

Platform Specialty Products Corp  
Form 10-Q  
November 07, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36272

(Exact name of Registrant as specified in its charter)

Delaware 37-1744899  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1450 Centrepark Boulevard, Suite 210 33401  
West Palm Beach, Florida  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (561) 207-9600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes   
No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  Non-Accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	November 1, 2016
Common Stock, par value \$0.01 per share	278,470,487 shares

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Glossary of Defined Terms

Terms	Definitions
Platform; We; Us; Our; the Company	Platform Specialty Products Corporation, a Delaware corporation, and its subsidiaries, collectively.
Acquisitions	Agriphar Acquisition, Alent Acquisition, Arysta Acquisition, CAS Acquisition, MacDermid Acquisition, OMG Acquisition and OMG Malaysia Acquisition, collectively.
Agriphar	Percival and its agrochemical business, Agriphar.
Agriphar Acquisition	Acquisition of a 100% interest in Agriphar, completed on October 1, 2014.
AIs	Active ingredients.
Alent	Alent plc, a formerly public limited company registered in England and Wales.
Alent Acquisition	Acquisition of a 100% interest in Alent, completed on December 1, 2015 under the U.K. Companies Act 2006, as amended.
Amended and Restated Credit Agreement	Platform's credit agreement dated April 12, 2007, as amended and/or restated on June 7, 2013, October 31, 2013 (Amendment No. 1), August 6, 2014 (Second Amended and Restated Credit Agreement and the further amendments pursuant to Amendment No. 2), October 1, 2014 (Incremental Amendment No. 1), February 13, 2015 (Amendment No. 3), December 3, 2015 (Amendment No. 4) and October 14, 2016 (Amendment No. 5).
Annual Report	Platform's annual report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 11, 2016.
AROs	Asset retirement obligations.
Arysta	Arysta LifeScience Limited, a formerly Irish private limited company.
Arysta Acquisition	Acquisition of a 100% interest in Arysta, completed on February 13, 2015.
Arysta Seller	Nalozo, L.P., an affiliate of the Original Arysta Seller who became the seller in the Arysta Acquisition pursuant to an amendment to the share purchase agreement dated February 11, 2015.
Asset-Lite, High-Touch	Platform's philosophy and business model focused on dedicating extensive resources to research and development and highly technical customer service teams, while limiting investments in fixed assets and capital expenditures.
ASU	Accounting Standards Update.
Board	Platform's board of directors.
CAS	The Chemtura AgroSolutions business of Chemtura.
CAS Acquisition	Acquisition of a 100% interest in CAS, completed on November 3, 2014.
Chemtura	Chemtura Corporation, a Delaware corporation.
Credit Facilities	The First Lien Credit Facility and the Revolving Credit Facility, collectively, available under the Amended and Restated Credit Agreement.
Domestication	Platform's change of jurisdiction of incorporation from the British Virgin Islands to Delaware on January 22, 2014.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EPS	Earnings per share.
ESPP	Platform Specialty Products Corporation 2014 Employee Stock Purchase Plan, adopted by the Board on March 6, 2014 and approved by Platform's stockholders at the annual meeting held on June 12, 2014.
E.U.	European Union.
Exchange Act	Securities Exchange Act of 1934, as amended.
Exchange Agreement	Exchange Agreement, dated October 25, 2013, between Platform and the fiduciaries of the MacDermid, Incorporated Profit Sharing and Employee Savings Plan.
FASB	Financial Accounting Standard Board.
FCPA	Foreign Corrupt Practices Act of 1977.

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February 2015 Notes Offering	Platform's private offering of \$1.10 billion aggregate principal amount of 6.50% USD Notes due 2022 and €350 million aggregate principal amount of 6.00% EUR Notes due 2023, completed on February 2, 2015.
First Lien Credit Facility	First lien credit facility available under the Amended and Restated Credit Agreement.

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Terms	Definitions
Founder Entities	Mariposa Acquisition, LLC and Berggruen Holdings Ltd. and its affiliates, collectively.
GAAP	Generally accepted accounting principles in the United States.
GBP	Platform's Global BioSolutions Portfolio within its Agricultural Solutions segment, which includes biostimulants, innovative nutrition and biocontrol products.
GVAP	Platform's Global Value Added Portfolio within its Agricultural Solutions segment, which includes products in the herbicides, insecticides, fungicides and seed treatment categories, based on patented or proprietary off-patent AIs.
June 2015 Equity Offering	Platform's underwritten public offering of 18,226,414 shares of its common stock at a public offering price of \$26.50 per share, which closed on June 29, 2015, raising gross proceeds of approximately \$483 million.
LTCB	Platform's Long Term Cash Bonus plan, established in March 2015.
MacDermid	MacDermid, Incorporated, a Connecticut corporation.
MacDermid Acquisition	Platform's acquisition on October 31, 2013 of substantially all of the equity of MacDermid Holdings, which, at the time, owned approximately 97% of MacDermid. As a result, Platform became a holding company for the MacDermid business. Platform acquired the remaining 3% of MacDermid on March 4, 2014, pursuant to the terms of the Exchange Agreement.
MacDermid Europe	MacDermid European Holdings, B.V., a company organized under the laws of the Netherlands and a subsidiary of Platform.
MacDermid Funding	MacDermid Funding LLC, a limited liability company organized under the laws of Delaware and a subsidiary of Platform.
MacDermid Holdings	MacDermid Holdings, LLC which, at the time of the MacDermid Acquisition, owned approximately 97% of MacDermid, a subsidiary of MacDermid Holdings.
MAS Holdings	MacDermid Agricultural Solutions Holdings B.V., a company organized under the laws of the Netherlands and a subsidiary of Platform.
NAV	Net asset value.
NAIP	Netherlands Agricultural Investment Partners LLC, a company organized under the laws of Delaware and a subsidiary of Platform.
NYSE	New York Stock Exchange.
November 2015 Notes Offering	Platform's private offering of \$500 million aggregate principal amount of 10.375% USD Notes due 2021, completed on November 10, 2015.
OMG	OM Group, Inc., a Delaware corporation.
OMG Businesses	OMG's Electronic Chemicals and Photomasks businesses, collectively, other than OMG Malaysia.
OMG Malaysia	OMG Electronic Chemicals (M) Sdn Bhd, a subsidiary of OMG located in Malaysia, acquired separately by Platform in the OMG Malaysia Acquisition.
OMG Acquisition	Platform's acquisition of 100% interest in the OMG Businesses completed on October 28, 2015.
OMG Malaysia Acquisition	Platform's acquisition of 100% interest in OMG Malaysia completed on January 31, 2016.
Original Arysta Seller	Nalozo S.à.r.l., a Luxembourg limited liability company and the original seller in the Arysta Acquisition.
PDH	Platform Delaware Holdings, Inc., a subsidiary of Platform.
PDH Common Stock	Shares of common stock of PDH.
Percival	Percival S.A., a société anonyme incorporated and organized under the laws of Belgium, acquired by Platform on October 1, 2014.
Quarterly Report	This quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2016.

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Retaining Holder	Each Holder of an equity interest of MacDermid Holdings immediately prior to the closing of the MacDermid Acquisition, not owned by Platform, who executed a RHSA.
Revolving Credit Facility	Revolving Credit Facility (in U.S. Dollars or multicurrency) available under the Amended and Restated Credit Agreement.
RHSA	Retaining Holder Securityholders' Agreement, dated as of October 31, 2013, entered into by and between Platform and each Retaining Holder pursuant to which they agreed to exchange their respective interests in MacDermid Holdings for shares of PDH Common Stock, at an exchange rate of \$11.00 per share plus (i) a proportionate share of the \$100 million contingent consideration and (ii) an interest in certain MacDermid pending litigation.

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Terms	Definitions
ROIC	Return on invested capital.
RSUs	Restricted stock units issued by Platform from time to time under the 2013 Plan.
SEC	Securities and Exchange Commission.
Security Agreement	Amended and Restated Pledge and Security Agreement, amended and restated as of October 31, 2013, as amended, supplemented and modified from time to time, entered into by Platform, MacDermid and the guarantors listed therein.
Second Amended and Restated Credit Agreement	Second Amended and Restated Credit Agreement, dated as of August 6, 2014, among, inter alia, Platform, MacDermid Holdings, MacDermid, the subsidiaries of Platform and MacDermid Holdings from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent.
Senior Notes	Our 6.00% EUR Notes due 2023, 6.50% USD Notes due 2022 and 10.375% USD Notes due 2021, collectively.
September 2016 Equity Offering	Platform's underwritten offering of 48,787,878 shares of its common stock at a public offering price of \$8.25 per share, which closed on September 21, 2016, raising gross proceeds of approximately \$402.5 million.
Series A Preferred Stock	2,000,000 shares of Platform's Series A convertible preferred stock which were automatically converted from ordinary shares held by the Founder Entities upon the Domestication, and which are convertible into shares of Platform's common stock, on a one-for-one basis, at any time at the option of the Founder Entities.
Series B Convertible Preferred Stock	600,000 shares of Platform's Series B convertible preferred stock issued to the Arysta Seller in connection with the Arysta Acquisition on February 13, 2015, which are convertible into a maximum of 22,107,590 shares of Platform's common stock at the option of the Arysta Seller.
SERP	Supplemental Executive Retirement Plan for executive officers of Platform.
TSR	Total stockholder return.
2013 Plan	Platform Specialty Products Corporation Amended and Restated 2013 Incentive Compensation Plan adopted by the Board on October 31, 2013, as amended on December 16, 2013 and approved by Platform's stockholders at the annual meeting held on June 12, 2014.
2016 Q1 Form 10-Q	Platform's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2016, as filed with the SEC on May 10, 2016.
2016 Q2 Form 10-Q	Platform's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2016, as filed with the SEC on August 9, 2016.
6.00% EUR Notes due 2023	Platform's 6.00% senior notes due 2023 denominated in Euros issued in the February 2015 Notes Offering.
6.50% USD Notes due 2022	Platform's 6.50% senior notes due 2022 denominated in U.S. Dollars issued in the February 2015 Notes Offering.
10.375% USD Notes due 2021	Platform's 10.375% senior notes due 2021 denominated in U.S. Dollars issued in the November 2015 Notes Offering.



