assets.

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

	DECEMBER 28, 1995	DECEMBER 29, 1994
Short-term debt, current maturity of long-term debt and capital lease obligations:		
Current maturity of Bank Term Loan		$ 11,100
Current maturity of Viskase Capital Lease Obligation	$ 6,012	5,450
Current maturity of Viskase Limited Term Loan (4.7%)	2,033	1,882
Other	4,459	7,366
Total short-term debt	$ 12,504	$ 25,798
Long-term debt:		
Bank Credit Agreement:		
Term Loan due 1999		$ 80,575
Revolving Loan due 1999		32,524
12% Senior Secured Notes due 2000	$ 160,000	
10.25% Senior Notes due 2001	219,262	219,262
Viskase Capital Lease Obligation	141,182	147,194
Viskase Limited Term Loan (4.7%)	7,115	8,466
Other	2,622	1,337
Total long-term debt	$ 530,181	$ 489,358

The fair value of the Company's debt obligation (excluding capital lease obligations) is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for the debt of the same remaining maturities. At December 28, 1995, the carrying amount and estimated fair value of debt obligations (excluding capital lease obligations) were $393,432 and $318,053, respectively.

The average interest rate on short-term borrowing during 1995 was 10.1%.

On December 28, 1990, Viskase and GECC entered into a sale and leaseback transaction. The sale and leaseback of assets included the production and finishing equipment at Viskase's four domestic casing production and finishing facilities. The facilities are located in Chicago, Illinois; Loudon, Tennessee; Osceola, Arkansas and Kentland, Indiana. Viskase, as the Lessee under the relevant agreements, will continue to operate all of the facilities. Sales proceeds on the sale-leaseback transaction were $171.5 million; proceeds were used to repay approximately $154 million of bank debt and a $15 million convertible note outstanding at the time. The lease has been accounted for as a capital lease.

The principal terms of the sale and leaseback transaction include: (a) a 15 year basic lease term (plus selected renewals at Viskase's option); (b) annual rent payments in advance beginning in February 1991; and (c) a fixed price purchase option at the end of the basic 15 year term and fair market purchase options at the end of the basic term and each renewal term. Further, the Lease Documents contain covenants requiring maintenance by the Company of certain financial ratios and restricting the Company's ability to pay dividends, make payments to affiliates, make investments and incur indebtedness.

Annual rental payments under the Lease will be approximately $19.2 million through 1997, $21.4 million in 1998 and $23.5 million through the end of the basic 15-year term. Viskase is required to provide credit support consisting of a standby letter of credit in an amount up to one year's rent through at least 1997. This credit support can be reduced up to $4 million currently if the Company achieves and maintains certain financial ratios. As of December 28, 1995, the Company had met the required financial ratios and the letter of credit has been reduced by $4 million. The letter can be further reduced in 1997 or eliminated after 1998 if the Company achieves and maintains certain financial ratios. Envirodyne and its other principal subsidiaries guaranteed the obligations of Viskase under the Lease.

The 1996 GECC lease payment of $19,227 was paid on February 28, 1996. Principal payments under the capital lease obligations for the years ended 1996 through 2000 range from approximately $6 million to $14 million.

The following is a schedule of minimum future lease payments under the capital lease obligations together with the present value of the net minimum lease payments as of December 28, 1995:

YEAR ENDING DECEMBER	
1996	$ 19,714
1997	19,658
1998	21,636
1999	23,766
2000	23,766
Thereafter	118,028
Net minimum lease payments	226,568
Less: Amount representing interest	(77,315)
	$149,253

Aggregate maturities of remaining long-term debt for each of the next five fiscal years are:

	TOTAL
1996	$ 9,019
1997	9,418
1998	12,313
1999	95,477
2000	95,669

10. OPERATING LEASES (DOLLARS IN THOUSANDS)

The Company has operating lease agreements for machinery, equipment and facilities. The majority of the facilities leases require the Company to pay maintenance, insurance and real estate taxes.

Future minimum lease payments for operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 28, 1995, are:

1996	$3,033
1997	2,291
1998	1,708
1999	588
2000	375
Total thereafter	
Total minimum lease payments	$7,995

Total rent expense during 1995, 1994 and 1993 amounted to $6,749, $5,982 and $5,401, respectively.

11. RETIREMENT PLANS

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

At December 28, 1995, the North American operations of Viskase maintained several non-contributory defined benefit retirement plans. The Viskase plans cover substantially all salaried and full-time hourly employees, and benefits are based on final average compensation and years of credited service. The Company's policy is to fund the minimum actuarially computed annual contribution required under the Employee Retirement Income Security Act of 1974 (ERISA).

As of the Viskase acquisition date, the former owner assumed the liability for the accumulated benefit obligation under its plans. The effect of expected future compensation increases on benefits accrued is recorded as a liability on the Company's consolidated balance sheet.

PENSIONS -- NORTH AMERICA (DOLLARS IN THOUSANDS):

Net pension cost for the Viskase North American plans consisted of:

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Service cost -- benefits earned during the year.....	$ 3,238	$ 3,662	$ 3,186
Interest cost on projected benefit obligation.......	4,794	4,249	4,000
Actual (gain) loss on plan assets...................	(7,012)	874	(2,306)
Net amortization and deferral.......................	4,086	(3,696)	(74)
Net pension cost	$ 5,106	$ 5,089	$ 4,806

The amounts included in the consolidated balance sheet for the North American plans of Viskase were:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Actuarial present value of benefit obligation:		
Vested benefits	$ 45,208	$ 39,165
Nonvested benefits	4,435	4,316
Accumulated benefit obligation	49,643	43,481
Effect of projected future compensation increases	16,566	16,651
Projected benefit obligation	66,209	60,132
Plan assets at fair value, primarily listed stocks and investment grade corporate bonds	43,190	33,678
Amount underfunded	23,019	26,454
Unrecognized gain (loss)	7,578	3,778
Unrecognized prior service costs	63	71
Accrued liability included in consolidated balance sheet	$ 30,660	$ 30,303
Assumed discount rate	7.5%	8.0%
Assumed long-term compensation factor	4.5%	5.0%
Assumed long-term return on plan assets	8.5%	8.5%

SAVINGS PLANS (DOLLARS IN THOUSANDS):

The Company also has defined contribution savings and similar plans, which vary by subsidiary, and, accordingly, are available to substantially all full-time U.S. employees not covered by collective bargaining agreements. 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 $2,134, $2,109 and $2,026 in 1995, 1994, and 1993, respectively.

INTERNATIONAL PLANS (DOLLARS IN THOUSANDS):

The Company maintains various pension and statutory separation pay plans for its European employees. The expense for these plans in 1995, 1994 and 1993 was $1,383, $1,043 and $864, respectively. As of their most recent valuation dates, in plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately $2,856; conversely, plan assets exceeded the vested benefits in certain other plans by approximately $2,346.

OTHER POSTRETIREMENT BENEFITS (DOLLARS IN THOUSANDS):

The Company provides postretirement health care and life insurance benefits to Viskase's North American employees. The Company does not fund postretirement health care and life benefits in advance, and has the right to modify these plans in the future.

Effective January 1, 1993, the company adopted the provisions of SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires that the expected cost of these benefits must be charged to expense during the years that the employee renders service. In connection with the 1989 acquisition of the Company, an accrual of $15,000 had been recorded for the estimated postretirement benefits liability at the acquisition date. On January 1, 1993, an additional liability and transition obligation was recorded on a prospective basis for $6,500. The transaction obligation was to be amortized over 20 years. Subsequently, Fresh Start Reporting resulted in the write-off of the transition obligation and statement of the liability for postretirement health care and life insurance benefits at fair value. Net periodic postretirement benefit cost for 1995 and 1994 includes the following components:

	MEDICAL		LIFE		TOTAL	
	1995	1994	1995	1994	1995	1994
Components of net periodic postretirement benefit cost:						
Service cost -- benefits earned during the current year	$ 413	$ 511	$ 162	$ 176	$ 575	$ 687
Interest cost -- on accumulated post-retirement benefit obligation	1,182	1,208	472	442	1,654	1,650
Amortization of unrecognized transition benefit	(73)		(17)		(90)	
Net periodic benefit cost	$ 1,522	$ 1,719	$ 617	$ 618	$ 2,139	$ 2,337
Actuarial present value of benefit obligations:						
Retirees	$ 6,937	$ 6,836	$2,745	$2,184	$ 9,682	$ 9,020
Fully eligible active participants	2,309	2,238	2,409	2,435	4,718	4,673
Other active participants	7,411	7,660	1,624	1,612	9,035	9,272
Total	16,657	16,734	6,778	6,231	23,435	22,965
Unrecognized gains	1,616	979	622	581	2,238	1,560
Unrecognized prior service costs	(109)				(109)	
Accumulated postretirement benefit obligation	$18,164	$17,713	$7,400	$6,812	$25,564	$24,525
Assumed discount rate	7.50%					
Assumed medical trend rate	11.00% in 1995 decreasing to 6.50% in 2004					
Assumed long-term compensation factor	4.50%					

The postretirement benefit obligation was determined by application of the terms of the various plans, together with relevant actuarial assumptions. The effect of a 1% annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation at December 28, 1995 and December 29, 1994 by $178 and $198, respectively, and the service and interest cost components for 1995 and 1994 by a total of $16 and $22, respectively.

EMPLOYEE RELATIONS

The Company generally maintains productive and amicable relationships with its 4,900 employees worldwide. One of Viskase's domestic plants, located in Loudon, Tennessee, is unionized, and all of its Canadian and European plants have unions. Employees at the Company's European plants are unionized with negotiations occurring at both local and national levels. Contracts have recently been reached with certain of the European unions. Based on past experience and current conditions, the Company does not expect a protracted work stoppage to occur; however, national events outside of the Company's control may give rise to such risk. From time to time union organization efforts have occurred at other individual plant locations.

Unions represent a total of approximately 1,500 of Viskase's 4,000 employees. None of Clear Shield's approximate 514 employees are represented by unions. Certain of the hourly production personnel at Sandusky's Ohio thermoforming facility are members of a union. As of December 28, 1995, approximately 1,675 of the Company's employees are covered by collective bargaining agreements that will expire within one year.

12. INCOME TAXES (DOLLARS IN THOUSANDS)

The provision (benefit) for income taxes consisted of:

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Current:			
Federal		$ 200	
Foreign	$ 950	4,652	$ 2,453
State and local			
	$ 950	4,852	2,453
Deferred:			
Federal	(7,219)	(194)	17,188
Foreign	2,098	128	(1,434)
State and local	(1,329)	14	2,093
	(6,450)	(52)	17,847
	$(5,500)	$ 4,800	$ 20,300

The income tax benefit for the 1995 period was allocated between loss before extraordinary loss for $2,918 and to the extraordinary loss for $2,582.

The income tax expense for the 1993 period was allocated between loss before extraordinary gain for $12,000 and to the extraordinary gain for $8,300.

A reconciliation from the statutory federal tax rate to the consolidated effective tax rate follows:

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Statutory federal tax rate	(35.0)%	35.0%	35.0%
Increase (decrease) in tax rate due to:			
State and local taxes net of related federal tax benefit	(3.2)	.8	1.3
Net effect of taxes relating to foreign operations	.8	140.3	1.5
Intangibles amortization	9.4	214.1	2.3
Non-taxable debt discharge income, fresh start accounting and other bankruptcy related expenses			(22.9)
Other	7.6	13.8	2.0
Consolidated effective tax rate	(20.4)%	404.0%	19.2%

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1995 are as follows:

	TEMPORARY DIFFERENCE		TAX EFFECTED	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Depreciation basis differences		$296,263		$113,094
Inventory basis differences		28,097		10,976
Intangible basis differences		37,603		14,665
Lease transaction	$147,194		$57,406	
Pension and healthcare	56,545		22,067	
Employee benefits accruals	13,544		5,282	
Valuation allowances	3,209		1,252	
Other accruals and reserves	6,673		2,602	
Foreign exchange and other	648	70,720	216	27,580
	$227,813	$432,683	$88,825	$166,315

12. INCOME TAXES (DOLLARS IN THOUSANDS)--(CONTINUED)

At December 28, 1995, the Company had $11,136 of undistributed earnings of foreign subsidiaries considered permanently invested for which deferred taxes have not been provided.

At December 28, 1995, the Company had federal income tax net operating loss carryforwards of approximately $28 million. Such losses will expire in the year 2009, if not previously utilized. In addition the Company has alternative minimum tax credit carryforwards of $3.5 million. Alternative minimum tax credits have an indefinite carryforward period. Significant limitations on the utilization of the net operating loss carryforwards and the alternative minimum tax credit carryforwards exist under federal income tax rules.

Domestic earnings or (losses) after extraordinary gain or loss and before income taxes were approximately $(30,138), $(7,705) and $107,622 in 1995, 1994 and 1993, respectively. Foreign earnings or (losses) before income taxes were approximately $3,118, $8,893 and $(1,733) in 1995, 1994 and 1993, respectively.

The Company joins in filing a U.S. consolidated federal income tax return including all of its domestic subsidiaries.

13. COMMITMENTS

As of December 28, 1995, the Company had capital expediture commitments outstanding of approximately $3.7 million.

14. CONTINGENCIES (DOLLARS IN THOUSANDS)

A class action lawsuit by former employees of subsidiary corporations comprising most of the Company's former steel and mining division (SMD) was pending as of the commencement of the bankruptcy case in which the plaintiffs were seeking substantial damages. In March 1996, Envirodyne completed a settlement of the lawsuit under which Envirodyne was released and discharged from all claims in exchange for 900,000 shares of Envirodyne common stock without any admission or finding of liability or wrongdoing.