## Part I. Financial Information

## Item 1. Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except income (loss) per share)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015 (as restated)	2016	2015 (as restated)
Net sales	\$890.5	\$597.3	\$2,635.9	\$1,807.3
Cost of sales	515.4	354.6	1,524.1	1,088.8
Gross profit	375.1	242.7	1,111.8	718.5
Operating expenses:				
Selling, technical, general and administrative	274.3	194.8	823.5	593.2
Research and development	20.9	16.6	61.3	47.8
Total operating expenses	295.2	211.4	884.8	641.0
Operating profit	79.9	31.3	227.0	77.5
Other (expense) income:				
Interest expense, net	(98.5 )	(52.7 )	(289.7 )	(143.2 )
Loss on derivative contracts	(1.4 )	(47.3 )	(12.1 )	(49.9 )
Foreign exchange loss	(10.3 )	(36.9 )	(56.5 )	(19.3 )
Other income, net	116.6	1.4	120.4	19.8
Total other income (expense)	6.4	(135.5 )	(237.9 )	(192.6 )
Income (loss) before income taxes and non-controlling interests	86.3	(104.2 )	(10.9 )	(115.1 )
Income tax expense	(20.4 )	(35.4 )	(65.7 )	(59.8 )
Net income (loss)	65.9	(139.6 )	(76.6 )	(174.9 )
Net loss (income) attributable to the non-controlling interests	5.9	(0.5 )	4.7	(4.0 )
Net income (loss) attributable to stockholders	71.8	(140.1 )	(71.9 )	(178.9 )
Gain on amendment of Series B Convertible Preferred Stock	32.9	—	32.9	—
Net income (loss) attributable to common stockholders	\$104.7	\$(140.1)	\$(39.0)	\$(178.9)
Income (loss) per share				
Basic	\$0.45	\$(0.66)	\$(0.17)	\$(0.89)
Diluted	\$(0.15)	\$(0.66)	\$(0.71)	\$(0.89)
Weighted average shares outstanding				
Basic	234.4	210.9	231.2	198.6
Diluted	264.5	210.9	253.3	198.6

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In millions)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015 (as restated)	2016	2015 (as restated)
Net income (loss)	\$65.9	\$(139.6)	\$(76.6)	\$(174.9)
Other comprehensive (loss) income				
Foreign currency translation adjustments	(0.7 )	(350.2 )	451.8	(614.0 )
Pension and post-retirement plans:				
Tax expense	—	—	—	(0.5 )
Pension and post-retirement plan, net of tax	—	—	—	(0.5 )
Unrealized (loss) gain on available for sale securities:				
Unrealized holding (loss) gain on available for sale securities	(0.2 )	1.0	(2.5 )	1.2
Tax benefit	0.1	—	0.8	—
Unrealized (loss) gain on available for sale securities, net of tax	(0.1 )	1.0	(1.7 )	1.2
Derivative financial instruments revaluation:				
Unrealized hedging gain (loss), net	1.4	(18.1 )	(15.4 )	(18.1 )
Tax benefit	—	6.3	—	6.3
Derivative financial instruments revaluation, net of tax	1.4	(11.8 )	(15.4 )	(11.8 )
Total other comprehensive income (loss), net of tax	0.6	(361.0 )	434.7	(625.1 )
Other comprehensive loss (income) attributable to the non-controlling interests	9.0	7.2	(12.7 )	14.3
Other comprehensive income (loss) attributable to common stockholders	9.6	(353.8 )	422.0	(610.8 )
Comprehensive income (loss)	75.5	(493.4 )	345.4	(785.7 )
Comprehensive income attributable to the non-controlling interests	5.9	(0.5 )	4.7	(4.0 )
Comprehensive income (loss) attributable to stockholders	\$81.4	\$(493.9)	\$350.1	\$(789.7)

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share and per share amounts)

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$714.1	\$432.2
Restricted cash	0.9	0.3
Accounts receivable, net of allowance for doubtful accounts of \$28.7 and \$14.4 at September 30, 2016 and December 31, 2015, respectively	1,141.0	1,023.0
Inventories	564.3	517.5
Note receivable	—	125.0
Prepaid expenses and other current assets	180.3	172.5
Total current assets	2,600.6	2,270.5
Property, plant and equipment, net	472.7	491.6
Goodwill	4,366.3	4,021.9
Intangible assets, net	3,393.2	3,314.3
Other assets	93.9	91.9
Total assets	\$10,926.7	\$10,190.2
Liabilities and Stockholders' Equity		
Accounts payable	\$394.8	\$450.3
Current installments of long-term debt and revolving credit facilities	81.4	54.7
Accrued salaries, wages and employee benefits	78.0	78.1
Accrued income taxes payable	100.6	65.1
Preferred stock redemption liability	504.0	—
Accrued expenses and other current liabilities	409.4	414.2
Total current liabilities	1,568.2	1,062.4
Long-term debt and capital lease obligations	5,196.9	5,173.6
Long-term retirement benefits, less current portion	75.8	80.5
Long-term deferred income taxes	696.7	678.8
Long-term contingent consideration	75.0	70.7
Other long-term liabilities	253.8	205.0
Total liabilities	7,866.4	7,271.0
Commitments and contingencies (Note 15)		
Redeemable preferred stock - Series B	—	645.9
Stockholders' Equity		
Preferred stock - Series A	—	—
Common stock 400,000,000 shares authorized, 278,420,786 and 229,464,157 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	2.8	2.3
Additional paid-in capital	3,921.1	3,520.4
Accumulated deficit	(571.6)	(532.7)
Accumulated other comprehensive loss	(464.1)	(886.1)
Total stockholders' equity	2,888.2	2,103.9
Non-controlling interests	172.1	169.4
Total equity	3,060.3	2,273.3
Total liabilities, redeemable preferred shares and stockholders' equity	\$10,926.7	\$10,190.2

See accompanying notes to condensed consolidated financial statements



PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)

	Nine Months Ended September 30,	
	2016	2015 (as restated)
Cash flows from operating activities:		
Net loss	\$(76.6 )	\$(174.9 )
Reconciliation of net loss to net cash flows (used in) provided by operating activities:		
Depreciation and amortization	254.9	176.3
Deferred income taxes	(57.8 )	(52.3 )
Manufacturer's profit in inventory adjustment	11.7	58.0
Foreign exchange loss	47.8	57.5
Other, net	(53.9 )	26.4
Changes in assets & liabilities, net of acquisitions:		
Accounts receivable	(61.9 )	(68.5 )
Inventories	(34.1 )	(63.2 )
Accounts payable and accrued expenses	(56.8 )	195.6
Other changes in assets and liabilities, net	2.7	(23.8 )
Net cash flows (used in) provided by operating activities	(24.0 )	131.1
Cash flows from investing activities:		
Change in restricted cash	(0.5 )	599.7
Capital expenditures	(32.8 )	(32.1 )
Investment in registrations of products	(22.4 )	(26.2 )
Proceeds from disposal of property, plant and equipment	12.5	12.1
Acquisition of businesses, net of acquired cash	1.3	(2,857.9)
Other, net	4.4	(1.4 )
Net cash flows used in investing activities	(37.5 )	(2,305.8)
Cash flows from financing activities:		
Debt proceeds, net of discount and premium	—	2,085.6
Change in revolving credit facilities, net	18.9	4.7
Repayments of borrowings	(26.0 )	(15.5 )
Proceeds from issuance of common stock, net	391.5	469.5
Payment of debt financing fees	(0.7 )	(45.5 )
Change in factored liabilities	(45.5 )	(16.8 )
Other, net	(0.8 )	(1.0 )
Net cash flows provided by financing activities	337.4	2,481.0
Effect of exchange rate changes on cash and cash equivalents	6.0	(21.6 )
Net increase in cash and cash equivalents	281.9	284.7
Cash and cash equivalents at beginning of period	432.2	397.3
Cash and cash equivalents at end of period	\$714.1	\$682.0
Non-cash Investing Activities		
Settlement of Note Receivable in exchange for OMG Malaysia	\$125.0	\$—
OMG Malaysia Acquisition through the settlement of Note Receivable	\$(125.0)	\$—

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In millions, except share and per share amounts)

	Preferred Stock	Common Stock				Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-in Capital					
Balance at December 31, 2015	2,000,000	\$ -229,464,157	\$ 2.3	\$ 3,520.4		\$(532.7 )	\$(886.1 )	\$ 2,103.9	\$ 169.4	\$ 2,273.3
Net (loss) income	—	—	—	—		(134.8 )	—	(134.8 )	0.4	(134.4 )
Other comprehensive income, net of taxes	—	—	—	—		—	298.4	298.4	11.7	310.1
Issuance of common stock to former non-founder director for exercise of stock options	—	—	7,642	—	—	—	—	—	—	—
Conversion of PDH Common Stock into common stock	—	—	16,499	—	0.2	—	—	0.2	(0.2 )	—
Issuance of common stock under ESPP	—	—	35,399	—	0.2	—	—	0.2	—	0.2
Equity compensation expense	—	—	—	—	0.9	—	—	0.9	—	0.9
Balance at March 31, 2016	2,000,000	—	229,523,697	2.3	3,521.7	(667.5 )	(587.7 )	2,268.8	181.3	2,450.1
Net (loss) income	—	—	—	—	—	(8.8 )	—	(8.8 )	0.7	(8.1 )
Other comprehensive income, net of taxes	—	—	—	—	—	—	114.0	114.0	10.0	124.0
Conversion of PDH Common Stock into common stock	—	—	37,445	—	0.4	—	—	0.4	(0.4 )	—
Issuance of common stock under ESPP	—	—	36,104	—	0.2	—	—	0.2	—	0.2

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Equity compensation expense	—	—	—	1.9	—	—	1.9	—	1.9	
Changes in non-controlling interests	—	—	—	—	—	—	—	(0.2)	(0.2)	
Balance at June 30, 2016	2,000,000	—	229,597,246	2.3	3,524.2	(676.3)	(473.7)	2,376.5	191.4	2,567.9
Net income (loss)	—	—	—	—	—	71.8	—	71.8	(5.9)	65.9
Other comprehensive income, net of taxes	—	—	—	—	—	—	9.6	9.6	(9.0)	0.6
Issuance of common stock at \$8.25 per share in the September 2016 Equity Offering	—	—	48,787,878	0.5	402.0	—	—	402.5	—	402.5
Issuance costs in connection with the September 2016 Equity Offering	—	—	—	—	(11.6)	—	—	(11.6)	—	(11.6)
Conversion of PDH Common Stock into common stock	—	—	10,000	—	0.1	—	—	0.1	(0.1)	—
Issuance of common stock under ESPP	—	—	25,662	—	0.2	—	—	0.2	—	0.2
Equity compensation expense	—	—	—	—	2.5	—	—	2.5	—	2.5
Gain on amendment of Series B Convertible Preferred Stock	—	—	—	—	—	32.9	—	32.9	—	32.9
Changes in non-controlling interests	—	—	—	—	3.7	—	—	3.7	(4.3)	(0.6)
Balance at September 30, 2016	2,000,000	\$	-278,420,786	\$ 2.8	\$ 3,921.1	\$ (571.6)	\$ (464.1)	\$ 2,888.2	\$ 172.1	\$ 3,060.3

See accompanying notes to condensed consolidated financial statements



PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (continued)

(Unaudited)

(In millions, except share and per share amounts)

	Preferred Stock	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non- controlling Interests	Total Equity	
	Shares	Amount	Shares							Amount
Balance at December 31, 2014	2,000,000	\$ —	182,066,980	\$ 1.9	\$ 2,812.4	\$(224.1 )	\$(130.6 )	\$ 2,459.6	\$ 93.0	\$ 2,552.6
Net (loss) income	—	—	—	—	(26.7 )	—	(26.7 )	0.4	(26.3 )	
Other comprehensive loss, net of taxes (as restated)	—	—	—	—	—	(344.4 )	(344.4 )	(8.7 )	(353.1 )	
Issuance of common stock to Founder Entities as stock dividend on Series A	—	—	10,050,290	—	—	—	—	—	—	—
Preferred Stock declared on 12/31/14										
Issuance of common stock to former non-founder director for exercise of stock options	—	—	75,000	—	0.9	—	—	0.9	—	0.9
Conversion of PDH Common Stock into common stock	—	—	21,316	—	0.2	—	—	0.2	(0.2 )	—
Issuance of common stock under ESPP	—	—	7,986	—	0.1	—	—	0.1	—	0.1
Equity compensation expense	—	—	—	—	0.7	—	—	0.7	—	0.7
Acquisition of non-controlling interest with Arysta Acquisition	—	—	—	—	—	—	—	—	24.6	24.6
Balance at March 31, 2015 (as restated)	2,000,000	—	192,221,572	1.9	2,814.3	(250.8 )	(475.0 )	2,090.4	109.1	2,199.5

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Net (loss) income—	—	—	—	—	(12.2 )	—	(12.2 )	3.1	(9.1 )	
Other comprehensive income, net of taxes (as revised)	—	—	—	—	—	87.4	87.4	1.6	89.0	
Issuance of common stock at \$26.50 per share in the June 2015 Equity Offering	—	—	18,226,414	0.2	482.8	—	—	483.0	—	483.0
Issuance costs in connection with the June 2015 Equity Offering	—	—	—	—	(14.8 )	—	—	(14.8 )	—	(14.8 )
Conversion of PDH Common Stock into common stock	—	—	406,217	—	4.7	—	—	4.7	(4.7 )	—
Issuance of common stock under ESPP	—	—	6,841	—	0.3	—	—	0.3	—	0.3
Equity compensation expense	—	—	—	—	0.6	—	—	0.6	—	0.6
Balance at June 30, 2015	2,000,000	—	210,861,044	2.1	3,287.9	(263.0 )	(387.6 )	2,639.4	109.1	2,748.5
Net (loss) income (as restated)	—	—	—	—	—	(140.1 )	—	(140.1 )	0.5	(139.6 )
Other comprehensive loss, net of taxes	—	—	—	—	—	—	(353.8 )	(353.8 )	(7.2 )	(361.0 )
Issuance of common shares to non-employee	—	—	2,500	—	—	—	—	—	—	—
Conversion of PDH Common Stock into common stock	—	—	6,343	—	—	—	—	—	—	—
Issuance of common stock under ESPP	—	—	9,710	—	0.1	—	—	0.1	—	0.1
Purchase accounting adjustment to non-controlling interest for Arysta Acquisition	—	—	—	—	—	—	—	—	6.4	6.4
Acquisition of remaining interest in Arysta	—	—	—	—	—	—	—	—	(3.3 )	(3.3 )

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Colombia Equity compensation expense	—	—	—	(0.7 )	—	—	(0.7 )	—	(0.7 )
Balance at September 30, 2015 (as restated)	2,000,000	\$ -210,879,597	\$ 2.1	\$ 3,287.3	\$ (403.1 )	\$ (741.4 )	\$ 2,144.9	\$ 105.5	\$ 2,250.4

See accompanying notes to condensed consolidated financial statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Company and Business

Platform Specialty Products Corporation is a global, diversified producer of high-technology specialty chemical products and provider of technical services. The Company's business involves the formulation of a broad range of solutions-oriented specialty chemicals which are sold into multiple industries, including agricultural, animal health, electronics, graphic arts, plating, offshore oil and gas production and drilling. The Company refers to its products as “dynamic chemistries” due to their intricate chemical compositions which are used in a wide variety of niche markets. As further described in Note 19, Segment Information, the Company operates in two segments: Performance Solutions and Agricultural Solutions.

Until the MacDermid Acquisition on October 31, 2013, the Company had neither engaged in any operations nor generated any income. Following the MacDermid Acquisition, on January 22, 2014, the Company was domesticated in Delaware and on January 23, 2014, its common stock, par value \$0.01 per share, began trading on the NYSE under the ticker symbol “PAH.”

Basis of Presentation

These unaudited interim Condensed Consolidated Financial Statements and related information have been prepared in accordance with GAAP for interim financial information and in accordance with the applicable rules and regulations of the SEC. Accordingly, they do not include all of the disclosures required in connection with annual financial statements. These unaudited interim Condensed Consolidated Financial Statements reflect all adjustments that are, in the opinion of management, normal, recurring and necessary for a fair statement of the Company's results of operations. These unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the related notes thereto included in the Company's Annual Report. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Principles of Consolidation

The accompanying unaudited interim Condensed Consolidated Financial Statements include Platform's accounts and all of its controlled subsidiaries. All subsidiaries are included in the unaudited interim Condensed Consolidated Financial Statements for the entire period or, if acquired, from the date on which the Company obtains control. The Company fully consolidates the income, expenses, assets, liabilities and cash flows of subsidiaries from the date it acquires control or becomes the primary beneficiary up to the date control ceases. All intercompany accounts and transactions have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

Compensation - Stock Compensation (Topic 718) - In March 2016, the FASB issued ASU No. 2016-09, “Improvements to Employee Share-Based Payment Accounting.” This update changes the accounting treatment related to tax windfall and shortfalls associated with share-based awards. It also eliminates the requirement for entities to estimate future forfeiture rates associated with share-based awards and stipulates the requirement that cash payments made by employers when directly withholding shares for tax-withholdings purposes should be classified as a financing activity in the statement of cash flows. The guidance is effective for fiscal years and interim periods beginning after December 15, 2016 with early adoption permitted. The Company adopted this ASU as of April 1, 2016. This ASU did not have a material impact on the Company's financial statements.

Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - In April 2015, the FASB issued ASU No. 2015-05, “Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.” This update provides explicit guidance to customers utilizing a cloud computing solution to help determine whether such an arrangement includes a software license, in which case the accounting applied would be similar to that of other software license arrangements. Otherwise, the arrangement would be accounted for as a service contract. The Company adopted this ASU as of January 1, 2016. This ASU did not have a material impact on the Company's financial statements.



PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

**Income Statement – Extraordinary and Unusual Items (Subtopic 225-20)** - In January 2015, the FASB issued ASU No. 2015-1, “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.” This update eliminates the requirement for entities to identify extraordinary events and transactions, those being both unusual in nature and infrequent in occurrence, and separately classify, present and disclose such items. The guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2015. The Company adopted this ASU as of January 1, 2016. The Company did not have any extraordinary or unusual income statement items recorded for any periods presented and therefore, this ASU did not have a material impact on the Company's financial statements.

**Compensation – Stock Compensation (Topic 718)** - In June 2014, the FASB issued ASU No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force).” Under the provisions of this update, a performance target that affects vesting and that could be achieved after the requisite service period are treated as a performance condition. The guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2015. The Company adopted this ASU as of January 1, 2016. This ASU did not have a material impact on the Company's financial statements as it had no share-based compensation awards that were effected by this pronouncement.

**Recently Issued Accounting Pronouncements Not Yet Adopted**

**Consolidation (Topic 810)** - In October 2016, the FASB issued ASU No. 2016-17, "Interests Held through Related Parties that are Under Common Control." This update clarifies how a reporting entity that is the single decision maker of a variable interest entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The guidance is effective for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The Company is evaluating the impact of this ASU.

**Income Taxes (Topic 740)** - In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other than Inventory." This update stipulates that entities recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs. The amendments in this guidance apply to assets other than inventory, for example, intellectual property and property, plant and equipment. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted in the first quarter of an annual reporting period for which financial statements have not been issued or made available for issuance. The Company is evaluating the impact of this ASU.

**Statement of Cash Flows (Topic 230)** - In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." This update was issued to reduce the differences in the classification of certain transactions in the statement of cash flows. The update addresses eight specific cash flow issues, including debt prepayment and extinguishment costs, zero coupon bond settlement, contingent consideration payments, insurance claim settlements, company-owned life insurance receipts/payments, distributions from equity method investments, beneficial interests in securitization transactions, and separately identifiable cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, with early adoption permitted. The Company does not expect this ASU to have a material impact on its financial statements.

**Financial Instruments - Credit Losses (Topic 326)** - In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This update introduces new guidance for the accounting for credit losses on certain types of financial instruments, which are to be estimated based on the expected losses. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The guidance is effective on a modified retrospective basis for fiscal years and interim periods beginning after December 15, 2019 with early adoption permitted for fiscal years and interim periods beginning after December 15, 2018. The Company is evaluating the impact of this ASU.