Litigation has been initiated with respect to events arising out of the bankruptcy cases and the 1989 acquisition of Envirodyne by Emerald with respect to which, although Envirodyne is not presently a party to such litigation, certain defendants have asserted indemnity rights against Envirodyne. In ARTRA Group Incorporated v. Salomon Brothers Holding Company Inc, Salomon Brothers Inc, D.P. Kelly & Associates, L.P., Donald P. Kelly, Charles K. Bobrinskoy, James L. Massey, William Rifkind and Michael Zimmerman, Case No. 93 A 1616, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (Bankruptcy Court), ARTRA Group Incorporated (ARTRA) alleges breach of fiduciary duty and tortious inference in connection with the negotiation and consummation of the Plan of Reorganization. In ARTRA Group Incorporated v. Salomon Brothers Holding Company Inc, Salomon Brothers Inc, D.P. Kelly & Associates, L.P., Donald P. Kelly, Charles K. Bobrinskoy and Michael Zimmerman, Case No. 93 L 2198, Circuit Court of the Eighteenth Judicial Circuit, County of DuPage, State of Illinois, ARTRA alleges breach of fiduciary duty, fraudulent and negligent misrepresentation and breach of contract in connection with the 1989 acquisition of Envirodyne by Emerald. The plaintiff seeks damages in the total amount of $136.2 million plus interest and punitive damages of $408.6 million. D.P. Kelly & Associates, L.P. and Messrs. Kelly, Bobrinskoy, Massey, Rifkind and Zimmerman have asserted common law and contractual rights of indemnity against Envirodyne for attorneys' fees, costs and any ultimate liability relating to the claims set forth in the complaints. Upon the undertaking of D.P. Kelly & Associates, L.P. to repay such funds in the event it is ultimately determined that there is no right to indemnity, Envirodyne is advancing funds to D.P. Kelly & Associates, L.P. and Mr. Kelly for the payment of legal fees in the case pending before the Bankruptcy Court. Although the Company is not a party to either case, the Company believes that the plaintiff's claims raise similar factual issues to those raised in the bankruptcy cases which, if adjudicated in a manner similar to that in the bankruptcy cases, would render it difficult for the plaintiff to establish liability. Accordingly, the Company believes that the indemnification claims would not have a material adverse effect upon the business or financial position of the Company, even if the claimants were ultimately successful in establishing their right to indemnification.

Certain of Envirodyne's stockholders prior to the acquisition of Envirodyne by Emerald failed to exchange their certificates representing old Envirodyne common stock for the $40 per share cash merger consideration

14. CONTINGENCIES (DOLLARS IN THOUSANDS)--(CONTINUED)

specified by the applicable acquisition agreement. In the Envirodyne bankruptcy case, Envirodyne sought to equitably subordinate the claims of the holders of untendered shares, so that such holders would not receive a distribution under the Plan of Reorganization. The Bankruptcy Court granted Envirodyne's motion for summary judgment and equitably subordinated the claims of the holders of untendered shares to the claims of other general unsecured creditors. Certain of the affected holders appealed and both the U.S. District Court and the U.S. Seventh Circuit Court of Appeals affirmed the Bankruptcy Court decision. The time period for further appeal has not passed. Envirodyne believes that, even in the event of further appeal, if any, and reversal of the prior decisions, the maximum number of shares of common stock that it would be required to issue to such claimants is approximately 106,000.

Clear Shield National, Inc. and some of its employees have received subpoenas from the Antitrust Division of the United States Department of Justice relating to a grand jury investigation of the disposable plastic cutlery industry. The U.S. Department of Justice has advised a former officer and an existing employee that they are targets of the investigation. Both individuals were invited to appear and testify before the grand jury but both declined. Clear Shield National is cooperating fully with the investigation.

In February 1996 Clear Shield National and three other plastic cutlery manufacturers were named as defendants in the following three civil complaints: Eisenberg Brothers, Inc., on behalf of itself and all others similarly situated, v. Amcel Corp., Clear Shield National, Inc., Dispoz-O Plastics Corp. and Benchmark Holdings, Inc. t/a Winkler Products, Civil Action No. 96-728, United States District Court for the Eastern District of Pennsylvania; St. Cloud Restaurant Supply Company v. Amcel Corp., Clear Shield National, Inc., Dispoz-O Plastics Corp. and Benchmark Holdings, Inc. t/a Winkler Products, Case No. 96C 0777, United States District Court for the Northern District of Illinois, Eastern Division; and Servall Products, Inc., on behalf of itself and all others similarly situated, v. Amcel Corporation, Clear Shield National, Inc., Dispoz-O Plastics Corporation and Benchmark Holdings, Inc. t/a Winkler Products, Civil Action No. 96-1116, United States District Court for the Eastern District of Pennsylvania. Each of the complaints alleges, among other things, that from October 1990 through April 1992 the defendants unlawfully conspired to fix the prices at which plastic cutlery would be sold. The Company has informed the plaintiffs that such claims as they relate to Clear Shield were discharged by the order of the Bankruptcy Court and Plan of Reorganization and that the plaintiffs are permanently enjoined from pursuing legal action to collect discharged claims.

On February 27, 1996, the plaintiff in the St. Cloud case voluntarily dismissed the action without prejudice and refiled its action in the U.S. District Court for the Eastern District of Pennsylvania but did not name Clear Shield National as a defendant. On March 14, 1996, Eisenberg Brothers Inc. filed a motion in Clear Shield National's Bankruptcy proceeding in the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division. Eisenberg Brothers Inc.'s motion contends that the Bankruptcy Court's order did not discharge the plaintiff's claim.

The Company and its subsidiaries are involved in various legal proceedings arising out of its business and other environmental matters, none of which is expected to have a material adverse effect upon its results of operations, cash flows or financial position.

15. CAPITAL STOCK, PAID IN CAPITAL, AND WARRANTS

Authorized shares of preferred stock ($.01 par value per share) and common stock ($.01 par value per share) for the reorganized Envirodyne are 25,000,000 shares and 50,000,000 shares, respectively. 13,579,460 shares of common stock were issued and outstanding as of December 28, 1995. In accordance with the Plan of Reorganization, an additional 64,460 shares of common stock and 15,000 shares of common stock were issued to the general unsecured creditors of Envirodyne during 1995 and 1994, respectively. (Refer to Note 1.)

Prior to the December 31, 1993 reorganization, the authorized shares of preferred stock and common stock were 1,000 shares and 320 shares, respectively.

Envirodyne issued 1,500,000 warrants pursuant to the Plan of Reorganization, exercisable at any time until December 31, 1998. Each warrant was initially exercisable for one share of common stock at an initial exercise price of $17.25 per share. The exercise price and the number of shares of common stock for which a warrant is

15. CAPITAL STOCK, PAID IN CAPITAL, AND WARRANTS--(CONTINUED)

exercisable were adjusted as a result of the issuance of certain shares of Envirodyne after the consummation of the Plan of Reorganization, including the issuance of shares in settlement of the SMD lawsuit discussed in Note 14. Under terms of the warrant agreement, the exercise price has been adjusted from $17.25 to $16.08 per share and the number of common shares for which each warrant is exercisable has been adjusted from 1.000 share to 1.073 shares.

16. STOCK OPTIONS

At December 28, 1995, the Company had outstanding options under the 1993 Stock Option Plan. Options were issued to certain employees to purchase shares at not less than the fair market value of the shares on the grant date. The plan options generally vest in three equal annual amounts beginning one year from the grant date and expire ten years from the grant date, subject to the acceleration of exercisability upon the occurrence of certain events. Such an acceleration event occurred in both November 1994 and August 1995.

During 1995, each non-employee director of the Company received options to purchase 2,000 shares of stock at not less than the fair market value of the shares on the date of grant. The non-employee director options are fully exercisable upon issuance. Pursuant to the 1993 Stock Option Plan, on the date of each subsequent annual meeting of stockholders, non-employee directors will automatically be granted non-qualified options to purchase 1,000 shares of Common Stock at an option exercise price equal to the fair market value of a share of Common Stock on the date of grant.

Stock option activity for the years ended December 28, 1995 and December 29, 1994 were:

	NUMBER OF OPTION SHARES	OPTION PRICE PER SHARE
Outstanding, December 31, 1993		
Granted	402,020	$5.06
Exercised		
Terminated	(13,100)	5.06
Outstanding, December 29, 1994	388,920	5.06
Granted	97,200	5.06
Exercised		
Terminated	(61,890)	5.06
Outstanding, December 28, 1995	424,230	5.06

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (DOLLARS IN THOUSANDS)

The following table presents the carrying value and estimated fair value as of December 28, 1995 of the Company's financial instruments. (Refer to Notes 3 and 9.)

	CARRYING VALUE	ESTIMATED FAIR VALUE
Assets:		
Cash and equivalents	$ 30,325	$ 30,325
Foreign currency contracts	3,397	3,377
Interest rate agreements	561	3
Liabilities:		
Long-term debt (excluding capital leases)	393,432	318,053

18. PATENT LITIGATION SETTLEMENT (DOLLARS IN THOUSANDS)

In 1989 certain competitors of Viskase filed a declaratory action challenging the validity and enforceability of a Viskase patent relating to casings used in the manufacture of food products. In May 1994, the trial court upheld the validity and enforceability of the Viskase patent and found infringement of the patent. Before the trial

18. PATENT LITIGATION SETTLEMENT (DOLLARS IN THOUSANDS)--(CONTINUED)

on damages was conducted, Viskase entered into agreements to settle the claims and grant licenses to the competitors. Under the terms of these agreements Viskase received $9,457 for past infringement and advance royalties and established royalty rates for future patent use.

19. RESEARCH AND DEVELOPMENT COSTS (DOLLARS IN THOUSANDS)

Research and development costs are expensed as incurred and totaled $11,034, $16,852 and $15,216, for 1995, 1994, and 1993, respectively.

20. RELATED PARTY TRANSACTIONS (DOLLARS IN THOUSANDS)

During fiscal 1995, 1994 and 1993, the Company paid DPK $770 for management services. In fiscal 1995, 1994 and 1993, the Company made payments of approximately $156, $560 and $354, respectively, to an affiliate of DPK for the use of a jet aircraft on an as-needed basis.

During fiscal 1995, 1994, and 1993, the Company purchased product and services from affiliates of DPK in the amounts of approximately $1,537, $1,367 and $941, respectively. During fiscal 1995, 1994, and 1993, the Company sublet office space from DPK for which it paid approximately $151, $151 and $150, respectively, in rent. During fiscal 1995, the Company reimbursed a non-affiliated medical plan in the aggregate amount of $79,344 for medical claims of Messrs. Kelly, Gustafson and Corcoran.

During fiscal 1995 and 1994, the Company advanced funds to and made payments on behalf of DPK and Donald P. Kelly in the amounts of approximately $52 and $118, respectively, for legal fees related to the litigation involving ARTRA Group Incorporated (refer to Note 14).

21. BUSINESS SEGMENT INFORMATION AND GEOGRAPHIC AREA INFORMATION (DOLLARS IN THOUSANDS)

Envirodyne primarily manufactures and sells polymeric food casings and plastic packaging films and containers (food packaging products) and disposable foodservice supplies. The Company's operations are primarily in North/South America and Europe. Intercompany sales and charges (including royalties) have been reflected as appropriate in the following information. Other income for 1995, 1994, and 1993 includes net foreign exchange transaction gains (losses) of approximately $(61), $2,707, and $(4,631), respectively.

BUSINESS SEGMENT INFORMATION

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Net sales:			
Food packaging products	$ 574,266	$ 530,179	$ 522,363
Disposable foodservice supplies	76,138	68,996	66,383
Other and eliminations	(192)	(146)	(1,361)
	$ 650,212	$ 599,029	$ 587,385
Earnings before income taxes:			
Operating income:			
Food packaging products	$ 39,183	$ 48,145	$ 53,432
Disposable foodservice supplies	4,959	6,514	5,223
Unallocated expenses, net -- primarily corporate	(6,007)	(5,982)	(5,023)
	38,135	48,677	53,632
Interest expense, net	56,666	49,207	30,259
Other expense (income), net	1,710	(1,668)	5,540
Minority interest in loss of subsidiary		50	717
	$ (20,241)	$ 1,188	$ 18,550
Identifiable assets:			
Food packaging products	$ 796,655	$ 814,731	$ 790,125
Disposable foodservice supplies	69,812	71,530	64,879
Corporate and other, primarily cash equivalents	33,100	10,375	12,676
	$ 899,567	$ 896,636	$ 867,680
Depreciation and amortization under capital lease and amortization of intangibles expense:			
Food packaging products	$ 51,404	$ 47,207	$ 46,715
Disposable foodservice supplies	4,581	4,125	5,624
Corporate and other	76	55	59
	$ 56,061	$ 51,387	$ 52,398
Capital expenditures:			
Food packaging products	$ 30,744	$ 28,534	$ 37,673
Disposable foodservice supplies	3,687	4,012	3,100
Corporate and other	34	20	114
	$ 34,465	$ 32,566	$ 40,887

GEOGRAPHIC AREA INFORMATION

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Net sales:			
North/South American operations	$ 440,539	$ 423,049	$ 426,644
European operations	213,618	184,395	164,717
Other and eliminations	(3,945)	(8,415)	(3,976)
	$ 650,212	$ 599,029	$ 587,385
Operating profit:			
North/South American operations	$ 23,028	$ 28,124	$ 37,495
European operations	15,373	20,553	16,137
Other and eliminations	(266)		
	$ 38,135	$ 48,677	$ 53,632
Identifiable assets:			
North/South American operations	$ 677,377	$ 667,358	$ 669,240
European operations	219,802	229,278	198,440
Other and eliminations	2,388		
	$ 899,567	$ 896,636	$ 867,680

The total assets and net assets of foreign businesses were approximately $282,383 and $107,023 at December 28, 1995.

22. QUARTERLY DATA (UNAUDITED)

Quarterly financial information for 1995 and 1994 is as follows (in thousands, except for per share amounts):

FISCAL 1995	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	ANNUAL
Net Sales	$155,824	$165,184	$166,688	$162,516	$650,212
Operating Income	8,689	10,089	8,653	10,704	38,135
Net income (loss)	(3,895)	(7,513)	(4,475)	(5,636)	(21,519)
Net income (loss) per share	(0.29)	(0.56)	(0.33)	(0.42)	(1.59)

The second quarter net (loss) includes an extraordinary loss of $(4.2) million on debt extinguishment.

Net income (loss) per share amounts are computed independently for each of the quarters presented using weighted average shares outstanding during each quarter. The sum of the quarterly per share amounts in 1995 do not equal the total for the year because of rounding and 1995 stock issuances, as shown on the Consolidated Statement of Stockholders' Equity.

FISCAL 1994	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	ANNUAL
Net Sales	$142,593	$150,788	$151,883	$153,765	$599,029
Operating Income	9,710	18,739	9,755	10,473	48,677
Net income (loss)	(2,507)	3,448	(3,261)	(1,292)	(3,612)
Net income (loss) per share	(0.19)	0.26	(0.24)	(0.10)	(0.27)

The 1994 second quarter operating income benefitted from a $9.5 million settlement of a patent infringement suit.

22. QUARTERLY DATA (UNAUDITED)--(CONTINUED)

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

23. SUBSEQUENT EVENTS (DOLLARS IN THOUSANDS)

On February 23, 1996, the United States Bankruptcy Court for the Northern District of Illinois, Eastern District entered an order approving a settlement agreement resolving all claims of the former union employees of Wisconsin Steel Company which shut down in March 1980. Under terms of the approved settlement of Frank Lumpkin, et al. v. Envirodyne Industries, Inc. (Lumpkin) and without any admission or finding of liability or wrongdoing, Envirodyne was released and discharged from all claims in exchange for 900,000 shares of common stock. The distribution is in accordance with the terms of Envirodyne's Plan of Reorganization under which common stock was distributed to Envirodyne's general unsecured creditors in satisfaction of their allowed claims (Refer to Note 1).

The Company issued additional shares of common stock for the Lumpkin settlement and to the holders of general unsecured claims of Envirodyne (as opposed to the subsidiaries of Envirodyne) under terms of the Plan of Reorganization. The total number of shares outstanding after issuance of common stock for the Lumpkin settlement and for additional distribution to holders of general unsecured claims of Envirodyne is 14,479,721.

Under terms of the Plan of Reorganization, Envirodyne issued warrants to purchase 10% of the fully diluted common stock. The issuance of common stock pursuant to the Lumpkin settlement, together with other issuances of common stock since the consummation of the Plan of Reorganization, caused an adjustment to the exercise price of the warrants and the number of shares of common stock for which a warrant is exercisable. The exercise price was adjusted from $17.25 to $16.08 per share and the number of common shares for which each warrant is exercisable was adjusted from 1.000 share to 1.073 shares.

On March 15, 1996 the United States Court of Appeals for the Seventh Circuit affirmed the decisions of the U.S. District Court and the Bankruptcy Court to equitably subordinate the claims of holders of untendered shares to claims of the other general unsecured creditors (refer to Note 14). The time period for further appeal has not passed. Envirodyne believes that even in the event of further appeal, if any, and reversal of the prior decisions, the maximum number of shares of common stock that it would be required to issue to such claimants is approximately 106,000.

24. SUBSIDIARY GUARANTORS

Envirodyne's payment obligations under the Senior Secured Notes are fully and unconditionally guaranteed on a joint and several basis (collectively, Subsidiary Guarantees) by Viskase Corporation, Viskase Holding Corporation, Viskase Sales Corporation, Clear Shield National, Inc., Sandusky Plastics, Inc. and Sandusky Plastics of Delaware, Inc., each a direct or indirect wholly-owned subsidiary of Envirodyne and each a "Guarantor." These subsidiaries represent substantially all of the operations of Envirodyne conducted in the United States. The remaining subsidiaries of Envirodyne generally are foreign subsidiaries or otherwise relate to foreign operations.

The obligations of each Guarantor under its Subsidiary Guarantee are the senior obligation of such Guarantor, and are collateralized, subject to certain permitted liens, by substantially all of the domestic assets of the Guarantor and, in the case of Viskase Holding Corporation, by a pledge of 65% of the capital stock of Viskase S.A. The Subsidiary Guarantees and security are shared with the lenders under the Revolving Credit Agreement on a pari passu basis and are subject to the priority interest of the holders of obligations under the Letter of Credit Facility, each pursuant to an intercreditor agreement.

The following consolidating condensed financial data illustrate the composition of the combined Guarantors. No single Guarantor has any significant legal restrictions on the ability of investors or creditors to obtain access to its assets in the event of default on the Subsidiary Guarantee other than its subordination to senior indebtedness described above. Separate financial statements of the Guarantors are not presented because management has determined that these would not be material to investors. Based on the book value and the market value of the pledged securities of Viskase Corporation, Viskase Sales Corporation, Clear Shield National, Inc., Sandusky

24. SUBSIDIARY GUARANTORS--(CONTINUED)

Plastics, Inc. and Sandusky Plastics of Delaware, Inc., these Subsidiary Guarantors do not constitute a substantial portion of the collateral and, therefore, the separate financial statements of these subsidiaries have not been provided. Separate audited financial statements of Viskase Holding Corporation are being filed within.

Investments in subsidiaries are accounted for by the parent and Subsidiary Guarantors on the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are therefore reflected in the parent's and Subsidiary Guarantors' investment accounts and earnings. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS

	DECEMBER 28, 1995				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS(1)	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
ASSETS					
Current assets:					
Cash and equivalents	$ 18,013	$ 486	$ 11,826		$ 30,325
Receivables and advances, net	52,462	70,458	57,082	$ (90,548)	89,454
Inventories		63,355	38,233	(2,114)	99,474
Other current assets	176	12,364	9,106		21,646
Total current assets	70,651	146,663	116,247	(92,662)	240,899
Property, plant and equipment including those under capital lease	261	394,813	150,417		545,491
Less accumulated depreciation and amortization	150	55,620	20,217		75,987
Property, plant and equipment, net	111	339,193	130,200		469,504
Deferred financing costs	7,048		1,042		8,090
Other assets		43,720	1,869		45,589
Investment in subsidiaries	77,766	133,634		(211,400)	
Excess reorganization value		94,968	40,517		135,485
	$ 155,576	$ 758,178	$ 289,875	$ (304,062)	$ 899,567
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt including current portion of long-term debt and obligation under capital lease		$ 6,407	$ 6,097		$ 12,504
Accounts payable and advances	$ 80	78,848	50,737	$ (90,548)	39,117
Accrued liabilities	8,126	37,488	21,939		67,553
Total current liabilities	8,206	122,743	78,773	(90,548)	119,174
Long-term debt including obligation under capital lease	379,262	143,198	7,721		530,181
Accrued employee benefits		51,345	4,281		55,626
Deferred and noncurrent income taxes	34,088	17,507	25,895		77,490
Intercompany loans	(383,076)	340,000	43,083	(7)	
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $.01 par value; none outstanding					
Common stock, $.01 par value; 13,579,460 shares issued and outstanding	136	3	32,738	(32,741)	136
Paid in capital	134,864	103,955	87,871	(191,826)	134,864
Accumulated earnings (deficit)	(25,131)	(27,752)	2,334	25,418	(25,131)
Cumulative foreign currency translation adjustments	7,227	7,179	7,179	(14,358)	7,227
Total stockholders' equity	117,096	83,385	130,122	(213,507)	117,096
	$ 155,576	$ 758,178	$ 289,875	$ (304,062)	$ 899,567

(1) Elimination of intercompany receivables, payables and investment accounts.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS

	DECEMBER 29, 1994				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS(1)	CONSOLIDATED TOTAL
	(IN THOUSANDS)				
ASSETS					
Current assets:					
Cash and equivalents	$ 555	$ 1,853	$ 4,881		$ 7,289
Receivables and advances, net	33,508	63,949	49,378	$ (59,967)	86,868
Inventories		68,719	43,725	(1,961)	110,483
Other current assets	181	12,999	6,286		19,466
Total current assets	34,244	147,520	104,270	(61,928)	224,106
Property, plant and equipment including those under capital lease	189	367,880	138,030		506,099
Less accumulated depreciation and amortization	55	26,739	8,967		35,761
Property, plant and equipment, net	134	341,141	129,063		470,338
Deferred financing costs	8,062		1,081		9,143
Other assets		45,757	1,424		47,181
Investment in subsidiaries	91,576	116,360		(207,936)	
Excess reorganization value		102,230	43,638		145,868
	$ 134,016	$ 753,008	$ 279,476	$ (269,864)	$896,636
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt including current portion of long-term debt and obligation under capital lease	$ 11,100	$ 7,720	$ 6,978		$ 25,798
Accounts payable and advances	726	53,193	40,383	$ (59,967)	34,335
Accrued liabilities	10,254	36,634	25,358		72,246
Total current liabilities	22,080	97,547	72,719	(59,967)	132,379
Long-term debt including obligation under capital lease	327,437	147,898	14,023		489,358
Accrued employee benefits		52,248	3,969		56,217
Deferred and noncurrent income taxes	29,006	31,927	22,400		83,333
Intercompany loans	(379,856)	340,000	39,856		
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $.01 par value; none outstanding					
Common stock, $.01 par value; 13,515,000 shares issued and outstanding	135	4	32,608	(32,612)	135
Paid in capital	134,865	87,805	87,440	(175,245)	134,865
Accumulated earnings (deficit)	(3,612)	(8,333)	2,549	5,784	(3,612)
Cumulative foreign currency translation adjustments	3,961	3,912	3,912	(7,824)	3,961
Total stockholders' equity	135,349	83,388	126,509	(209,897)	135,349
	$ 134,016	$ 753,008	$ 279,476	$ (269,864)	$896,636

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(1) Elimination of intercompany receivables, payables and investment accounts.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 28, 1995				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
NET SALES		$ 417,756	$ 267,212	$ (34,756)	$ 650,212
COSTS AND EXPENSES					
Cost of sales		312,419	207,232	(34,603)	485,048
Selling, general and administrative	$ 6,004	65,318	39,908		111,230
Amortization of intangibles and excess reorganization value		12,466	3,333		15,799
OPERATING INCOME (LOSS)	(6,004)	27,553	16,739	(153)	38,135
Interest income	203	12	455		670
Interest expense	40,081	13,902	3,353		57,336
Intercompany interest expense (income)	(38,218)	34,007	4,211		
Management fees (income)	(8,086)	6,377	1,709		
Other expense (income), net	(2,400)	52	4,058		1,710
Equity Loss (income) in subsidiary	19,571	216		(19,787)	
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(16,749)	(26,989)	3,863	19,634	(20,241)
Income tax provision (benefit)	1,264	(7,570)	3,388		(2,918)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(18,013)	(19,419)	475	19,634	(17,323)
Extraordinary loss, net of tax	3,506		690		4,196
NET (LOSS)	$ (21,519)	$ (19,419)	$ (215)	$ 19,634	$ (21,519)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 28, 1995				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
Net cash provided by (used in) operating activities	$ (13,276)	$ 32,242	$ 20,001		$ 38,967
Cash flows from investing activities:					
Capital expenditures	(34)	(27,842)	(6,589)		(34,465)
Proceeds from sale of property, plant and equipment		39	47		86
Net cash (used in) investing activities . .	(34)	(27,803)	(6,542)		(34,379)
Cash flows from financing activities:					
Proceeds from revolving loan and long term borrowings	164,000	1,706	42,216		207,922
Deferred financing costs	(6,721)		(1,166)		(7,887)
Repayment of revolving loan, long-term borrowings and capital lease obligations . .	(123,275)	(7,512)	(50,588)		(181,375)
Increase (decrease) in Envirodyne loan	(3,236)		3,236		
Net cash provided by (used in) financing activities	30,768	(5,806)	(6,302)		18,660
Effect of currency exchange rate changes on cash			(212)		(212)
Net increase (decrease) in cash and equivalents	17,458	(1,367)	6,945		23,036
Cash and equivalents at beginning of period . . .	555	1,853	4,881		7,289
Cash and equivalents at end of period	$ 18,013	$ 486	$ 11,826		$ 30,325

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 29, 1994				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
NET SALES		$ 406,988	$ 220,787	$ (28,746)	$ 599,029
Patent infringement settlement income		9,457			9,457
COSTS AND EXPENSES					
Cost of sales		295,356	168,891	(28,487)	435,760
Selling, general and administrative	$ 6,015	71,092	31,330		108,437
Amortization of intangibles and excess reorganization value		12,266	3,346		15,612
OPERATING INCOME (LOSS)	(6,015)	37,731	17,220	(259)	48,677
Interest income	13	46	248		307
Interest expense	31,937	14,124	3,453		49,514
Intercompany interest expense (income)	(35,077)	31,170	3,907		
Management fees (income)	(7,400)	6,544	856		
Other expense (income), net	(3,448)	7	1,923	(150)	(1,668)
Equity loss (income) in subsidiary	8,392	(2,549)		(5,843)	
Minority interest in loss of subsidiary				50	50
INCOME (LOSS) BEFORE INCOME TAXES	(406)	(11,519)	7,329	5,784	1,188
Income tax provision	3,206	(3,186)	4,780		4,800
NET INCOME (LOSS)	$ (3,612)	$ (8,333)	$ 2,549	$ 5,784	$ (3,612)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 29, 1994				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
Net cash provided by (used in) operating activities	$ (1,414)	$ 13,575	$ 11,125		$ 23,286
Cash flows from investing activities:					
Capital expenditures	(20)	(21,666)	(10,880)		(32,566)
Proceeds from sales of property, plant and equipment		239	120		359
Purchase of minority interest in subsidiary		(4,200)			(4,200)
Net cash (used in) investing activities	(20)	(25,627)	(10,760)		(36,407)
Cash flows from financing activities:					
Proceeds from revolving loan and long term borrowings	27,600		10,068		37,668
Deferred financing costs	(1,608)				(1,608)
Repayment of revolving loan, long-term borrowings and capital lease obligations	(8,325)	(5,180)	(9,112)		(22,617)
Increase (decrease) in Envirodyne loan .	(16,608)	17,163	(555)		
Net cash provided by (used in) financing activities	1,059	11,983	401		13,443
Effect of currency exchange rate changes on cash			(776)		(776)
Net (decrease) in cash and equivalents . .	(375)	(69)	(10)		(454)
Cash and equivalents at beginning of period	930	1,922	4,891		7,743
Cash and equivalents at end of period . . .	$ 555	$ 1,853	$ 4,881		$ 7,289