Investments - Equity Method and Joint Ventures (Topic 323) - In March 2016, the FASB issued ASU No. 2016-07, "Simplifying the Transition to the Equity Method of Accounting." This update simplifies transition accounting when the ownership level or degree of influence held in an investment qualifies that investment for equity method accounting. The guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The Company does not expect this ASU to have a material impact on its financial statements.

Derivatives and Hedging (Topic 815) - In March 2016, the FASB issued ASU No. 2016-06, "Contingent Put and Call Options in Debt Instruments (a consensus of the FASB Emerging Issues Task Force)." The ASU clarifies guidance around determining whether

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

call or put options that can accelerate the repayment of principal on a debt or hybrid instrument that are considered embedded derivatives meet the "clearly and closely related" criterion for determining whether the embedded derivative is required to be separated from the host contract and accounted for separately as a derivative. The guidance is effective for fiscal years and interim periods beginning after December 15, 2016 with early adoption permitted. Adoption is required on a modified retrospective basis. The Company does not expect this ASU to have a material impact on its financial statements.

**Derivatives and Hedging (Topic 815)** - In March 2016, the FASB issued ASU No. 2016-05, "Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the FASB Emerging Issues Task Force)." This update stipulates that a change in the counterparty of a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require de-designation of that hedging relationship, provided that all other hedge accounting criteria continue to be met. The guidance is effective for fiscal years and interim periods beginning after December 15, 2016 and provides entities with the option to apply either a prospective or a modified retrospective approach. The Company does not expect this ASU to have a material impact on its financial statements.

**Leases (Topic 842)** - In February 2016, the FASB issued ASU No. 2016-02, "Leases." The updated guidance applies to capital (or finance) and operating leases, and requires the lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lessee can make an accounting policy choice to not recognize right of use assets and lease liabilities for short-term leases (leases with a lease term of 12 months or less). The guidance is effective for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The Company continues to evaluate the impact of this ASU.

**Financial Instruments - Overall (Subtopic 825.10)** - In January 2016, the FASB issued ASU No. 2016-1, "Recognition and Measurement of Financial Assets and Financial Liabilities." This update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial assets and liabilities. Provisions of this ASU include, among others, requiring the measurement of certain equity investments at fair value, with changes in value recognized in net income, and simplifying the impairment assessment of certain equity investments. The guidance is effective for fiscal years and interim periods beginning after December 15, 2017. The guidance is effective on a modified retrospective basis, except as it relates to equity securities without a readily determinable fair value, for which it is effective on a prospective basis. Early adoption is only permitted for provisions related to the recognition of changes in fair value of financial liabilities. The Company does not expect this ASU to have a material impact on its financial statements.

**Revenue from Contracts with Customers (Topic 606)** - In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date," which defers the effective date of ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," for all entities by one year. As a result, the provisions of ASU No. 2014-09 will be effective prospectively for fiscal years and interim periods beginning after December 15, 2017. ASU No. 2014-09 (1) removes inconsistencies and weaknesses in revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has issued the following amendments and supplements to the guidance of ASU Nos. 2014-09 and 2015-14, all of which become effective for fiscal years and interim periods beginning after December 15, 2017:

• ASU No. 2016-08, "Principal versus Agent Considerations," issued in March 2016. This update improves the operability and understandability of the implementation guidance on principal versus agent considerations.



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ASU No. 2016-10, "Identifying Performance Obligations and Licensing," issued in April 2016. This update provides clarification on the implementation guidance defining when a good or service is separately identifiable from other promises in the contract and on contracts with licenses of intellectual property.

ASU No. 2016-12, "Narrow-Scope Improvements and Practical Expedients," issued in May 2016. This update provides clarification on the collectability criterion, presentation of taxes, non-cash consideration and contract modification guidance espoused in ASU No. 2014-09. This update also clarifies the accounting treatment for completed contracts and retrospective application of the standard to prior reporting periods.

The Company continues to evaluate the impact of ASU Nos. 2014-09, 2015-14 and their subsequent amendments.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

**Presentation of Financial Statements - Going Concern (Subtopic 205-40)** - In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This update provides clarification on conditions and events that should be considered by management at each annual and interim reporting period in determining whether there exists substantial doubt as to an entity's ability to continue as a going concern. The guidance is effective for fiscal years and interim periods ending after December 15, 2016 with early adoption permitted. The Company does not expect this ASU to have a material impact on its financial statements.

**Out of Period Adjustment**

In connection with the preparation of the Company's unaudited interim Condensed Consolidated Financial Statements for the period ended September 30, 2016, the Company identified an error that effected prior periods related to the allocation of expenses to non-controlling interests. On a cumulative basis since the first quarter of 2015, the Company determined \$6.1 million of expenses were not allocated to its non-controlling interests resulting in an overstatement of "Non-controlling Interests" and "Accumulated Deficit" in the Company's Condensed Consolidated Balance Sheets and an understatement of "Net loss attributable to non-controlling interests" and overstatement of "Net loss attributable to stockholders" in the Company's Condensed Consolidated Statements of Operations. Based on an analysis of qualitative and quantitative factors, management has concluded that this error was not material to the Company's unaudited interim Condensed Consolidated Financial Statements for 2015 and 2016 as well as the Company's Annual Report for the year ended December 31, 2015. As a result, the effects of the adjustment were corrected in the unaudited interim Condensed Consolidated Financial Statements for the period ended September 30, 2016.

**Restatement**

As previously disclosed in the Company's Annual Report, the Company restated its unaudited Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2015 and its unaudited Condensed Consolidated Balance Sheet as of September 30, 2015 that were previously included in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2015 to correct an error as a result of improperly recording a benefit on an unrealized loss associated with a foreign currency hedge entered into in connection with the Alent Acquisition for income tax accounting purposes, which resulted in an understatement of income tax expense of \$17.8 million. As a result of the error, "Loss per share" was understated by \$0.08 for the three and nine month periods ended September 30, 2015. In addition, "Prepaid expenses and other current assets" were overstated by \$19.6 million, "Other assets" were understated by \$2.8 million, and "Accrued income taxes payable" was understated by \$1.0 million.

**2. ACQUISITIONS OF BUSINESSES**

**OMG Malaysia Acquisition**

On January 31, 2016, the Company completed the OMG Malaysia Acquisition for approximately \$124 million, net of acquired cash and closing working capital adjustments.

The Company acquired OMG Malaysia to further enhance its Performance Solutions segment. OMG Malaysia, which is highly-synergistic with the OMG Businesses, is included in the Company's Performance Solutions business segment.

**Alent Acquisition**

On December 1, 2015, Platform completed the Alent Acquisition by acquiring all of the issued shares of Alent for approximately \$1.74 billion in cash, net of acquired cash, and 18,419,738 shares of the Company's common stock at \$12.56 per share, issued to Alent shareholders, including Cevian Capital II Master Fund LP, the then largest shareholder of Alent.

The Company acquired Alent to expand its product capabilities and offerings and improve its geographic outreach in surface treatments. Alent is a global supplier of specialty chemicals and engineered materials used primarily in electronics, automotive, industrial applications, and high performance consumable products and services. Alent is included in the Company's Performance Solutions business segment.



## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## OMG Acquisition

On October 28, 2015, Platform completed the OMG Acquisition for approximately \$239 million in cash, net of acquired cash, and purchase price adjustments.

The Company acquired the highly-synergistic OMG Businesses to bolster its Performance Solutions business segment. OMG's Electronic Chemicals business develops, produces and supplies chemicals for electronic and industrial applications. OMG's Photomasks products are used by customers to produce semiconductors and related products. These businesses are included in the Company's Performance Solutions business segment.

## Arysta Acquisition

On February 13, 2015, Platform completed the Arysta Acquisition for approximately \$3.50 billion, consisting of \$2.86 billion in cash, net of acquired cash and closing working capital adjustments, and including Arysta Seller transaction expenses paid by Platform, and the issuance to the Arysta Seller of \$600 million of Platform's Series B Convertible Preferred Stock with a fair value of \$646 million. On September 9, 2016, the Company entered into a settlement agreement with the Arysta Seller with respect to certain of its obligations relating to the Company's shares of Series B Convertible Preferred Stock. See Note 11, Stockholders' Equity, under the heading "Series B Convertible Preferred Stock."

The Company acquired Arysta to expand its presence in the agrochemical business, complementing the Agriphar and CAS Acquisitions. Arysta provides products and solutions utilizing globally managed patented and proprietary off-patent agrochemical AIs and biological solutions, or biosolutions, and off-patent agrochemical offerings. Biosolutions includes stimulants, or biostimulants, innovative nutrition and biological control, or biocontrol, products. Arysta is included in the Company's Agricultural Solutions business segment.