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 1993				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
NET SALES		$ 408,872	$ 195,291	$ (16,778)	$587,385
COSTS AND EXPENSES					
Cost of sales		283,743	151,694	(16,745)	418,692
Selling, general and administrative	$ 5,021	65,992	28,337		99,350
Amortization of intangibles and excess reorganization value		13,170	2,541		15,711
OPERATING INCOME (LOSS)	(5,021)	45,967	12,719	(33)	53,632
Interest income	1	20	910		931
Interest expense	10,388	14,589	6,213		31,190
Intercompany interest expense (income)	(21,970)	61,416	(39,446)		
Management fees (income)	(7,600)	6,748	852		
Other expense (income), net	3,432	(86)	2,194		5,540
Minority interest in subsidiary		717			717
INCOME (LOSS) BEFORE INCOME TAXES, REORGANIZATION ITEMS AND EXTRAORDINARY ITEM	10,730	(35,963)	43,816	(33)	18,550
Reorganization items, net	92,745	12,000			104,745
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(82,015)	(47,963)	43,816	(33)	(86,195)
Income tax provision (benefit)	(1,430)	(4,442)	17,872		12,000
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(80,585)	(43,521)	25,944	(33)	(98,195)
Extraordinary gain, net of tax	183,784				183,784
NET INCOME (LOSS)	$ 103,199	$ (43,521)	$ 25,944	$ (33)	$ 85,589

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATING CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 1993				
	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
			(IN THOUSANDS)		
Net cash provided by operating activities before reorganization expense	$ 24,623	$ 33,840	$ 33,738		$ 92,201
Net cash used for reorganization items	(2,929)	(12,000)			(14,929)
Net cash provided by operating activities . . .	21,694	21,840	33,738		77,272
Cash flows from investing activities:					
Capital expenditures	(114)	(27,289)	(13,484)		(40,887)
Proceeds from sale of property, plant and equipment		4	120		124
Net cash (used in) investing activities .	(114)	(27,285)	(13,364)		(40,763)
Cash flows from financing activities:					
Proceeds from revolving loan and long term borrowings	100,000		6,003		106,003
Deferred financing costs	(8,659)		(1,120)		(9,779)
Repayment of revolving loan, long-term borrowings and capital lease obligations .	(103,100)	(4,698)	(30,938)		(138,736)
Increase (decrease) in Envirodyne loan . . .	(8,891)	10,519	(1,628)		
Net cash provided by (used in) financing activities	(20,650)	5,821	(27,683)		(42,512)
Effect of currency exchange rate changes on cash			(316)		(316)
Net increase (decrease) in cash and equivalents	930	376	(7,625)		(6,319)
Cash and equivalents at beginning of period . .		1,546	12,516		14,062
Cash and equivalents at end of period	$ 930	$ 1,922	$ 4,891		$ 7,743

Financial statement schedules required by Regulation S-X

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements:

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Viskase Holding Corporation

We have audited the consolidated financial statements and the financial statement schedules of Viskase Holding Corporation and Subsidiaries. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on December 31, 1993, Envirodyne Industries, Inc. and its domestic subsidiaries completed a comprehensive financial restructuring through the implementation of reorganization under Chapter 11 of the United States Bankruptcy Code and applied fresh start reporting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Viskase Holding Corporation and Subsidiaries as of December 28, 1995 and December 29, 1994, and the consolidated results of their operations and their cash flows for the period December 30, 1994 to December 28, 1995 and January 1 to December 29, 1994 (Post-consummation) and January 1 to December 31, 1993 (Pre-consummation), in conformity with generally accepted accounting principles. In addition, in our opinion the schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

Chicago, Illinois
March 26, 1996

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 28, 1995	DECEMBER 29, 1994
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and equivalents	$ 11,826	$ 6,201
Receivables, net	53,022	46,834
Receivables, affiliates	51,829	48,138
Inventories	38,233	43,725
Other current assets	9,106	6,515
Total current assets	164,016	151,413
Property, plant and equipment	150,417	138,030
Less accumulated depreciation	20,217	8,967
Property, plant and equipment, net	130,200	129,063
Deferred financing costs	1,042	1,081
Other assets	1,869	1,424
Excess reorganization value	40,517	43,638
	$337,644	$326,619
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt	$ 6,097	$ 6,978
Accounts payable	13,720	15,479
Accounts payable and advances, affiliates	54,152	43,233
Accrued liabilities	21,942	25,358
Total current liabilities	95,911	91,048
Long-term debt	7,721	14,023
Accrued employee benefits	4,281	3,969
Deferred and noncurrent income taxes	25,895	22,400
Intercompany loans	81,094	77,866
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1.00 par value, 1,000 shares authorized; 100 shares issued and outstanding		
Paid in capital	103,463	103,463
Retained earnings	12,100	9,938
Cumulative foreign currency translation adjustments	7,179	3,912
Total stockholders' equity	122,742	117,313
	$337,644	$326,619

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

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	52 WEEKS DECEMBER 30, 1994 TO DECEMBER 28, 1995	52 WEEKS JANUARY 1, TO DECEMBER 29, 1994	52 WEEKS JANUARY 1, TO DECEMBER 31, 1993
	(IN THOUSANDS, EXCEPT FOR NUMBER OF SHARES AND PER SHARE AMOUNTS)		
NET SALES	$ 267,212	$ 220,787	$ 195,291
Patent infringement settlement income		9,457	
COSTS AND EXPENSES			
Cost of sales	207,232	168,891	151,694
Selling, general and administrative	36,288	27,654	25,171
Amortization of intangibles and excess reorganization value	3,333	3,346	2,541
OPERATING INCOME	20,359	30,353	15,885
Interest income	455	248	910
Interest expense	3,353	3,453	6,213
Intercompany interest expense	4,199	3,861	6,084
Management fees	1,709	856	852
Other expense (income), net	3,754	2,518	1,723
Minority interest in loss of subsidiary		50	717
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	7,799	19,963	2,640
Income tax provision	4,947	10,025	2,645
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	2,852	9,938	(5)
Extraordinary loss, net of tax	690		
NET INCOME (LOSS)	$ 2,162	$ 9,938	$ (5)
WEIGHTED AVERAGE COMMON SHARES	100	100	100
PER SHARE AMOUNTS:			
NET INCOME (LOSS)	$ 21,620	$ 99,380	$ (50)

Due to the implementation of the Plan of Reorganization and Fresh Start Reporting, the consolidated statement of operations for the fiscal years ended December 28, 1995 and December 29, 1994 are not comparable to the fiscal year ended December 31, 1993. (Refer to Note 1 of Notes to Consolidated Financial Statements.)

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

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	COMMON STOCK	PAID IN CAPITAL	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDER'S EQUITY
			(IN THOUSANDS)		
Balance December 31, 1992		$ 20,119	$ 79,458	$ (2,356)	$ 97,221
Net (loss)			(5)		(5)
Capital contributions		4,295			4,295
Fresh start revaluation adjustments		58,272			58,272
Translation adjustments				(2,044)	(2,044)
Elimination of Viskase Holding Corporation accumulated earnings			(79,453)	4,400	(75,053)
Balance December 31, 1993		$ 82,686	$ 0	$ 0	$ 82,686
Net income			9,938		9,938
Capital contributions		16,056			16,056
Fresh start revaluation adjustments		4,721			4,721
Translation adjustments				3,912	3,912
Balance December 29, 1994		$103,463	$ 9,938	$ 3,912	$ 117,313
Net income			2,162		2,162
Translation adjustments				3,267	3,267
Balance December 28, 1995		$103,463	$ 12,100	$ 7,179	$ 122,742

Due to the implementation of the Plan of Reorganization and Fresh Start Reporting, the stockholders' equity for the fiscal years ended December 28, 1995 and December 29, 1994 are not comparable to the fiscal year ended December 31, 1993. (Refer to Note 1 of Notes to Consolidated Financial Statements.)

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

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1 TO DECEMBER 29, 1994	JANUARY 1 TO DECEMBER 31, 1993
		(IN THOUSANDS)	
Cash flows from operating activities:			
Income (loss) before extraordinary item	$ 2,852	$ 9,938	$ (5)
Extraordinary loss	690		
Net income (loss)	2,162	9,938	(5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	11,202	9,018	11,024
Amortization of intangibles and excess reorganization value	3,333	3,346	2,541
Amortization of deferred financing fees and discount	208	210	935
Increase (decrease) in deferred and noncurrent income taxes	2,098	128	(1,436)
Loss on debt extinguishment	1,030		
Foreign currency transaction loss (gain)	159		(68)
Loss (gain) on sales of property, plant and equipment	30	32	424
Changes in operating assets and liabilities:			
Accounts receivable	(4,441)	(9,076)	(3,055)
Accounts receivable, affiliates	(5,183)	(18,214)	9,373
Inventories	7,224	(8,895)	(1,467)
Other current assets	(2,144)	(1,462)	(461)
Accounts payable and accrued liabilities	(6,926)	8,314	3,219
Accounts payable, affiliates	10,719	21,739	13,359
Other	(790)	288	(908)
Total adjustments	16,519	5,428	33,480
Net cash provided by operating activities	18,681	15,366	33,475
Cash flows from investing activities:			
Capital expenditures	(6,589)	(10,880)	(13,484)
Proceeds from sale of property, plant and equipment	47	120	120
Purchase of minority interest in subsidiary		(4,200)	
Net cash (used in) investing activities	(6,542)	(14,960)	(13,364)
Cash flows from financing activities:			
Proceeds from revolving loan and long-term borrowings	42,216	10,068	6,003
Deferred financing costs	(1,166)		(1,120)
Repayment of revolving loan and long-term borrowings	(50,588)	(9,112)	(30,938)
Increase (decrease) in Envirodyne loan and advances	3,236	(555)	(1,628)
Net cash provided by (used in) financing activities	(6,302)	401	(27,683)
Effect of currency exchange rate changes on cash	(212)	(776)	(316)
Net increase (decrease) in cash and equivalents	5,625	31	(7,888)
Cash and equivalents at beginning of period	6,201	6,170	14,058
Cash and equivalents at end of period	$ 11,826	$ 6,201	$ 6,170
Supplemental cash flow information:			
Interest paid	$ 1,919	$ 1,808	$ 4,403
Income taxes paid	$ 4,255	$ 3,548	$ 1,063

Due to the implementation of the Plan of Reorganization and Fresh Start Reporting, the consolidated statement of cash flows for the fiscal years ended December 28, 1995 and December 29, 1994 are not comparable to the fiscal year ended December 31, 1993. (Refer to Note 1 of Notes to Consolidated Financial Statements.)

Supplemental schedule of noncash investing and financing activities:

Fiscal 1993

Viskase Holding Corporation's capital increased by $4.3 million due to the forgiveness of an Envirodyne loan. Viskase Holding Corporation contributed capital consisting of $160 thousand of equipment to Viskase Brasil Embalagens Ltda.

Fiscal 1994

Viskase S.A. and its subsidiary Viskase Canada Inc.'s capital increased by $16 million due to the forgiveness of an Envirodyne loan. Viskase Corporation transferred equipment totaling $1.5 million, $174 thousand and $2.1 million to Viskase S.A., Viskase de Mexico S.A. de C.V., and Viskase Brasil Embalagens Ltda, respectively.

Fiscal 1995

Viskase Corporation transferred equipment totaling $497 thousand to Viskase S.A. Viskase Holding Corporation contributed capital consisting of $250 thousand of equipment to Viskase de Mexico S.A. de C.V.

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

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Viskase Holding Corporation is a wholly owned subsidiary of Viskase Corporation. Viskase Corporation, in turn, is a wholly owned subsidiary of Envirodyne Industries, Inc. Viskase Holding Corporation serves as the direct or indirect parent company for the majority of Viskase Corporation's non-domestic operations. These subsidiaries are as follows:

NAME OF SUBSIDIARY	PARENT OF SUBSIDIARY	COUNTRY OF BUSINESS
Viskase Brasil Embalagens Ltda.	Viskase Holding Corporation	Brazil
Viskase Australia Limited	Viskase Holding Corporation	Australia
Viskase de Mexico S.A. de C.V.	Viskase Holding Corporation	Mexico
Viskase S.A.	Viskase Holding Corporation	France
Viskase Gmbh	Viskase S.A.	Germany
Viskase SPA	Viskase S.A.	Italy
Viskase Canada Inc.	Viskase S.A.	Canada
Viskase ZAO	Viskase S.A.	Russia
Viskase Holdings Limited	Viskase S.A.	United Kingdom
Filmco International Limited	Viskase Holdings Limited	United Kingdom
Viskase Limited	Viskase Holdings Limited	United Kingdom
Viskase (UK) Limited	Viskase Limited	United Kingdom
Envirodyne S.A.R.L.	Viskase (UK) Limited	France

Viskase Holding Corporation conducts its operations through its subsidiaries and, for the most part, has no assets or liabilities other than its investments, accounts receivable and payable with affiliates, and intercompany loan and advances.

On January 6, 1993, a group of bondholders filed an involuntary petition for reorganization of Envirodyne Industries, Inc. under Chapter 11 of the U.S. Bankruptcy Code. On January 7, 1993, several of the subsidiaries of Envirodyne Industries, Inc., including Viskase Holding Corporation, each filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). None of the subsidiaries of Viskase Holding Corporation entered into Chapter 11. On December 17, 1993, the Bankruptcy Court confirmed the First Amended Joint Plan of Reorganization as twice modified (Plan of Reorganization) with respect to Envirodyne Industries, Inc. (Envirodyne) and certain of its subsidiaries, including Viskase Holding Corporation. The Plan of Reorganization was consummated and Envirodyne and certain of its subsidiaries emerged from Chapter 11 on December 31, 1993 (Effective Date). For accounting purposes, the Plan of Reorganization was deemed to be effective as of December 31, 1993.

The Chapter 11 filing was related only to the Company's domestic operations and did not include the foreign subsidiaries and various inactive domestic subsidiaries.

The Company accounted for the reorganization using the principles of fresh start reporting in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Accordingly, all assets and liabilities have been restated to reflect their reorganization value, which approximates fair value.

The reorganization value of the Company's equity of $135,000 was based on the consideration of many factors and various valuation methods, including discounted cash flows and comparable multiples of earnings valuation techniques believed by management and its financial advisors to be representative of the Company's business and industry. Factors considered by the Company included the following:

- Forecasted operating and cash flow results which gave effect to the estimated impact of debt restructuring and other operational reorganization.

- o Discounted residual value at the end of the forecasted period based on the capitalized cash flows for the last year of that period.

- o Competition and general economic considerations.

- o Projected sales growth.

- o Potential profitability.

- o Seasonality and working capital requirements.

The excess of the reorganization value over the fair value of net assets and liabilities is reported as excess reorganization value and is being amortized over a fifteen-year period. The Company continues to evaluate the recoverability of excess reorganization value based on the operating performance and expected future undiscounted cash flows of the operating business units.

The reorganization and the adoption of Fresh Start Reporting resulted in no material adjustments to the Company's Consolidated Statement of Operations for the period January 1 to December 31, 1993.

2. NATURE OF BUSINESS

Viskase Holding Corporation's subsidiaries manufacture food packaging products. The operations of these subsidiaries are primarily in Europe and South and North America. Through its subsidiaries, the Company is a leading producer of cellulosic casings used in preparing and packaging processed meat products and is a major producer of heat shrinkable plastic bags and specialty films for packaging and preserving fresh and processed meat products, poultry and cheeses. The Company is also a leading international manufacturer of plasticized polyvinyl chloride (PVC) films, primarily for use in packaging food items.

INTERNATIONAL OPERATIONS

Viskase Holding Corporation's subsidiaries have seven manufacturing facilities located outside the continental United States, in Beauvais, France; Thaon, France; Lindsay, Ontario, Canada; Sedgefield, England (Great Britain); Swansea, Wales (Great Britain); Guarulhos, Brazil and Nuevo Laredo, Mexico.

International sales and operations may be subject to various risks including, but not limited to, possible unfavorable exchange rate fluctuations, political instability, governmental regulations (including import and export controls), restrictions on currency repatriation, embargoes, labor relations laws and the possibility of governmental expropriation. Viskase Holding Corporation's foreign operations generally are subject to taxes on the repatriation of funds.

International operations in certain parts of the world may be subject to international balance of payments difficulties which may raise the possibility of delay or loss in the collection of accounts receivable from sales to customers in those countries. Viskase Holding Corporation believes that its subsidiaries' allowance for doubtful accounts makes adequate provision for the collectibility of its receivables. Management believes that growth potential exists for many of Viskase's products outside the United States and that Viskase is well positioned to participate in these markets.

SALES AND DISTRIBUTION

Viskase Holding Corporation's subsidiaries' principal markets are in Europe, Latin America, North America and Asia Pacific.

The United Kingdom operation sells its PVC films directly and through distributors, primarily to the retail grocery and foodservice industries in Europe.

In Europe, Viskase Holding Corporation's subsidiaries operate casings service centers in Milan, Italy, Pulheim, Germany, and Moscow, Russia. The Company also operates a service center in Brisbane, Australia. These service centers provide finishing, inventory and delivery services to customers. The subsidiaries also use outside distributors to market their products to customers in Europe, Africa, Asia and Latin America.

COMPETITION

From time to time, Viskase Holding Corporation's subsidiaries experience reduced market share or reduced profits due to price competition; however, management believes that such market conditions will not result in any long-term material loss of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

Effective in 1990 Envirodyne Industries, Inc. adopted a 52/53 week fiscal year ending on the last Thursday of December. Viskase Holding Corporation's 1993 financial statements include December 31, 1993 in order to present the effect of the consummation of the Plan of Reorganization.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements reflect the accounts of Viskase Holding Corporation and its subsidiaries. All significant intercompany transactions and balances between and among Viskase Holding Corporation and its subsidiaries have been eliminated in the consolidation.

Reclassifications have been made to the prior years' financial statements to conform to the 1995 presentation.

(C) USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(D) CASH EQUIVALENTS (DOLLARS IN THOUSANDS)

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 $8,074 and $821 of short-term investments at December 28, 1995 and December 29, 1994, respectively.

(E) INVENTORIES

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

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years. Upon retirement or other disposition, cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in results of operations. Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, property, plant and equipment was reported at the estimated fair value.

(G) DEFERRED FINANCING COSTS

Deferred financing costs are amortized on a straight-line basis over the expected term of the related debt agreement. Amortization of deferred financing costs is classified as interest expense.

(H) EXCESS REORGANIZATION VALUE AND EXCESS INVESTMENT OVER NET ASSETS ACQUIRED, NET

Excess reorganization value is amortized on the straight-line method over 15 years.

Cost in excess of net assets acquired, net was amortized on a straight-line method over 40 years in fiscal 1993.

The Company continues to evaluate the recoverability of excess reorganization value based on operating performance and undiscounted cash flows of the operating business units. Impairment will be recognized when the expected undiscounted future operating cash flows derived from such intangible is less than its carrying value. If impairment is identified, valuation techniques deemed appropriate under the particular circumstances will be used to determine the intangible'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 at least on a quarterly basis.

(I) PENSIONS

The Company's operations in Europe have defined benefit retirement plans covering substantially all salaried and full time hourly employees. Pension cost is computed using the projected unit credit method.

The Company's funding policy is consistent with funding requirements of the applicable foreign laws and regulations.

(J) POSTEMPLOYMENT BENEFITS

Effective December 31, 1993 and in conjunction with the Fresh Start Reporting, the Company adopted SFAS No. 112 "Employers Accounting for Postemployment Benefits." The impact of adopting SFAS No. 112 was not material.

(K) INCOME TAXES

Income taxes are accounted for in accordance with SFAS No. 109. Tax provisions and benefits are recorded at statutory rates for taxable items included in the consolidated statements of operations regardless of the period for which such items are reported for tax purposes. Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities for which income tax benefits will be realized in future years.

(L) NET INCOME (LOSS) PER SHARE

Net income (loss) per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year.

(M) REVENUE RECOGNITION

Sales to customers are recorded at the time of shipment net of discounts and allowances.

(N) FOREIGN CURRENCY CONTRACTS

The Company maintains a hedging program to partially hedge its forecasted foreign currency revenue cash flows. The hedging program principally addresses revenue cash flows within its European operations. The foreign exchange contracts are denominated predominantly in the major European currencies and have varying maturities up to eighteen months. The effect of this practice is to minimize the effect of foreign exchange rate movements on the Company's operating results. The Company's hedging activities do not subject the Company to additional exchange rate risk because gains and losses on these contracts offset losses and gains on the transactions being hedged. The cash flows from forward contracts accounted for as hedges of identifiable transactions or events are classified consistent with the cash flows from the transactions or events being hedged.

(O) STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on new fair value accounting rules. Although expense recognition for employee stock-based compensation is not mandatory, SFAS 123 requires companies that choose not to adopt the new fair value accounting to disclose pro forma net income and earnings per share under the new method. This new accounting principle is effective for the Company's fiscal year ending December 26, 1996. The Company believes that adoption is not expected to have a material impact on its financial condition as the Company will not adopt the fair value accounting, but will instead comply with the disclosure requirements.

4. RECEIVABLES (DOLLARS IN THOUSANDS)

Receivables consisted primarily of trade accounts receivable and were net of allowances for doubtful accounts of $2,256 and $1,364 at December 28, 1995, and at December 29, 1994, respectively.

5. INVENTORIES (DOLLARS IN THOUSANDS)

Inventories consisted of:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Raw materials	$ 5,299	$ 5,778
Work in process	13,342	13,975
Finished products	19,592	23,972
	$38,233	$43,725

Inventories were net of reserves for obsolete and slow moving inventory of $1,331 and $1,686 at December 28, 1995 and December 29, 1994, respectively.

6. PROPERTY, PLANT AND EQUIPMENT (DOLLARS IN THOUSANDS)

	DECEMBER 28, 1995	DECEMBER 29, 1994
Property, plant and equipment:		
Land and improvements	$ 5,319	$ 4,982
Buildings and improvements	30,236	28,588
Machinery and equipment	114,212	103,293
Construction in progress	283	1,167
Capital Leases:		
Machinery and equipment	367	
	$150,417	$138,030

Maintenance and repairs charged to costs and expenses for 1995, 1994, and 1993 aggregated $10,288, $10,748 and $9,782, respectively. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 32 years.

7. ACCRUED LIABILITIES (DOLLARS IN THOUSANDS)

Accrued liabilities were comprised of:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Compensation and employee benefits	$ 9,446	$10,408
Taxes, other than on income	1,585	2,006
Accrued volume and sales discounts	5,320	5,445
Other	5,591	7,499
	$21,942	$25,358

8. DEBT OBLIGATIONS (DOLLARS IN THOUSANDS)

As described in Note 1, Chapter 11 Reorganization Proceedings, Envirodyne and certain of its domestic Subsidiaries (including Viskase Holding Corporation) emerged from Chapter 11 on December 31, 1993.

On June 20, 1995, Envirodyne completed the sale of $160,000 aggregate principal amount of senior secured notes to certain institutional investors in a private placement. The senior secured notes were issued pursuant to an indenture dated June 20, 1995 (Indenture) and consist of (i) $151,500 of 12% Senior Secured Notes due 2000 and (ii) $8,500 of Floating Rate Senior Secured Notes due 2000 (collectively, the Senior Secured Notes). Envirodyne used the net proceeds of the offering primarily to (i) repay the Company's $86,125 domestic term loan, (ii) repay the $68,316 of obligations under the Company's domestic and foreign revolving loans and (iii) pay transaction fees and expenses. Concurrently with the June 20, 1995 placement, Envirodyne entered into a new $20,000 domestic revolving credit facility (Revolving Credit Facility) and a new $28,000 letter of credit facility (Letter of Credit Facility). The Senior Secured Notes and the obligations under the Revolving Credit Facility and the Letter of Credit Facility are guaranteed by Envirodyne's significant domestic subsidiaries and secured by a collateral pool (Collateral Pool) comprised of: (i) all domestic accounts receivable (including intercompany receivables) and inventory; (ii) all patents, trademarks and other intellectual property (subject to non-exclusive licensing agreements); (iii) substantially all domestic fixed assets (other than assets subject to a lease agreement with General Electric Capital Corporation); and (iv) a senior pledge of 100% of the capital stock of Envirodyne's significant domestic subsidiaries and 65% of the capital stock of Viskase S.A. Such guarantees and security are shared by the holders of the Senior Secured Notes and the holders of the obligations under the Revolving Credit Facility on a pari passu basis pursuant to an intercreditor agreement. Pursuant to such intercreditor agreement, the security interest of the holders of the obligations under the Letter of Credit Facility has priority over all other liens on the Collateral Pool.

8. DEBT OBLIGATIONS (DOLLARS IN THOUSANDS)--(CONTINUED)

The Company finances its working capital needs through a combination of cash generated through operations and borrowings local unsecured credit facilities and intercompany loans.

The Company recognized an extraordinary loss of $1,030 representing the write-off of deferred financing fees related to the June 20, 1995 debt refinancing. The extraordinary loss, net of applicable income taxes of $340, was included in the Company's Statement of Operations for the quarter ended June 29, 1995.

The Viskase Limited term facility is with a foreign financial institution. The term facility, which is collateralized by substantially all of the assets of Viskase Limited, bears a variable interest rate and is payable in 16 equal semiannual installments that began in December 1992.

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

	DECEMBER 28, 1995	DECEMBER 29, 1994
Short-term debt and current maturity of long-term debt:		
Current maturity of Viskase Limited Term Loan (4.7%)	$2,033	$ 1,882
Other	4,064	5,096
Total short-term debt	$6,097	$ 6,978
Long-term debt:		
Bank Credit Agreement:		
Multicurrency Loan due 1999 (8.9%)		4,924
Viskase Limited Term Loan (4.7%)	7,115	8,466
Other	606	633
Total long-term debt	$7,721	$14,023

The fair value of the Company's debt obligation is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for the debt of the same remaining maturities. At December 29, 1994, the fair value of debt obligations approximated their carrying value.

Aggregate maturities of remaining long-term debt for each of the next five fiscal years are:

	TOTAL
1996	$2,612
1997	2,383
1998	2,233
1999	2,033
2000	1,016

9. OPERATING LEASES (DOLLARS IN THOUSANDS)

The Company has operating lease agreements for machinery, equipment and facilities. The majority of the facilities leases require the Company to pay maintenance, insurance and real estate taxes.

Future minimum lease payments for operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 28, 1995, are:

1996	$1,357
1997	1,092
1998	886
1999	450
2000	372
Total thereafter	
Total minimum lease payments	$4,157

Total rent expense during 1995, 1994 and 1993 amounted to $3,750, $2,350 and $2,140, respectively.

10. RETIREMENT PLANS (DOLLARS IN THOUSANDS)

The Company maintains various pension and statutory separation pay plans for its European employees. The expense for these plans in 1995, 1994 and 1993 was $1,383, $1,043 and $864, respectively. As of their most recent valuation dates, in plans where vested benefits exceeded plan assets, the actuarially computed value of vested benefits exceeded those plans' assets by approximately $2,856; conversely, plan assets exceeded the vested benefits in certain other plans by approximately $2,346.

The Company's postretirement benefits are not material.

11. CONTINGENCIES (DOLLARS IN THOUSANDS)

The Company and its subsidiaries are involved in various legal proceedings arising out of its business and other environmental matters, none of which is expected to have a material adverse effect upon its results of operations, cash flows or financial position.

12. INCOME TAXES (DOLLARS IN THOUSANDS)

The provision (benefit) for income taxes consisted of:

	DECEMBER 30, 1994 TO DECEMBER 29, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Current:			
Federal	$ 1,316	$ 4,479	$1,368
Foreign	950	4,652	2,453
State and local	243	766	258
	2,509	9,897	4,079
Deferred:			
Federal	2,098	128	(1,434)
Foreign			
State and local	2,908	128	(1,434)
	$ 4,607	$10,025	$2,645

A reconciliation from the statutory federal tax rate to the consolidated effective tax rate follows:

	DECEMBER 30, 1994 TO DECEMBER 28, 1995	JANUARY 1, TO DECEMBER 29, 1994	JANUARY 1, TO DECEMBER 31, 1993
Statutory federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate due to:			
State and local taxes net of related federal tax benefit	2.3	2.5	6.4
Net effect of taxes relating to foreign operations	30.4	11.1	61.6
Other	.4	1.6	(2.8)
Consolidated effective tax rate	68.1%	50.2%	100.2%

12. INCOME TAXES (DOLLARS IN THOUSANDS)--(CONTINUED)

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1995 are as follows:

	TEMPORARY DIFFERENCE		TAX EFFECTED	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Depreciation basis differences		$72,219		$25,717
Pension and healthcare		600		220
Other accruals, reserves, and other	$ 648	399	$ 216	174
	$ 648	$73,218	$ 216	$26,111

At December 28, 1995, the Company had $11,136 of undistributed earnings of foreign subsidiaries considered permanently invested for which deferred taxes have not been provided.