## Acquisition Net Sales and Net Income (Loss)

Since the dates of their respective acquisitions, net sales contributed by the OMG Malaysia, Alent, OMG and Arysta Acquisitions for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(amounts in millions)	2016	2015	2016	2015
OMG Malaysia	\$8.5	\$—	\$21.4	\$—
Alent	243.9	—	693.0	—
OMG	27.8	—	80.9	—
Arysta	363.7	318.2	1,013.4	837.6
Total	\$643.9	\$318.2	\$1,808.7	\$837.6

Net income (loss) generated by the OMG Malaysia, Alent, OMG and Arysta Acquisitions, excluding corporate allocations, for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(amounts in millions)	2016	2015	2016	2015
OMG Malaysia	\$1.2	\$—	\$2.3	\$—
Alent	23.7	—	38.8	—
OMG	4.2	—	4.5	—
Arysta	(8.9 )	(34.8 )	(174.1 )	(100.6 )
Total	\$20.2	\$(34.8)	\$(128.5)	\$(100.6)

As the integration continues for (1) the OMG Malaysia, Alent and OMG Acquisitions within the Company's Performance Solutions business segment and (2) the Arysta Acquisition within the Agricultural Solutions segment,

discrete results reported by these existing businesses are being effected by the integration process and are becoming less comparable to prior periods.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## Purchase Price Allocation

The following table summarizes the consideration transferred and transaction costs incurred to acquire OMG Malaysia, Alent and the OMG Businesses, as well as the applicable amounts of identified assets acquired and liabilities assumed at the applicable acquisition date:

(amounts in millions)	OMG Malaysia	Alent	OMG
Consideration			
Cash, net	\$ (1.3 )	\$ 1,507.0	\$ 239.1
Equity instruments	—	231.4	—
Note receivable settlement	125.0	—	—
Total consideration	\$ 123.7	\$ 1,738.4	\$ 239.1
Acquisition costs	\$ 0.5	\$ 29.2	\$ 7.4
Identifiable assets acquired and liabilities assumed			
Accounts receivable	\$ 4.3	\$ 177.4	\$ 33.1
- less uncollectible	—	(1.8 )	(1.6 )
Accounts receivable - fair value	4.3	175.6	31.5
Inventories	6.4	116.1	13.2
Other current assets	0.2	29.3	1.6
Property, plant and equipment	4.7	192.2	35.1
Identifiable intangible assets	38.3	682.9	77.9
Other assets	—	38.3	0.2
Current liabilities	(3.5 )	(181.8 )	(21.5 )
Non-current deferred tax liability	(10.0 )	(139.6 )	(13.6 )
Other long term liabilities	—	(345.2 )	(2.9 )
Total identifiable net assets	40.4	567.8	121.5
Goodwill	83.3	1,170.6	117.6
Total purchase price	\$ 123.7	\$ 1,738.4	\$ 239.1

The purchase accounting and purchase price allocation is complete for the OMG Acquisition. During the nine months ended September 30, 2016, the Company increased the environmental reserves by \$1.5 million and reduced non-current accrued tax liability by \$2.6 million. The collective impact of these adjustments resulted in a decrease of \$1.1 million in goodwill.

The purchase accounting and purchase price allocation is substantially complete for the Alent Acquisition with the exception of intangible assets, income taxes, environmental reserves and AROs. The Company is still gathering information to finalize purchase accounting for the Alent Acquisition. During the nine months ended September 30, 2016, the Company updated the environmental reserves, non-current other liabilities and non-current deferred tax assets. The updates resulted in increases in environmental reserves of \$25.6 million and non-current other liabilities of \$2.8 million. The collective impact of these adjustments resulted in an increase of \$0.7 million in non-current deferred tax asset along with corresponding adjustments reflected in goodwill.

The purchase accounting and purchase price allocation is substantially complete for the OMG Malaysia Acquisition with the exception of intangible assets. Subsequent to this acquisition, the Company updated the valuation of inventories, identifiable intangible assets and non-current deferred tax liability. The updated valuations resulted in decreases in inventories of \$0.8 million and identifiable intangible assets of \$20.7 million. The collective impact of the adjustments noted above resulted in a decrease of \$5.1 million in non-current deferred tax liability, with

corresponding adjustments reflected in goodwill.

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## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

All the measurement period adjustments noted above had an immaterial impact on Condensed Consolidated Statement of Operations for the nine months ended September 30, 2016. There were no measurement period adjustments made for the three months ended September 30, 2016.

The excess of the respective cost of the OMG Malaysia, Alent and OMG Acquisitions over the net of amounts assigned to the fair values of the assets acquired and the liabilities assumed in connection with these acquisitions is recorded as goodwill and represents the value of estimated synergies and the assembled workforces resulting from these acquisitions. Of the \$1.37 billion of goodwill recorded in connection with the OMG Malaysia, Alent and OMG Acquisitions, \$113 million is expected to be deductible for tax purposes as a result of the OMG Malaysia and OMG Acquisitions.

Identifiable intangible assets recorded in conjunction with the OMG Malaysia, Alent and OMG Acquisitions were as follows:

(amounts in millions)	OMG Malaysia		Alent		OMG		Total	
	Fair Value	Weighted average useful life (years)	Fair Value	Weighted average useful life (years)	Fair Value	Weighted average useful life (years)	Fair Value	Weighted average useful life (years)
Customer lists	\$35.0	25.0	\$391.4	14.7	\$49.0	24.3	\$475.4	16.5
Developed technology	3.3	5.0	203.3	10.0	28.0	10.0	234.6	9.9
Tradenames	—	—	85.8	(1) 20.0	0.9	10.0	86.7	18.3
In process - R&D	—	—	2.4	(2) —	—	—	2.4	—
Total	\$38.3	23.3	\$682.9	13.2	\$77.9	19.0	\$799.1	14.3

(1) Includes \$81.4 million of indefinite-lived tradenames which have been excluded from the calculation of weighted average useful life.

(2) Excluded from the calculation of weighted average useful life.

## Pro Forma Revenue and Earnings

The following unaudited pro forma summary presents consolidated information of the Company for the three and nine months ended September 30, 2016 and 2015 as if the OMG Malaysia, Alent and OMG Acquisitions had each occurred on January 1, 2015, and as if the Arysta Acquisition had occurred on January 1, 2014:

(amounts in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Pro forma revenue	\$890.5	\$865.5	\$2,638.8	\$2,713.9
Pro forma net income (loss) attributable to stockholders	105.5	(151.8)	(21.8)	(198.5)

For the three and nine months ended September 30, 2016, the Company incurred \$1.3 million and \$14.3 million of acquisition and integration expenses, respectively, related to the OMG Malaysia, Alent, OMG and Arysta Acquisitions, which have been reflected in the pro forma earnings above as if each of these Acquisitions had occurred in 2015. In addition, for the three and nine months ended September 30, 2015, the Company incurred acquisition and integration expenses of \$4.4 million and \$32.2 million, respectively, related to the Arysta Acquisition, which have been excluded from the September 30, 2015 pro forma earnings above. These pro forma amounts have been prepared to reflect fair value adjustments to intangible assets and the related amortization expense, net of tax, from January 1, 2015, as well as the effect of the debt instruments used to fund the Arysta and Alent Acquisitions.





## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## 3. INVENTORIES

The major components of inventory were as follows:

(amounts in millions)	September 30, December 31,	
	2016	2015
Finished goods	\$ 355.9	\$ 340.1
Work in process	44.2	28.5
Raw materials and supplies	164.2	148.9
Total inventory, net	\$ 564.3	\$ 517.5

In connection with Platform's various business acquisitions, the value of inventory was increased at the respective dates of acquisition to reflect fair value. For the three months ended September 30, 2016 and 2015, zero and \$1.3 million, respectively, was recorded to "Cost of sales" in the Condensed Consolidated Statements of Operations based on inventory turnover of such acquisitions and purchase price adjustments. For the nine months ended September 30, 2016 and 2015, \$11.7 million and \$58.0 million, respectively, was charged to "Cost of sales" in the Condensed Consolidated Statements of Operations based on inventory turnover of such acquisitions and purchase price adjustments.

## 4. PROPERTY, PLANT AND EQUIPMENT

The major components of property, plant and equipment, including equipment under capital leases, were as follows:

(amounts in millions)	September 30, December 31,	
	2016	2015
Land and leasehold improvements	\$ 109.2	\$ 107.9
Buildings and improvements	138.1	143.8
Machinery, equipment, fixtures and software	302.4	276.8
Construction in process	27.4	21.4
Assets under capital lease:		
Land and buildings	8.2	6.4
Machinery and equipment	5.3	5.1
Total property, plant and equipment	590.6	561.4
Accumulated depreciation	(111.1 )	(64.3 )
Accumulated amortization of capital leases	(6.8 )	(5.5 )
Property, plant and equipment, net	\$ 472.7	\$ 491.6

For the three months ended September 30, 2016 and 2015, the Company recorded depreciation expense of \$18.9 million and \$11.6 million, respectively. For the nine months ended September 30, 2016 and 2015, the Company recorded depreciation expense of \$55.8 million and \$33.7 million, respectively.

In March 2016, the Company entered into a sale agreement for a long-lived asset with a net book value of \$12.1 million in exchange for a cash payment of \$9.3 million, net of estimated selling costs of \$0.2 million. As a result, the Company reduced the net book value of the asset by \$2.8 million, which was recorded in "Selling, technical, general and administrative expense" in the Condensed Consolidated Statements of Operations during the first quarter of 2016. The asset was subsequently sold during the second quarter of 2016.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
Notes to the Condensed Consolidated Financial Statements  
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### 5. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill by segment were as follows:

(amounts in millions)	Performance Solutions	Agricultural Solutions	Total
December 31, 2015	\$ 2,147.2	\$ 1,874.7	\$4,021.9
Addition from acquisitions	66.9	—	66.9
Purchase accounting adjustments	46.3	—	46.3
Foreign currency translation and other	4.6	226.6	231.2
September 30, 2016	\$ 2,265.0	\$ 2,101.3	\$4,366.3

The carrying value of indefinite-lived intangible assets other than goodwill, which consist solely of tradenames, was \$391 million and \$360 million at September 30, 2016 and December 31, 2015, respectively.

During the nine months ended September 30, 2016, the Company found no indications of impairment related to its goodwill and indefinite-lived intangible assets.

Intangible assets subject to amortization were as follows:

(amounts in millions)	Weighted Average Useful Life (years)	September 30, 2016			December 31, 2015		
		Gross Carrying Amount and Foreign Exchange	Accumulated Amortization and Foreign Exchange	Net Book Value	Gross Carrying Amount and Foreign Exchange	Accumulated Amortization and Foreign Exchange	Net Book Value
Customer lists	18.3	\$1,240.5	\$ (117.9 )	\$1,122.6	\$1,297.2	\$ (184.0 )	\$1,113.2
Developed technology	11.7	2,009.4	(146.7 )	1,862.7	2,260.9	(440.4 )	1,820.5
Tradenames	8.0	22.2	(5.9 )	16.3	24.2	(5.4 )	18.8
Non-compete agreements	5.0	1.9	(0.9 )	1.0	1.9	(0.5 )	1.4
Total	14.1	\$3,274.0	\$ (271.4 )	\$3,002.6	\$3,584.2	\$ (630.3 )	\$2,953.9

For the three months ended September 30, 2016 and 2015, the Company recorded amortization expense on intangible assets of \$68.0 million and \$50.4 million, respectively. For the nine months ended September 30, 2016 and 2015, the Company recorded amortization expense on intangible assets of \$199 million and \$143 million, respectively.