Domestic earnings or (losses) after extraordinary gain or loss and before income taxes were approximately $3,937, $12,634 and $4,373 in 1995, 1994 and 1993, respectively. Foreign earnings or (losses) before income taxes were approximately $2,832, $7,329 and $(1,733) in 1995, 1994 and 1993, respectively.

13. RESEARCH AND DEVELOPMENT COSTS (DOLLARS IN THOUSANDS)

Research and development costs are expensed as incurred and totaled $1,106, $1,562 and $1,180, for 1995, 1994, and 1993, respectively.

14. RELATED PARTY TRANSACTIONS (DOLLARS IN THOUSANDS)

INTERCOMPANY LOANS AND ADVANCES:

	DECEMBER 28, 1995	DECEMBER 29, 1994
Viskase S.A. 12% promissory note due to Envirodyne	$25,142	
Viskase S.A. promissory note due to Envirodyne	17,440	$35,249
Accrued interest on Viskase S.A. promissory note	83	1,688
Viskase United Kingdom Limited promissory note due to Envirodyne, including accrued interest	419	2,919
Advances:		
Envirodyne to Viskase S.A.		
Viskase Corporation to Viskase Holding Corporation	38,010	38,010
	$81,094	$77,866

The Viskase S.A. 12% promissory note due to Envirodyne is payable on demand. Interest is payable semiannually on June 30 and December 31.

The Viskase S.A. promissory note due to Envirodyne is payable on demand and bears interest at a rate of 10.00%. Interest is payable semiannually on June 30 and December 31.

The $2.5 million Viskase United Kingdom Limited promissory note due to Envirodyne is payable on demand and bears interest at a rate of 8.00%. The promissory note was repaid in 1995.

The Viskase Corporation advance to Viskase Holding Corporation is payable on demand.

14. RELATED PARTY TRANSACTIONS (DOLLARS IN THOUSANDS)--(CONTINUED)

LICENSE AGREEMENTS

Viskase Holding Corporation has been granted the right to license Viskase Corporation's patents and technology pursuant to a license agreement between Viskase Corporation and Viskase Holding Corporation.

INTERCOMPANY TRANSACTIONS

In 1995, 1994 and 1993, the Company paid $1,022, $756 and $752, respectively, to Viskase Corporation for management services. During 1995, 1994 and 1993, the Company accrued $687, $100 and $100, respectively, payable to Envirodyne for management services.

During 1995, 1994 and 1993, the Company purchased semi-finished and finished inventory from Viskase Sales Corporation in the amount of $26,953, $23,114 and $15,439, respectively. In addition, during 1995, 1994 and 1993, the Company had sales of inventory to Viskase Sales Corporation in the amount of $7,329, $5,632 and $1,338, respectively.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying value and estimated fair value as of December 28, 1995 of the Company's financial instruments. (Refer to Notes 3 and 8.)

	CARRYING VALUE	ESTIMATED FAIR VALUE
Assets:		
Cash and equivalents	$11,826	$11,826
Foreign currency contracts	3,397	3,377
Liabilities:		
Long-term debt	7,721	7,721

SCHEDULE II

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	PROVISION CHARGED TO EXPENSE	WRITE-OFFS	RECOVERIES	OTHER(1)	BALANCE AT END OF PERIOD
1995 for the year ended December 28 Allowance for doubtful accounts	$2,136	$1,403	$ (472)	$ 6	$151	$3,224
1994 for the year ended December 29 Allowance for doubtful accounts	2,872	939	(1,824)	21	128	2,136
1993 for the year ended December 31 Allowance for doubtful accounts	2,175	1,166	(334)	70	(205)	2,872
1995 for the year ended December 28 Reserve for obsolete and slow moving inventory	5,353	1,264	(2,868)		69	3,818
1994 for the year ended December 29 Reserve for obsolete and slow moving inventory	5,425	2,936	(3,123)		115	5,353
1993 for the year ended December 31 Reserve for obsolete and slow moving inventory	3,178	4,973	(2,660)		(66)	5,425

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(1) Foreign currency translation.

UNAUDITED INTERIM FINANCIAL STATEMENTS

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 28, 1996	December 28, 1995
	(in thousands)	
ASSETS		
Current assets:		
Cash and equivalents	$ 23,002	$ 30,325
Receivables, net	86,348	89,454
Inventories	105,239	99,474
Other current assets	32,073	21,646
Total current assets	246,662	240,899
Property, plant and equipment, including those under capital leases	549,638	545,491
Less accumulated depreciation and amortization	86,604	75,987
Property, plant and equipment, net	463,034	469,504
Deferred financing costs	7,448	8,090
Other assets	44,327	45,589
Excess reorganization value	132,889	135,485
	$894,360	$899,567
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt and obligations under capital leases	$ 12,014	$ 12,504
Accounts payable	41,429	39,117
Accrued liabilities	78,851	67,553
Total current liabilities	132,294	119,174
Long-term debt including obligations under capital leases	523,113	530,181
Accrued employee benefits	55,944	55,626
Deferred and noncurrent income taxes	73,156	77,490
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; none outstanding		
Common stock, $.01 par value; 14,479,721 shares issued and outstanding at March 28, 1996 and 13,579,460 shares at December 28, 1995	145	136
Paid in capital	134,855	134,864
Accumulated (deficit)	(31,058)	(25,131)
Cumulative foreign currency translation adjustments	5,911	7,227
Total stockholders' equity	109,853	117,096
	$894,360	$899,567

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

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 28, 1996	March 30, 1995
	(in thousands, except for number of shares and per share amounts)	
NET SALES	$159,736	$155,824
COSTS AND EXPENSES		
Cost of sales	119,709	114,955
Selling, general and administrative	26,642	28,270
Amortization of intangibles and excess reorganization value	4,091	3,910
OPERATING INCOME	9,294	8,689
Interest income	391	64
Interest expense	14,876	13,434
Other expense (income), net	3,036	(591)
(LOSS) BEFORE INCOME TAXES	(8,227)	(4,090)
Income tax provision (benefit)	(2,300)	(195)
NET (LOSS)	$ (5,927)	$ (3,895)
WEIGHTED AVERAGE COMMON SHARES	13,737,748	13,515,000
PER SHARE AMOUNTS:		
NET (LOSS)	$(.43)	$ (.29)

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

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 28, 1996	March 30, 1995
	(in thousands)	
Cash flows from operating activities:		
Net (loss)	$ (5,927)	$ (3,895)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation and amortization under capital lease	10,974	9,986
Amortization of intangibles and excess reorganization value	4,091	3,910
Amortization of deferred financing fees and discount	579	549
Increase (decrease) in deferred and noncurrent income taxes	(3,866)	(907)
Foreign currency transaction loss (gain)	47	(1,586)
(Gain) on sales of property, plant and equipment	(2)	
Changes in operating assets and liabilities:		
Accounts receivable	2,307	(438)
Inventories	(6,212)	(12,192)
Other current assets	(10,558)	(10,615)
Accounts payable and accrued liabilities	14,243	254
Other	191	398
Total adjustments	11,794	(10,641)
Net cash provided by operating activities	5,867	(14,536)
Cash flows from investing activities:		
Capital expenditures	(6,543)	(7,631)
Proceeds from sale of property, plant and equipment	49	
Net cash (used in) investing activities	(6,494)	(7,631)
Cash flows from financing activities:		
Proceeds from revolving loan and long-term borrowings		42,249
Deferred financing costs		(464)
Repayment of revolving loan, long-term borrowings and capital lease obligation	(7,202)	(19,973)
Net cash provided by financing activities	(7,202)	21,812
Effect of currency exchange rate changes on cash	506	275
Net (decrease) in cash and equivalents	(7,323)	(80)
Cash and equivalents at beginning of period	30,325	7,289
Cash and equivalents at end of period	$ 23,002	$ 7,209

Supplemental cash flow information:		
Interest paid	$13,379	$16,330
Income taxes paid	$ 453	$ 1,405

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

1. INVENTORIES (dollars in thousands)

Inventories consisted of:

	March 28, 1996	December 28, 1995
Raw materials	$ 17,605	$ 17,150
Work in process	32,695	32,800
Finished products	54,939	49,524
	$105,239	$ 99,474

Approximately 56% of the inventories at March 28, 1996 were valued at Last-In, First-Out (LIFO). These LIFO values exceeded current manufacturing cost by approximately $5 million at March 28, 1996.

2. DEBT OBLIGATIONS (dollars in thousands)

On June 20, 1995, Envirodyne Industries, Inc. (Envirodyne or the Company) completed the sale of $160,000 aggregate principal amount of senior secured notes pursuant to an indenture dated June 20, 1995 (Indenture) consisting of (i) $151,500 of 12% Senior Secured Notes due 2000 and (ii) $8,500 of Floating Rate Senior Secured Notes due 2000 (collectively, the Senior Secured Notes). Envirodyne used the net proceeds of the offering primarily to refinance senior bank debt and pay transaction fees and expenses. Concurrently with the June 20, 1995 financing, Envirodyne entered into a $20,000 domestic revolving credit facility (Revolving Credit Facility) and a $28,000 letter of credit facility (Letter of Credit Facility). The Senior Secured Notes and the obligations under the Revolving Credit Facility and the Letter of Credit Facility are guaranteed by Envirodyne's significant domestic subsidiaries and secured by a collateral pool (Collateral Pool) comprised of: (i) all domestic accounts receivable (including intercompany receivables) and inventory; (ii) all patents, trademarks and other intellectual property (subject to non-exclusive licensing agreements); (iii) substantially all domestic fixed assets (other than assets subject to a lease agreement with General Electric Capital Corporation); and (iv) a senior pledge of 100% of the capital stock of Envirodyne's significant domestic subsidiaries and 65% of the capital stock of Viskase S.A. Such guarantees and security are shared by the holders of the Senior Secured Notes and the holders of the obligations under the Revolving Credit Facility on a pari passu basis pursuant to an intercreditor agreement. Pursuant to such intercreditor agreement, the security interest of the holders of the obligations under the Letter of Credit Facility has priority over all other liens on the Collateral Pool.

The Company finances its working capital needs through a combination of cash generated through operations and borrowings under the Revolving Credit Facility. The availability of funds under the Revolving Credit Facility is subject to the Company's compliance with certain covenants (which are substantially similar to those included in the Indenture), borrowing base limitations measured by accounts receivable and inventory of the Company and reserves which may be established at the discretion of the lenders. Currently, there are no drawings under the Revolving Credit Facility. The available borrowing capacity under the Revolving Credit Facility was $20 million at March 28, 1996.

The Company recognized an extraordinary loss of $6,778 representing the write-off of deferred financing fees related to the June 20, 1995 debt refinancing. The extraordinary loss, net of applicable income taxes of $2,582, was included in the Company's Statement of Operations for the quarter ended June 29, 1995.

The $151,500 tranche of Senior Secured Notes bears interest at a rate of 12% per annum and the $8,500 tranche bears interest at a rate equal to the six month London Interbank Offered Rate (LIBOR) plus 575 basis points. The interest rate on the floating rate tranche is approximately 11.4%. The interest rate on the floating rate tranche is reset semi-annually on June 15 and December 15. Interest on the Senior Secured Notes is payable each June 15 and December 15.

On June 15, 1999, $80,000 of Senior Secured Notes is subject to a mandatory redemption. The remaining principal amount outstanding will mature on June 15, 2000.

In the event the Company has Excess Cash Flow (as defined) in excess of $5,000 in any fiscal year, Envirodyne is required to make an offer to purchase Senior Secured Notes together with any borrowed money obligations outstanding under the Revolving Credit Facility, on a pro rata basis, in an amount equal to the Excess Cash Flow at a purchase price of 100% plus any accrued interest to the date of purchase. There was no Excess Cash Flow for fiscal 1995.

The Senior Secured Notes are redeemable, in whole or from time to time in part, at Envirodyne's option, at the greater of (i) the outstanding principal amount or (ii) the present value of the expected future cash flows from the Senior Secured Notes discounted at a rate equal to the Treasury Note yield corresponding closest to the remaining average life of the Senior Secured Notes at the time of prepayment plus 100 basis points; plus accrued interest thereon to the date of purchase.

Upon the occurrence of a Change of Control (which includes the acquisition by any person of more than 50% of Envirodyne's Common Stock), each holder of the Senior Secured Notes has the right to require the Company to repurchase such holder's Senior Secured Notes at a price equal to the greater of (i) the outstanding principal amount or (ii) the present value of the expected cash flows from the Senior Secured Notes discounted at a rate equal to the Treasury Note yield corresponding closest to the remaining average life of the Senior Secured Notes at the time of prepayment plus 100 basis points; plus accrued interest thereon to the date of purchase.

The Indenture contains covenants with respect to Envirodyne and its subsidiaries limiting (subject to a number of important qualifications), among other things, (i) the ability to pay dividends or redeem or repurchase common stock, (ii) the incurrence of indebtedness, (iii) the creation of liens, (iv) certain affiliate transactions and (v) the ability to consolidate with or merge into another entity and to dispose of assets.

Borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to the three month London Interbank Offered Rate (LIBOR) on the first day of each calendar quarter plus 300 basis points. The Revolving Credit Facility expires on June 20, 1998.

Envirodyne has entered into interest rate agreements that cap $50 million of interest rate exposure at an average LIBOR rate of 6.50% until January 1997. These interest rate cap agreements were entered into under terms of the senior bank financing that was repaid on June 20, 1995. Interest expense includes $153 of amortization of the interest rate cap premium during the three-month period ended March 28, 1996. Envirodyne has not received any payments under the interest rate protection agreements.

The Letter of Credit Facility expires on June 20, 1998. Fees on the outstanding amount of letters of credit are 2.0% per annum, with an issuance fee of 0.5% on the face amount of the letter of credit. There is a commitment fee of 0.5% per annum on the unused portion of the Letter of Credit Facility.

Had the refinancing taken place at the beginning of 1995, the pro forma Envirodyne consolidated statement of operations would have been:

(in thousands, except for number of shares and per share amounts)

	Pro Forma Three Months Ended March 30, 1995
Net sales	$155,824
Cost of sales	114,955
Selling, general and administrative	28,270
Amortization of intangibles and excess reorganization cost	3,910
Operating income	8,689
Interest income	64
Interest expense	14,981
Other expense (income), net	(591)
(Loss) before income taxes	(5,637)
Income tax (benefit)	(798)
Net (loss)	$ (4,839)
Weighted average common shares	13,515,000
Net (loss) per share	$(.36)

The pro forma information reflects the change in interest expense and related tax effect due to the issuance of $160 million principal amount of Senior Secured Notes and the refinancing of the Company's bank debt.

The $219,262 principal amount of 10-1/4% Notes were issued pursuant to an Indenture dated as of December 31, 1993 (10-1/4% Note Indenture) between Envirodyne and Bankers Trust Company, as Trustee. The 10-1/4% Notes are the unsecured senior obligations of Envirodyne, bear interest at the rate of 10-1/4% per annum, payable on each June 1 and December 1, and mature on December 1, 2001. The 10-1/4% Notes are redeemable, in whole or from time to time in part, at the option of Envirodyne, at the percentages of principal amount specified below plus accrued and unpaid interest to the redemption date, if the 10-1/4% Notes are redeemed during the twelve-month period commencing on January 1 of the following years:

Year	Percentage
1996	104%
1997	103%
1998	102%
1999	101%
2000 and thereafter	100%

The 10-1/4% Note Indenture contains covenants with respect to Envirodyne and its subsidiaries limiting (subject to a number of important qualifications), among other things, (i) the ability to pay dividends on or redeem or repurchase capital stock, (ii) the incurrence of indebtedness, (iii) certain affiliate transactions and (iv) the ability of the Company to consolidate with or merge with or into another entity or to dispose of substantially all its assets.

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

	March 28, 1996	December 28, 1995
Short-term debt, current maturity of long-term debt, and capital lease obligation:		
Current maturity of Viskase Capital Lease Obligation	$ 6,633	$ 6,012
Current maturity of Viskase Limited Term Loan (4.7%)	1,977	2,033
Other	3,404	4,459
Total short-term debt	$12,014	$12,504
Long-term debt:		
12% Senior Secured Notes due 2000	$160,000	$160,000
10.25% Senior Notes due 2001	219,262	219,262
Viskase Capital Lease Obligation	134,549	141,182
Viskase Limited Term Loan (4.7%)	6,917	7,115
Other	2,385	2,622
Total long-term debt	$523,113	$530,181

The fair value of the Company's debt obligation (excluding capital lease obligation) is estimated based upon the quoted market prices for the same or similar issues or upon the current rates offered to the Company for the debt of the same remaining maturities. At March 28, 1996 the carrying amount and estimated fair value of debt obligations (excluding capital lease obligation) were $391,974 and $348,818, respectively.

On December 28, 1990, Viskase and GECC entered into a sale and leaseback transaction. The sale and leaseback of assets included the production and finishing equipment at Viskase's four domestic casing production and finishing facilities. The facilities are located in Chicago, Illinois; Loudon, Tennessee; Osceola, Arkansas and Kentland, Indiana. Viskase, as the Lessee under the relevant agreements, continues to operate all of the facilities. The lease has been accounted for as a capital lease.

The principal terms of the sale and leaseback transaction include: (a) a 15-year basic lease term (plus selected renewals at Viskase's option), (b) annual rent payments in advance beginning in February 1991, and (c) a fixed price purchase option at the end of the basic 15-year term and fair market purchase options at the end of the basic term and each renewal term. Further, the Lease Documents contain covenants requiring maintenance by the Company of certain financial ratios and restricting the Company's ability to pay dividends, make payments to affiliates, make investments and incur indebtedness.

Annual rental payments under the Lease will be approximately $19.2 million through 1997, $21.4 million in 1998 and $23.5 million through the end of the basic 15-year term. Viskase is required to provide credit support consisting of a standby letter of credit in an amount up to one year's rent through at least 1997.

This credit support can be reduced up to $4 million currently if the Company achieves and maintains certain financial ratios. As of March 28, 1996 the Company had met the required financial ratios and the letter of credit has been reduced by $4 million. The letter can be further reduced in 1997 or eliminated after 1998 if the Company achieves and maintains certain financial ratios. Envirodyne and its other principal subsidiaries guaranteed the obligations of Viskase under the Lease.

The 1996 rental payment of $19,227 was paid on February 28, 1996. Principal payments under the capital lease obligation for the years ended 1996 through 1999 range from approximately $6 million to $14 million.

Aggregate maturities of remaining long-term debt for each of the next five fiscal years are:

	Total
1996	$ 9,019
1997	9,418
1998	12,313
1999	95,477
2000	95,669

3. CONTINGENCIES (dollars in thousands)

A class action lawsuit by former employees of subsidiary corporations comprising most of the Company's former steel and mining division (SMD) was pending as of the commencement of the bankruptcy case in which the plaintiffs were seeking substantial damages. In March 1996, Envirodyne completed a settlement of the lawsuit under which Envirodyne was released and discharged from all claims in exchange for 900,000 shares of Envirodyne common stock without any admission or finding of liability or wrongdoing.

Litigation has been initiated with respect to events arising out of the bankruptcy cases and the 1989 acquisition of Envirodyne by Emerald Acquisition Corporation (Emerald) with respect to which, although Envirodyne is not presently a party to such litigation, certain defendants have asserted indemnity rights against Envirodyne. In ARTRA Group Incorporated v. Salomon Brothers Holding Company Inc, Salomon Brothers Inc, D.P. Kelly & Associates, L.P., Donald P. Kelly, Charles K. Bobrinskoy, James L. Massey, William Rifkind and Michael Zimmerman, Case No. 93 A 1616, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (Bankruptcy Court), ARTRA Group Incorporated (ARTRA) alleges breach of fiduciary duty and tortious inference in connection with the negotiation and consummation of Envirodyne's plan of reorganization (Plan of Reorganization) in 1993. In ARTRA Group Incorporated v. Salomon Brothers Holding Company Inc, Salomon Brothers Inc, D.P. Kelly & Associates, L.P., Donald P. Kelly, Charles K. Bobrinskoy and Michael Zimmerman, Case No. 93 L 2198, Circuit Court of the Eighteenth Judicial Circuit, County of DuPage, State of Illinois, ARTRA alleges breach of fiduciary duty, fraudulent and negligent misrepresentation and breach of contract in connection with the 1989 acquisition of Envirodyne by Emerald. The plaintiff seeks damages in the total amount of $136.2 million plus interest and punitive damages of $408.6 million. D.P. Kelly & Associates, L.P. and Messrs. Kelly, Bobrinskoy, Massey, Rifkind and Zimmerman have asserted common law and contractual rights of indemnity against Envirodyne for attorneys' fees, costs and any ultimate liability relating to the claims set forth in the complaints. Envirodyne is continuing its evaluation of the merits of the indemnification claims against Envirodyne and the underlying claims in the litigation. Upon the undertaking of D.P. Kelly & Associates, L.P. to repay such funds in the event it is ultimately determined that there is no right to indemnity, Envirodyne is advancing funds to D.P. Kelly & Associates, L.P. and Mr. Kelly for the payment of legal fees in the case pending before the Bankruptcy Court. Although the Company is not a party to either case, the Company believes that the plaintiff's claims raise similar factual issues to those raised in the Envirodyne bankruptcy case which, if adjudicated in a manner similar to that in the Envirodyne bankruptcy case, would render it difficult for the plaintiff to establish liability. Accordingly, the Company believes that the indemnification claims would not have a material adverse effect upon the business or financial position of the Company, even if the claimants were ultimately successful in establishing their right to indemnification.

Certain of Envirodyne's stockholders prior to the acquisition of Envirodyne by Emerald failed to exchange their certificates representing old Envirodyne common stock for the $40 per share cash merger consideration specified by the applicable acquisition agreement. In the Envirodyne bankruptcy case, Envirodyne sought to equitably subordinate the claims of the holders of untendered shares, so that such holders would not receive a distribution under the Plan of Reorganization. The Bankruptcy Court granted Envirodyne's motion for summary judgment and equitably subordinated the claims of the holders of untendered shares to the claims of other general unsecured creditors. Certain of the affected holders appealed and both the U.S. District Court and the U.S. Seventh Circuit Court of Appeals affirmed the Bankruptcy Court decision. The time period for further appeal has not passed. Envirodyne believes that even in the event of further appeal, if any, and reversal of the prior decisions, the maximum number of shares of common stock that it would be required to issue to such claimants is approximately 106,000.

Clear Shield National, Inc. and some of its employees have received subpoenas from the Antitrust Division of the United States Department of Justice relating to a grand jury investigation of the disposable plastic cutlery industry. The U.S. Department of Justice has advised a former officer and an existing employee that they are targets of the investigation. Both individuals were invited to appear and testify before the grand jury but both declined. Clear Shield National is cooperating fully with the investigation.

In February 1996 Clear Shield National and three other plastic cutlery manufacturers were named as defendants in the following three civil complaints: Eisenberg Brothers, Inc., on behalf of itself and all others similarly situated, v. Amcel Corp., Clear Shield National, Inc., Dispoz-O Plastics Corp. and Benchmark Holdings, Inc. t/a Winkler Products, Civil Action No. 96-728, United States District Court for the Eastern District of Pennsylvania; St. Cloud Restaurant Supply Company v. Amcel Corp., Clear Shield National, Inc., Dispoz-O Plastics Corp. and Benchmark Holdings, Inc. t/a Winkler Products, Case No. 96C 0777, United States District Court for the Northern District of Illinois, Eastern Division; and Servall Products, Inc., on behalf of itself and all others similarly situated, v. Amcel Corporation, Clear Shield National, Inc., Dispoz-O Plastics Corporation and Benchmark Holdings, Inc. t/a Winkler Products, Civil Action No. 96-1116, United States District Court for the Eastern District of Pennsylvania. Each of the complaints alleges, among other things, that from October 1990 through April 1992 the defendants unlawfully conspired to fix the prices at which plastic cutlery would be sold. The Company has informed the plaintiffs that such claims as they relate to Clear Shield were discharged by the order of the Bankruptcy Court and Plan of Reorganization and that the plaintiffs are permanently enjoined from pursuing legal action to collect discharged claims.

On February 27, 1996, the plaintiff in the St. Cloud case voluntarily dismissed the action without prejudice and refiled its action in the U.S. District Court for the Eastern District of Pennsylvania but did not name Clear Shield National as a defendant. On March 14, 1996, Eisenberg Brothers Inc. filed a motion in Clear Shield National's Bankruptcy proceeding in the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division. Eisenberg Brothers Inc.'s motion contends that the Bankruptcy Court's order did not discharge the plaintiff's claim.

The Company and its subsidiaries are involved in various legal proceedings arising out of its business and other environmental matters, none of which is expected to have a material adverse effect upon its results of operations, cash flows or financial position.

4. CAPITAL STOCK, PAID IN CAPITAL, AND WARRANTS

On February 23, 1996, the United States Bankruptcy Court for the Northern District of Illinois, Eastern District entered an order approving a settlement agreement resolving all claims of the former union employees of Wisconsin Steel Company which shut down in March 1980. Under terms of the approved settlement of Frank Lumpkin, et al. v. Envirodyne Industries, Inc. (Lumpkin) and without any admission or finding of liability or wrongdoing, Envirodyne was released and discharged from all claims in exchange for 900,000 shares of common stock. The distribution is in accordance with the terms of Envirodyne's Plan of Reorganization under which common stock was distributed to Envirodyne's general unsecured creditors in satisfaction of their allowed claims.

The Company issued additional shares of common stock for the Lumpkin settlement and to the holders of general unsecured claims of Envirodyne (as opposed to the subsidiaries of Envirodyne) under the terms of the Plan of Reorganization. The total number of shares outstanding after issuance of common stock for the Lumpkin settlement and for the additional distribution to holders of general unsecured claims of Envirodyne is 14,479,721.

Under the terms of the Plan of Reorganization, Envirodyne issued warrants to purchase 10% of the fully diluted common stock. The issuance of common stock pursuant to the Lumpkin settlement, together with other issuances of common stock since the consummation of the Plan of Reorganization, caused an adjustment to the exercise price of the warrants and the number of shares of common stock for which a warrant is exercisable. The exercise price was adjusted from $17.25 to $16.08 per share and the number of common shares for which each warrant is exercisable was adjusted from 1.000 share to 1.073 shares.

5. SUBSIDIARY GUARANTORS

Envirodyne's payment obligations under the Senior Secured Notes are fully and unconditionally guaranteed on a joint and several basis (collectively, Subsidiary Guarantees) by Viskase Corporation, Viskase Holding Corporation, Viskase Sales Corporation, Clear Shield National, Inc., Sandusky Plastics, Inc. and Sandusky Plastics of Delaware, Inc., each a direct or indirect wholly-owned subsidiary of Envirodyne and each a "Guarantor." These subsidiaries represent substantially all of the operations of Envirodyne conducted in the United States. The remaining subsidiaries of Envirodyne generally are foreign subsidiaries or otherwise relate to foreign operations.

The obligations of each Guarantor under its Subsidiary Guarantee are the senior obligation of such Guarantor, and are collateralized, subject to certain permitted liens, by substantially all of the domestic assets of the Guarantor and, in the case of Viskase Holding Corporation, by a pledge of 65% of the capital stock of Viskase S.A. The Subsidiary Guarantees and security are shared with the lenders under the Revolving Credit Agreement on a pari passu basis and are subject to the priority interest of the holders of obligations under the Letter of Credit Facility, each pursuant to an intercreditor agreement.

The following consolidating condensed financial data illustrate the composition of the combined Guarantors. No single Guarantor has any significant legal restrictions on the ability of investors or creditors to obtain access to its assets in the event of default on the Subsidiary Guarantee other than its subordination to senior indebtedness described above. Separate financial statements of the Guarantors are not presented because management has determined that these would not be material to investors. Based on the book value and the market value of the pledged securities of Viskase Corporation, Viskase Sales Corporation, Clear Shield National, Inc., Sandusky Plastics, Inc. and Sandusky Plastics of Delaware, Inc., these Subsidiary Guarantors do not constitute a substantial portion of the collateral and, therefore, the separate financial statements of these subsidiaries have not been provided. Separate unaudited interim financial statements of Viskase Holding Corporation are being filed within this quarterly report.