### 6. LONG-TERM COMPENSATION PLANS

In June 2014, the Company's stockholders approved the 2013 Plan, which is administered by the compensation committee of the Board, except as otherwise expressly provided in the 2013 Plan. The Board approved a maximum of 15,500,000 shares of common stock (subject to increase in accordance with the terms of the 2013 Plan), which were reserved and made available for issuance under the 2013 Plan.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES  
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(Unaudited)

As of September 30, 2016, a total of 373,434 shares of common stock had been issued and 2,824,164 awarded RSUs and stock options were outstanding under the 2013 Plan.

	Nine Months Ended September 30, 2016			
	Total	RSUs Equity Classified	Liability Classified	Stock Options
Outstanding at December 31, 2015	1,006,436	501,634	329,802	175,000
Granted	2,110,173	1,719,975	—	390,198
Exercised/Issued	(7,642 )	(7,642 )	—	—
Forfeited	(109,803 )	(100,313 )	(9,490 )	—
Outstanding at September 30, 2016	2,999,164	2,113,654	320,312	565,198

Equity Classified RSUs

During the nine months ended September 30, 2016, the Company issued the following RSU grants following their approval by the Board:

RSUs	Weighted average grant date fair value	Weighted average vesting period (months)
RSUs issued	1,719,975 \$ 10.86	34.1

In addition to RSUs containing only service vesting conditions, the Company has issued RSUs for which vesting is also tied to performance or market conditions. Certain of these RSUs with performance or market vesting conditions also contain provisions for additional share awards in the event certain performance or market conditions are met at the end of certain applicable measurement periods. These conditions are generally based on ROIC or TSR targets. As of September 30, 2016, the following equity classified RSUs were outstanding:

September 30, 2016			Potential additional awards
Vesting Conditions: Outstanding	Weighted average service period (years)		
Service-based	772,835 2.8		—
Performance-based	713,830 3.3		433,780
Market-based	626,989 3.5		1,202,067
Total	2,113,654 3.2		1,635,847

In addition, the Board had approved 166,667 RSUs under the 2013 Plan subject to EBITDA performance conditions that must be achieved in the applicable vesting year which have yet to be set. These awards also include a multiplier of zero to 100% based upon adjusted EBITDA target benchmarks. As the target adjusted EBITDA benchmarks have not yet been established, these RSUs have been excluded from the above grant activity. The adjusted EBITDA target benchmarks are expected to be established in 2017 and 2018.

For the three months ended September 30, 2016 and 2015, total compensation expense associated with RSUs classified as equity totaled \$2.0 million and \$0.2, respectively. For the nine months ended September 30, 2016 and 2015, total compensation expense associated with RSUs classified as equity totaled \$4.6 million and \$0.6 million, respectively.



## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

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## Liability Classified RSUs

In March 2014, the Company granted to certain employees 329,823 RSUs that cliff vest on December 31, 2020. These RSUs are subject to an adjusted EBITDA performance condition and a share price market condition. Additionally, the number of shares of common stock to be issued is limited to a maximum cash value, requiring these awards to be classified as liabilities. There were 320,312 RSUs associated with these grants outstanding as of September 30, 2016. The combined undiscounted maximum cash value of all liability-classified RSUs issued is approximately \$6.9 million, which is being recognized as compensation expense over the period from grant to the vesting date.

For the three months ended September 30, 2016 and 2015, compensation expense (income) associated with these awards totaled zero and \$(0.6) million, respectively. For the nine months ended September 30, 2016 and 2015, compensation expense associated with these awards totaled zero and \$0.8 million, respectively.

## Stock Options

During the nine months ended September 30, 2016, the Company granted non-qualified stock options under the 2013 Plan as follows:

Stock Options	Weighted average strike price per share	Weighted average grant date fair value per share
Stock options granted 390,198	\$ 8.05	\$ 4.35

All options granted during 2016 are subject to graded vesting over a three-year period and have contractual lives of ten years from the grant date. Fair value of the grants is calculated using the Black-Scholes option pricing model at the grant date.

The following table provides the range of assumptions used in valuing the option grants using the Black-Scholes option pricing method:

	Black-Scholes Input Assumptions
Weighted average expected term (years)	6.0
Expected volatility	53.0%
Risk-free rate	1.52% to 1.56%
Expected dividend rate	—%
Fair value price per share	\$4.32 to \$4.81

Weighted average expected term is calculated based on the simplified method for plain vanilla options as the Company has concluded that its historical share option exercise experience does not provide a reasonable basis upon which to estimate expected term and certain alternative information to assist with estimating it is not easily obtainable. Expected volatility is calculated based on a blend of the implied and historical equity volatility of an index of comparable companies. Risk-free rate of return is based on an interpolation of U.S. Treasury rates to reflect an expected term of six years at the date of grant.

For the three and nine months ended September 30, 2016, the Company recognized compensation expense associated with stock options of \$0.1 million and \$0.3 million, respectively.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

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## Long Term Cash Bonus Plan

The Company established the LTCB during the first quarter of 2015. As of September 30, 2016, the LTCB provides participants with the right to receive long-term cash bonuses totaling in the aggregate \$10.5 million, a decrease of \$4.8 million from December 31, 2015 due to forfeitures. Benefits under the plan vest over periods ranging from 36 to 62.5 months and include adjusted EBITDA performance targets, which are subject to appropriate and equitable adjustments by the compensation committee of the Board in order to reflect any subsequent acquisition, divestiture or other corporate reorganizations, as necessary. For the three months ended September 30, 2016 and 2015, compensation expense (income) associated with the LTCB totaled \$0.1 million and \$(0.6) million, respectively. For the nine months ended September 30, 2016 and 2015, compensation expense associated with the LTCB totaled \$0.2 million and \$0.2 million, respectively.

## Employee Stock Purchase Plan

The Company adopted the ESPP in 2014. The Board approved a maximum of 5,178,815 shares of common stock, which were reserved and made available for issuance under the plan. As of September 30, 2016, a total of 152,665 shares had been issued under the ESPP, and approximately 1,200 persons were eligible to participate in the ESPP. For the three months ended September 30, 2016 and 2015, compensation expense associated with the ESPP totaled \$0.2 million and zero, respectively. For the nine months ended September 30, 2016 and 2015, compensation expense associated with the ESPP totaled \$0.3 million and \$0.1 million, respectively.

## 7. PENSION AND POST-RETIREMENT PLANS

The components of net periodic pension and post-retirement benefit costs for the three and nine months ended September 30, 2016 and 2015 were as follows:

(amounts in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		2016		2015	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Pension & SERP Benefits								
Net periodic (benefit) cost								
Service cost	\$—	\$ 0.4	\$—	\$ 0.2	\$—	\$ 1.3	\$—	\$ 0.6
Interest cost on the projected benefit obligation	2.5	0.8	1.6	0.5	7.6	2.3	4.8	1.5
Expected return on plan assets	(2.9 )	(0.6 )	(2.4 )	(0.5 )	(8.7 )	(1.9 )	(7.2 )	(1.5 )
Amortization of prior service cost	—	0.1	—	—	—	0.4	—	—
Net periodic (benefit) cost	\$(0.4)	\$ 0.7	\$(0.8)	\$ 0.2	\$(1.1)	\$ 2.1	\$(2.4)	\$ 0.6
(amounts in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016		2015		2016		2015	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Post-retirement Benefits								
Net periodic cost								
Interest cost on the projected benefit obligation	\$0.1	\$ 0.1	\$ 0.1	\$ —	\$0.3	\$ 0.2	\$ 0.3	\$ —
Net periodic cost	\$0.1	\$ 0.1	\$ 0.1	\$ —	\$0.3	\$ 0.2	\$ 0.3	\$ —

No pension service costs were recognized during the three and nine months ended September 30, 2016 and 2015 under the domestic pension plans, nor will there be in future periods, as benefits in the plans were frozen.

The Company expects to make contributions totaling \$6.9 million to its pension and other post-retirement benefit plans during 2016, of which \$6.6 million was contributed as of September 30, 2016.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## 8. DEBT, CAPITAL LEASES, FINANCIAL GUARANTEES AND FACTORING ARRANGEMENTS

Excluding the "Preferred stock redemption liability," the Company's debt and capital lease obligations consisted of the following:

(amounts in millions)	September 30, 2016	December 31, 2015
Debt and Capital Lease Obligations		
USD Senior Notes due 2022, interest at 6.5%, net of unamortized premium and debt issuance costs of \$17.5 million and \$18.9 million at September 30, 2016 and December 31, 2015, respectively	\$ 1,082.5	\$ 1,081.1
EUR Senior Notes due 2023, interest at 6.00%, net of debt issuance costs of \$5.8 million and \$6.1 million at September 30, 2016 and December 31, 2015, respectively	387.6	374.0
USD Senior Notes due 2021, interest at 10.375%, net of debt issuance costs of \$11.5 million and \$12.5 million at September 30, 2016 and December 31, 2015, respectively	488.5	487.5
First Lien Credit Facility - U.S. Dollar Term Loans due 2020, interest at the greater of 5.50% or LIBOR plus 4.50%, net of unamortized discount and debt issuance costs of \$57.4 million and \$66.8 million at September 30, 2016 and December 31, 2015, respectively	2,620.0	2,631.3
First Lien Credit Facility - Euro Term Loans due 2020, interest at the greater of 5.50% or LIBOR plus 4.50%, net of unamortized discount and debt issuance costs of \$13.2 million and \$14.9 million at September 30, 2016 and December 31, 2015, respectively	638.0	619.2
Borrowings under the Revolving Credit Facility, interest at LIBOR plus 3.00% at September 30, 2016	—	—
Borrowings under lines of credit, weighted average interest rate of 3.52% and 4.28% at September 30, 2016 and December 31, 2015, respectively	42.8	16.7
Other	18.9	18.5
Total debt and capital lease obligations	5,278.3	5,228.3
Less: current portion debt and capital lease obligations	(81.4	) (54.7
Total long-term debt and capital lease obligations	\$ 5,196.9	\$ 5,173.6

The weighted average effective interest rate associated with debt outstanding at September 30, 2016, based on currently applicable interest rates, was 6.99%. This rate includes the effects of interest rate swaps, as well as the impact of deferred financing fees and original issue discount and premium amortization calculated using the effective interest method.