Investments in subsidiaries are accounted for by the parent and Subsidiary Guarantors on the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are therefore reflected in the parent's and Subsidiary Guarantors' investment accounts and earnings. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
MARCH 28, 1996

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations (1)	Consolidated Total
			(in thousands)		
ASSETS					
Current assets:					
Cash and equivalents	$ 16,489	$ (1,923)	$ 8,436		$ 23,002
Receivables and advances, net	73,219	67,508	52,060	$ (106,439)	86,348
Inventories		68,570	38,124	(1,455)	105,239
Other current assets	510	22,090	9,473		32,073
Total current assets	90,218	156,245	108,093	(107,894)	246,662
Property, plant and equipment including those under capital lease	265	400,668	148,705		549,638
Less accumulated depreciation and amortization	176	63,569	22,859		86,604
Property, plant and equipment, net	89	337,099	125,846		463,034
Deferred financing costs	6,497		951		7,448
Other assets		42,672	1,655		44,327
Investment in subsidiaries	71,972	117,371		(189,343)	
Excess reorganization value		93,152	39,737		132,889
	$168,776	$746,539	$276,282	$(297,237)	$894,360
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt including current portion of long-term debt and obligation under capital lease		$ 7,051	$ 4,963		$ 12,014
Accounts payable and advances	$ 15	99,213	48,640	$ (106,439)	41,429
Accrued liabilities	19,868	36,273	22,710		78,851
Total current liabilities	19,883	142,537	76,313	(106,439)	132,294
Long-term debt including obligation under capital lease	379,262	136,462	7,389		523,113
Accrued employee benefits		51,649	4,295		55,944
Deferred and noncurrent income taxes	33,330	15,015	24,811		73,156
Intercompany loans	(373,552)	340,000	33,504	48	
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $.01 par value; none outstanding					
Common stock, $.01 par value; 14,479,721 shares issued and outstanding	145	3	32,738	(32,741)	145
Paid in capital	134,855	87,899	87,871	(175,770)	134,855
Accumulated earnings (deficit)	(31,058)	(32,889)	3,498	29,391	(31,058)
Cumulative foreign currency translation adjustments	5,911	5,863	5,863	(11,726)	5,911
Total stockholders' equity	109,853	60,876	129,970	(190,846)	109,853
	$168,776	$746,539	$276,282	$(297,237)	$894,360

(1) Elimination of intercompany receivables, payables and investment accounts.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
DECEMBER 28, 1995

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations (1)	Consolidated Total
			(in thousands)		
ASSETS					
Current assets:					
Cash and equivalents	$ 18,013	$ 486	$ 11,826		$ 30,325
Receivables and advances, net	52,462	70,458	57,082	$ (90,548)	89,454
Inventories		63,355	38,233	(2,114)	99,474
Other current assets	176	12,364	9,106		21,646
Total current assets	70,651	146,663	116,247	(92,662)	240,899
Property, plant and equipment including those under capital lease	261	394,813	150,417		545,491
Less accumulated depreciation and amortization	150	55,620	20,217		75,987
Property, plant and equipment, net	111	339,193	130,200		469,504
Deferred financing costs	7,048		1,042		8,090
Other assets		43,720	1,869		45,589
Investment in subsidiaries	77,766	117,578		(195,344)	
Excess reorganization value		94,968	40,517		135,485
	$155,576	$742,122	$289,875	$(288,006)	$899,567
LIABILITIES & STOCKHOLDERS' EQUITY					
Current liabilities:					
Short-term debt including current portion of long-term debt and obligation under capital lease		$6,407	$6,097		$ 12,504
Accounts payable and advances	$ 80	78,848	50,737	$ (90,548)	39,117
Accrued liabilities	8,126	37,488	21,939		67,553
Total current liabilities	8,206	122,743	78,773	(90,548)	119,174
Long-term debt including obligation under capital lease	379,262	143,198	7,721		530,181
Accrued employee benefits		51,345	4,281		55,626
Deferred and noncurrent income taxes	34,088	17,507	25,895		77,490
Intercompany loans	(383,076)	340,000	43,083	(7)	
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $.01 par value; none outstanding					
Common stock, $.01 par value; 13,579,460 shares issued and outstanding	136	3	32,738	(32,741)	136
Paid in capital	134,864	87,899	87,871	(175,770)	134,864
Accumulated earnings (deficit)	(25,131)	(27,752)	2,334	25,418	(25,131)
Cumulative foreign currency translation adjustments	7,227	7,179	7,179	(14,358)	7,227
Total stockholders' equity	117,096	67,329	130,122	(197,451)	117,096
	$155,576	$742,122	$289,875	$(288,006)	$899,567

(1) Elimination of intercompany receivables, payables and investment accounts.

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THREE MONTHS ENDED MARCH 28, 1996

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
			(in thousands)		
NET SALES		$102,481	$66,212	$ (8,957)	$159,736
COSTS AND EXPENSES					
Cost of sales		78,867	50,458	(9,616)	119,709
Selling, general and administrative	$1,546	14,921	10,175		26,642
Amortization of intangibles and excess reorganization value		3,228	863		4,091
OPERATING INCOME (LOSS)	(1,546)	5,465	4,716	659	9,294
Interest income	216		175		391
Interest expense	10,940	3,343	593		14,876
Intercompany interest expense (income)	(10,513)	9,379	1,134		
Management fees (income)	(1,591)	1,218	373		
Other expense (income), net	2,210	173	653		3,036
Equity Loss (income) in subsidiary	4,478	(1,164)		(3,314)	
INCOME (LOSS) BEFORE INCOME TAXES	(6,854)	(7,484)	2,138	3,973	(8,227)
Income tax provision (benefit)	(927)	(2,347)	974		(2,300)
NET INCOME (LOSS)	$(5,927)	$ (5,137)	$ 1,164	$ 3,973	$(5,927)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING CASH FLOWS
FOR THREE MONTHS ENDED MARCH 28, 1996

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
			(in thousands)		
Net cash provided by (used in) operating activities	$(11,061)	$ 9,527	$7,401		$ 5,867
Cash flows from investing activities:					
Capital expenditures	(3)	(5,919)	(621)		(6,543)
Proceeds from sale of property, plant and equipment		35	14		49
Net cash (used in) investing activities	(3)	(5,884)	(607)		(6,494)
Cash flows from financing activities:					
Repayment of revolving loan, long-term borrowings and capital lease obligations		(6,052)	(1,150)		(7,202)
Increase (decrease) in Envirodyne loan	9,540		(9,540)		
Net cash provided by (used in) financing activities	9,540	(6,052)	(10,690)		(7,202)
Effect of currency exchange rate changes on cash			506		506
Net increase (decrease) in cash and equivalents	(1,524)	(2,409)	(3,390)		(7,323)
Cash and equivalents at beginning of period	18,013	486	11,826		30,325
Cash and equivalents at end of period	$16,489	$ (1,923)	$ 8,436		$23,002

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THREE MONTHS ENDED MARCH 30, 1995

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries (in thousands)	Eliminations	Consolidated Total
NET SALES		$102,289	$ 62,520	$ (8,985)	$155,824
COSTS AND EXPENSES					
Cost of sales		75,069	48,903	(9,017)	114,955
Selling, general and administrative	$1,573	17,354	9,343		28,270
Amortization of intangibles and excess reorganization value		3,066	844		3,910
OPERATING INCOME (LOSS)	(1,573)	6,800	3,430	32	8,689
Interest income		55	9		64
Interest expense	9,084	3,522	828		13,434
Intercompany interest expense (income)	(9,352)	8,502	850		
Management fees (income)	(1,850)	1,558	292		
Other expense (income), net	(2,152)	(43)	1,604		(591)
Equity loss (income) in subsidiary	5,540	756		(6,296)	
INCOME (LOSS) BEFORE INCOME TAXES	(2,843)	(7,440)	(135)	6,328	(4,090)
Income tax provision	1,052	(1,868)	621		(195)
NET INCOME (LOSS)	$(3,895)	$ (5,572)	$ (756)	$ 6,328	$ (3,895)

ENVIRODYNE INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATING CASH FLOWS
FOR THREE MONTHS ENDED MARCH 30, 1995

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries (in thousands)	Eliminations	Consolidated Total
Net cash provided by (used in) operating activities	$(23,043)	$12,237	$(3,730)		$(14,536)
Cash flows from investing activities:					
Capital expenditures		(5,826)	(1,805)		(7,631)
Net cash (used in) investing activities		(5,826)	(1,805)		(7,631)
Cash flows from financing activities:					
Proceeds from revolving loan and long term borrowings	13,900		28,349		42,249
Deferred financing costs	(464)				(464)
Repayment of revolving loan, long-term borrowings and capital lease obligations	(2,837)	(5,450)	(11,686)		(19,973)
Increase (decrease) in Envirodyne loan	14,705		(14,705)		
Net cash provided by (used in) financing activities	25,304	(5,450)	1,958		21,812
Effect of currency exchange rate changes on cash			275		275
Net increase (decrease) in cash and equivalents	2,261	961	(3,302)		(80)
Cash and equivalents at beginning of period	555	1,853	4,881		7,289
Cash and equivalents at end of period	$ 2,816	$ 2,814	$ 1,579		$ 7,209

VISKASE HOLDING CORPORATION AND SUBSIDIARIES

The financial information included in this quarterly report has been prepared in conformity with the accounting principles and practices reflected in the financial statements included in the annual report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 28, 1995 (1995 Form 10-K). These quarterly financial statements should be read in conjunction with the financial statements and the notes thereto included in the 1995 Form 10-K. The accompanying financial information, which is unaudited, reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

The condensed consolidated balance sheet as of December 28, 1995 was derived from the audited Viskase Holding Corporation's consolidated financial statements included in Envirodyne Industries, Inc.'s annual report of Form 10-K.

Reported interim results of operations are based in part on estimates which may be subject to year-end adjustments. In addition, these quarterly results of operations are not necessarily indicative of those expected for the year.

VISKASE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 28, 1996	December 28, 1995
		(in thousands)
ASSETS		
Current assets:		
Cash and equivalents	$ 8,436	$ 11,826
Receivables, net	49,351	53,022
Receivables, affiliates	51,328	51,829
Inventories	38,124	38,233
Other current assets	9,473	9,106
Total current assets	156,712	164,016
Property, plant and equipment	148,705	150,417
Less accumulated depreciation	22,859	20,217
Property, plant and equipment, net	125,846	130,200
Deferred financing costs	951	1,042
Other assets	1,655	1,869
Excess reorganization value	39,737	40,517
	$324,901	$337,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt including current portion of long-term debt	$ 4,963	$ 6,097
Accounts payable	15,819	13,720
Accounts payable and advances, affiliates	50,044	54,152
Accrued liabilities	22,711	21,942
Total current liabilities	93,537	95,911
Long-term debt	7,389	7,721
Accrued employee benefits	4,295	4,281
Deferred and noncurrent income taxes	24,811	25,895
Intercompany loans	71,514	81,094
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1.00 par value, 1,000 shares authorized; 100 shares issued and outstanding		
Paid in capital	103,463	103,463
Retained earnings	14,029	12,100
Cumulative foreign currency translation adjustments	5,863	7,179
Total stockholders' equity	123,355	122,742
	$324,901	$337,644

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

VISKASE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 28, 1996	March 30, 1995
	(in thousands, except for number of shares and per share amounts)	
NET SALES	$66,212	$62,520
COSTS AND EXPENSES		
Cost of sales	50,458	48,903
Selling, general and administrative	8,912	8,846
Amortization of intangibles and excess reorganization value	863	844
OPERATING INCOME	5,979	3,927
Interest income	175	39
Interest expense	593	858
Intercompany interest expense	1,134	838
Management fees	373	292
Other expense, net	653	1,299
INCOME BEFORE INCOME TAXES	3,401	679
Income tax provision	1,472	848
NET INCOME (LOSS)	$ 1,929	$ (169)
WEIGHTED AVERAGE COMMON SHARES	100	100
PER SHARE AMOUNTS:		
NET INCOME (LOSS)	$19,290	$(1,690)

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

VISKASE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 28, 1996	March 30, 1995
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 1,929	$ (169)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,982	2,808
Amortization of intangibles and excess reorganization value	863	844
Amortization of deferred financing fees and discount	57	54
Increase (decrease) in deferred and noncurrent income taxes	(536)	(91)
(Gain) on sales of property, plant and equipment	(14)	
Changes in operating assets and liabilities:		
Accounts receivable	2,872	(88)
Accounts receivable, affiliates	97	(2,325)
Inventories	(338)	(6,652)
Other current assets	591	1,276
Accounts payable and accrued liabilities	2,865	(1,321)
Accounts payable and advances, affiliates	(3,964)	1,225
Other	(3)	(689)
Total adjustments	5,472	(4,959)
Net cash provided by (used in) operating activities	7,401	(5,128)
Cash flows from investing activities:		
Capital expenditures	(621)	(1,805)
Proceeds from sale of property, plant and equipment	14	
Net cash (used in) investing activities	(607)	(1,805)
Cash flows from financing activities:		
Proceeds from revolving loan and long-term borrowings		28,349
Repayment of revolving loan and long-term borrowings	(1,150)	(11,686)
Increase (decrease) in Envirodyne loan	(9,540)	(14,627)
Net cash provided by (used in) financing activities	(10,690)	2,036
Effect of currency exchange rate changes on cash	506	275
Net (decrease) in cash and equivalents	(3,390)	(4,622)
Cash and equivalents at beginning of period	11,826	6,201
Cash and equivalents at end of period	$ 8,436	$ 1,579

Supplemental cash flow information:		
Interest paid	$138	$ 250
Income taxes paid	$250	$ 685

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

1. INVENTORIES (dollars in thousands)

Inventories consisted of:

	March 28, 1996	December 28, 1995
Raw materials	$ 4,653	$ 5,299
Work in process	13,045	13,342
Finished products	20,426	19,592
	$38,124	$38,233

2. CONTINGENCIES (dollars in thousands)

Viskase Holding Corporation and its subsidiaries are involved in various legal proceedings arising out of its business and other environmental matters, none of which is expected to have a material adverse effect upon its results of operations, cash flows or financial position.