In August 2015, the Company entered into a series of pay fixed, receive floating interest rate swaps with respect to a portion of its indebtedness. The swaps effectively fix the floating base rate portion of the interest payments on approximately \$1.15 billion of the Company's USD denominated debt and €282 million of its Euro denominated debt at 1.96% and 1.20%, respectively, from September 2015 through June 2020.

On September 9, 2016, the Company entered into a settlement agreement with the Arysta Seller with respect to certain obligations relating to the Company's shares of Series B Convertible Preferred Stock. As a result of the settlement agreement, for accounting purposes, the Series B Convertible Preferred Stock was deemed extinguished in exchange for the issuance of another financial instrument that is recognized as a "Preferred stock redemption liability" in the current liability section of the Condensed Consolidated Balance Sheet, which totaled \$504 million as of September 30,



2016. See Note 11, Stockholders' Equity, under the heading "Preferred Stock - Series B Convertible Preferred Stock" for further information.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Minimum principal payments on long-term debt and capital leases were as follows:

(amounts in millions)	Principal
Year ending December 31, Payments	
2016 - remaining	\$ 8.9
2017	34.9
2018	34.8
2019	34.6
2020	3,218.8
2021	500.7
Thereafter	1,494.4
Total	\$ 5,327.1

In order to fund its acquisition activity, the Company has \$5.28 billion of debt as of September 30, 2016, with expected interest payments in excess of \$300 million per year. The first significant principal debt payments, totaling \$3.22 billion, are due in 2020 and represent maturities of outstanding term loans under the Amended and Restated Credit Agreement. On October 14, 2016, the Company created new tranches of term loans, the proceeds of which were used to prepay, in full, more than half of the Company's previously existing term loans, having the effect of reducing future interest payments and extending maturity dates. See "Amended and Restated Agreement - Subsequent Events" below. In addition, to the extent the Company does not settle its preferred stock redemption liability as described below, on April 20, 2017, it will be required to repurchase, in consideration and exchange for shares of its common stock, each share of Series B Convertible Preferred Stock that has not been previously converted into shares of the Company's common stock or automatically redeemed for cash. Upon such repurchase, the Company would also pay to holders of Series B Convertible Preferred Stock in cash a make whole payment, which corresponds to any deficit between (i) the 10-day volume weighted price of Platform's common stock prior to such repurchase and (ii) \$27.14 per share. Based on Platform's common stock price of \$8.11 as of September 30, 2016, the maximum potential make whole payment would total approximately \$421 million. Under the terms of a recent settlement agreement with the Arysta Seller, from October 20, 2016 until the close of business on December 15, 2016, the Company may however settle (i) all of its obligations with respect to the Series B Convertible Preferred Stock in exchange for a cash payment of \$1.00 and the issuance of 5,500,000 shares of its common stock upon simultaneous conversion of the Series B Convertible Preferred Stock by the Arysta Seller, and (ii) for a payment of \$460 million, its obligation to pay the make whole payment mentioned above to the Arysta Seller.

The Company anticipates sufficient cash from operations to fund interest, working capital and other capital expenditures for the foreseeable future and has access to a \$500 million line of credit under the Revolving Credit Facility, with current availability of \$500 million, as well as availability under various lines of credit and overdraft facilities of \$118 million. In addition, during the third quarter of 2016, the Company completed the September 2016 Equity Offering of 48,787,878 shares of common stock. This offering resulted in gross proceeds of approximately \$402.5 million. Despite the above, a combination of the settlement of the preferred stock redemption liability, working capital shortfalls and future acquisitions may require utilization of the Revolving Credit Facility as well as proceeds from future debt and/or equity offerings. The Company's long-term liquidity may also be impacted by its ability to borrow additional funds, renegotiate existing debt and/or raise equity or debt under favorable terms.

## Amended and Restated Credit Agreement

The Company is party to the Amended and Restated Credit Agreement, which governs the First Lien Credit Facility and the Revolving Credit Facility (in U.S. Dollar or multicurrency). A portion of the Revolving Credit Facility not in excess of \$30.0 million is available for the issuance of letters of credit. As of September 30, 2016, the maximum borrowing capacity under the Amended and Restated Credit Agreement consisted (i) an aggregate principal amount of up to \$250 million under the Revolving Credit Facility to be denominated in U.S. Dollars, and (ii) an aggregate

principal amount of up to \$250 million under the Revolving Credit Facility to be denominated in multicurrency. Pursuant to the terms of the Amended and Restated Credit Agreement, each of the First Lien Credit Facility term loans bear interest at a rate per annum equal to the greater of 5.50% or LIBOR plus an adjusted eurocurrency rate, or 4.50% plus an adjusted base rate, calculated as set forth in the Amended and Restated Credit Agreement. Each tranche of term loans will mature on June 7, 2020.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Pursuant to the terms of the Amended and Restated Credit Agreement, loans under the Revolving Credit Facility bear interest at a rate per annum equal to 3.00% plus an adjusted eurocurrency rate, or 2.00% plus an adjusted base rate, each as calculated as set forth in the Amended and Restated Credit Agreement. The Revolving Credit Facility will mature on June 7, 2019. Revolving loans and commitments held by revolving facility lenders who did not consent to any extension, will mature on June 7, 2018.

Certain domestic and foreign subsidiaries of the Company, including certain subsidiaries acquired in the Alent, Arysta and OMG Acquisitions, are guarantors under the Amended and Restated Credit Agreement, with certain of these subsidiaries having pledged collateral to secure the obligations incurred thereunder.

Covenants and Events of Default

The Amended and Restated Credit Agreement contains customary covenants including limitations on additional indebtedness, dividends and other distributions, entry into new lines of business, use of loan proceeds, capital expenditures, restricted payments, restrictions on liens, transactions with affiliates, amendments to organizational documents, accounting changes, sale and leaseback transactions and dispositions. The Revolving Credit Facility also imposes a financial covenant to maintain a first lien net leverage ratio of 6.25 to 1.0 of (x) consolidated indebtedness secured by a first lien minus unrestricted cash and cash equivalents of the borrowers and guarantors under the Amended and Restated Credit Agreement to (y) consolidated EBITDA for the four most recent fiscal quarters, subject to a right to cure. A violation of this financial covenant can become an event of default under the Credit Facilities and result in the acceleration of all of the Company's indebtedness. As of September 30, 2016, the Company was in compliance with the debt covenants contained in the Credit Facilities and, in accordance with such debt covenants, had full availability of its unused borrowing capacity of \$500 million under the Revolving Credit Facility.

The Amended and Restated Credit Agreement also contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of certain covenants, inaccuracy of representations and warranties, failure to make payment on certain other material indebtedness, bankruptcy and insolvency events, material judgments and change of control provisions. Upon the occurrence of an event of default, payment of any outstanding loans under the Amended and Restated Credit Agreement may be accelerated. Borrowings under the Amended and Restated Credit Agreement are also subject to mandatory prepayment from the proceeds of certain dispositions of assets and from certain insurance and condemnation proceeds, excess cash flow and debt incurrences, in each case, subject to customary carve-outs and exceptions.

The Amended and Restated Credit Agreement also contains a yield protection provision wherein the yield on any current indebtedness issued under the Amended and Restated Credit Agreement would be increased to within 50 basis points of the yield on any additional incremental term loan(s), in the event the incremental term loan(s) provided an initial yield, including original issue discount (OID), subject to the yield calculation provisions, as defined, is in excess of 50 basis points of the yield on existing term loan indebtedness.

Subsequent Event

On October 14, 2016, the Company entered into and closed the transactions contemplated by Amendment No. 5 to the Second Amended and Restated Credit Agreement. Amendment No. 5, among other things, provided for the prepayment in full of previously existing tranche B and tranche B-2 term loans denominated in U.S. dollars and tranche C-1 term loans denominated in Euros with the aggregate proceeds of newly created tranche B-4 term loans denominated in U.S. dollars in an aggregate principal amount of \$1.48 billion (less original issue discount of 0.5%) and tranche C-3 term loans denominated in Euros in an aggregate principal amount of €433 million (or \$487 million based on the Euro/USD exchange rate of 1.124 on September 30, 2016)(less original issue discount of 0.25%). The amendment effectively reduced interest rates by 50 basis points for the new U.S. Dollar denominated term loans and by 75 basis points for the new Euro denominated term loans. The new tranche B-4 term loans bear interest at 4.0% per annum, plus an applicable eurocurrency rate and the new Euro tranche C-3 term loans bear interest at 3.75% per annum, plus an applicable eurocurrency rate, in each case as calculated in the Credit Agreement. The maturity date of

the new term loans is June 7, 2023; provided that if, on or prior to November 2, 2021, the Company has not prepaid, redeemed or otherwise retired and/or refinanced in full its 6.50% USD Notes due 2022, as permitted under the Amended and Restated Credit Agreement, the maturity date of the new term loans will be November 2, 2021. Amendment No. 5 also (i) amended the Restricted Payments basket, as defined in the Amended and Restated Credit Agreement, to limit select forms of restricted payments if such payments would cause the total net leverage ratio, calculated as set forth in the Amended and Restated Credit Agreement, to exceed 6.00 to 1.00, and (ii) requires a prepayment percentage in the case of excess cash flow, both calculated as set forth in the Amended and Restated Credit Agreement, of 75% with step-downs to 50%, 25% and 0% based on the applicable first lien net leverage ratio on the prepayment date.

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Except as set forth in Amendment No. 5 and above, the new USD tranche B-4 term loans have identical terms as the existing U.S. dollar denominated tranche B-3 term loans and the new Euro tranche C-3 term loans have identical terms as the existing Euro denominated tranche C-2 term loans and, in each case, are otherwise subject to the provisions of the Amended and Restated Credit Agreement.

Guarantees

The obligations of Platform and MacDermid, as borrowers, under the Amended and Restated Credit Agreement are guaranteed by current and future direct and indirect domestic subsidiaries. Certain of Platform's foreign subsidiaries also guarantee the obligations of MAS Holdings, NAIP, MacDermid Europe and MacDermid Funding with respect to the Euro tranche C term loans. Pursuant to the Security Agreement, the Company's obligations under the Amended and Restated Credit Agreement are secured by a security interest in substantially all of the personal property, whether owned on the date of the Security Agreement, or entered into or acquired in the future, of Platform and MacDermid, as borrowers, and the guarantors listed in the Security Agreement, including the pledge by Platform, MacDermid and guarantors generally of 100% of the voting common stock and other equity interests in all of their respective domestic subsidiaries and 65% of the voting common stock and other equity interests in all of their respective directly owned non-domestic subsidiaries (in each case, whether existing on the date of the Security Agreement or entered into or acquired thereafter), subject to certain exceptions contained in the Amended and Restated Credit Agreement and the Security Agreement.

Lines of Credit and Other Debt Facilities

The Company carries a Revolving Credit Facility and various lines of credit, short-term debt facilities and overdraft facilities worldwide which are used to fund short-term cash needs. As of September 30, 2016 and December 31, 2015, the aggregate principal amount outstanding under such facilities totaled \$42.8 million and \$16.7 million, respectively. The Company also had letters of credit outstanding of \$32.9 million and \$40.0 million as of September 30, 2016 and December 31, 2015, respectively, of which \$11.2 million and \$11.0 million as of September 30, 2016 and December 31, 2015, respectively, reduce the borrowings available under the Revolving Credit Facility. As of September 30, 2016 and December 31, 2015, the availability under these facilities was approximately \$618 million, net of outstanding letters of credit.

Financial Guarantees and Factoring Arrangements

The Company periodically enters into certain arrangements with vendors and customers under which it provides guarantees to financial institutions for loans entered into between its vendors and customers and the financial institutions, the proceeds of which are used to settle outstanding accounts receivables. The terms of the guarantees are equivalent to the terms of the customer loans. Liabilities for the guarantees are recorded at amounts that approximate fair value, based on the Company's historical collection experience with vendors and customers that participate in the program and a current assessment of credit exposure. Such liabilities are included in "Accrued expenses and other current liabilities" in the Company's Condensed Consolidated Balance Sheets, and totaled \$6.7 million and \$46.3 million as of September 30, 2016 and December 31, 2015, respectively. Program income and expenses are recorded in "Interest expense, net" in the Condensed Consolidated Statements of Operations. For the three months ended September 30, 2016 and 2015, program income (expenses) totaled \$0.1 million and \$(0.5) million, respectively. For the nine months ended September 30, 2016 and 2015, program income (expenses) totaled \$0.3 million and \$(1.5) million, respectively.

The Company also utilizes accounts receivable factoring arrangements as a part of its working capital management strategies. Total current capacity under such programs is approximately \$287 million as of September 30, 2016. Under these arrangements, factored accounts receivable may be transferred with or without recourse. Factoring transactions qualifying for sales treatment, where the derecognition criteria have been met, totaled \$33.1 million as of September 30, 2016. As of December 31, 2015, such transactions totaled \$189 million. Accounts receivable balances related to arrangements not having met the derecognition criteria, where the risks and rewards of ownership have not

been transferred, remain recorded in "Accounts receivable" and the related liabilities are included in "Accrued expenses and other current liabilities" in the Company's Condensed Consolidated Balance Sheets, and totaled \$31.0 million and \$24.8 million as of September 30, 2016 and December 31, 2015, respectively. Factoring fees are recorded in "Interest expense, net" in the Condensed Consolidated Statements of Operations and totaled \$0.7 million and \$0.1 million for the three months ended September 30, 2016 and 2015, respectively. For the nine months ended September 30, 2016 and 2015, factoring fees totaled \$1.4 million and \$0.1 million, respectively. As of September 30, 2016, the Company had additional capacity under its factoring arrangements of approximately \$96.8 million, subject to the limitations outlined in its Credit Facilities and other agreements governing outstanding debt.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Some of the Company's subsidiaries in the United States and the Netherlands periodically enter into arrangements with financial institutions for consignment and/or purchase of precious metals. The present and future indebtedness and liability relating to such arrangements are guaranteed by the Company. The Company's maximum guarantee liability under these arrangements is limited to an aggregate of \$18.0 million.

## 9. DERIVATIVE INSTRUMENTS

In the normal course of business, the Company is exposed to risks relating to changes in foreign currency exchange rates, interest rates and commodity prices. Derivative financial instruments, such as foreign currency exchange forward contracts, interest rate swaps and commodities futures contracts are used to manage the risks associated with changes in the conditions of those markets. All derivatives are recognized in the Condensed Consolidated Balance Sheets at fair value at the end of each period. The counterparties to the Company's derivative agreements are primarily major international financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties.

## Foreign Currency

The Company conducts a significant portion of its business in currencies other than the U.S. Dollar and in currencies other than the functional currencies of its subsidiaries. As a result, the Company's operating results are affected by foreign currency exchange rate volatility.

As of September 30, 2016, the Company held foreign currency forward contracts to purchase and sell various currencies primarily with U.S. Dollars and Euro, with less significant amounts traded with Japanese Yen. The Company has not designated any foreign currency exchange forward contracts as eligible for hedge accounting. The total U.S. Dollar equivalent of foreign currency exchange forward contracts held at September 30, 2016 was approximately \$264 million, all of which have settlement dates within one year. The following table details the Company's significant outstanding foreign exchange derivative contracts as of September 30, 2016:

(in millions)	Traded			
	Traded against USD		Traded against EUR (USD equivalent)	
Currency	Purchasing	Selling	Purchasing	Selling
Euro (EUR)	\$41.4	\$36.9	\$—	\$—
Brazilian Real (BRL)	13.8	66.1	—	—
Japanese Yen (JPY)	12.3	18.7	9.5	1.6
South African Rand (ZAR)	—	22.3	—	1.4
Taiwan Dollar (TWD)	10.6	—	—	—
Other	15.4	2.9	9.1	0.3
Total	\$93.5	\$146.9	\$18.6	\$3.3

The change in the net fair value of the foreign currency forward contracts is recorded in "Loss on derivative contracts" in the Condensed Consolidated Statements of Operations.

## Interest Rates

In August 2015, the Company entered into a series of pay fixed, receive floating interest rate swaps with respect to a portion of its indebtedness. The swaps effectively fix the floating base rate portion of the interest payments on approximately \$1.15 billion of the Company's USD denominated debt and €282 million of its Euro denominated debt at 1.96% and 1.20%, respectively, from September 2015 through June 2020.

Changes in the fair value of a derivative that is designated as, and meets all the required criteria of, a cash flow hedge are recorded in "Accumulated other comprehensive income (loss)" and reclassified into earnings as the underlying hedged item affects earnings. Amounts reclassified into earnings related to the interest rate swaps are included in interest expense.





## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## Commodities

As part of its risk management policy, the Company enters into commodities futures contracts on an ongoing basis for the purpose of mitigating its exposure to fluctuations in prices of certain metals it uses in the production of its finished goods. The Company held futures contracts to purchase and sell various metals, primarily silver and tin, for a notional amount of \$38.7 million and \$16.5 million as of September 30, 2016 and December 31, 2015, respectively. All contracts outstanding at September 30, 2016 have delivery dates within the next twelve months. The change in the net fair value of the commodities futures contracts is recorded in "Loss on derivative contracts" in the Condensed Consolidated Statements of Operations.

Certain subsidiaries of the Company have entered into supply agreements with a third party that have been deemed to constitute financing agreements with an embedded derivative feature whose fair value is determined by the change in the market value of the underlying metals between delivery date and measurement date. Amounts associated with these supply agreements, which serve as the notional value of the embedded derivative, have been recorded in "Inventory" and "Current installments of long-term debt and revolving credit facilities" in the Condensed Consolidated Balance Sheets and totaled \$13.7 million and \$13.0 million at September 30, 2016 and December 31, 2015, respectively, and primarily relate to gold purchases. The fair value of these contracts has been bifurcated and recorded as a derivative liability in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets and totaled \$0.4 million and zero at September 30, 2016 and December 31, 2015, respectively.

## Fair Value of Derivative Instruments

The following table summarizes the fair value of derivative instruments reported in the Condensed Consolidated Balance Sheets:

(amounts in millions)		September 30, 2016	December 31, 2015
Derivatives designated as hedging instruments	Liabilities Balance Sheet location		
Interest rate swaps	Accrued expenses and other current liabilities	\$ (10.5 )	\$ —
Interest rate swaps	Other long-term liabilities	(17.5 )	(12.5 )
Derivatives not designated as hedging instruments:	Assets Balance Sheet location		
Foreign exchange and metals contracts	Prepaid expenses and other current assets	2.6	1.1
Foreign exchange contracts	Other assets	—	1.0
	Liabilities Balance Sheet location		
Foreign exchange and metals contracts	Accrued expenses and other current liabilities	(5.5 )	(1.0 )
Net derivative contract liability		\$ (30.9 )	\$ (11.4 )

The Company recorded unrealized losses of \$1.6 million and \$24.3 million for the three and nine months ended September 30, 2016, respectively, in "Other comprehensive income (loss)" related to interest rate swaps. For the three and nine months ended September 30, 2015, such losses totaled \$18.1 million. The interest rate swaps were deemed highly effective with no ineffective portions for cash flow hedge accounting purposes during the nine months ended September 30, 2016. For the three and nine months ended September 30, 2016, the Company reclassified \$3.0 million and \$8.9 million, respectively, of unrealized losses associated with the interest rate swaps from "Accumulated other comprehensive income" to "Interest expense, net." During the next twelve months, the Company expects to reclassify \$10.5 million from "Accumulated other comprehensive income" to "Interest expense, net" in the Condensed Consolidated Statements of Operations.

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For the three months ended September 30, 2016 and 2015, the Company recorded realized and unrealized losses of \$1.4 million and \$47.3 million in "Loss on derivative contracts" in the Condensed Consolidated Statements of Operations related to foreign exchange and metals derivative contracts. For the nine months ended September 30, 2016 and 2015, such losses totaled \$12.1 million and \$49.9 million, respectively.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## Master Netting Arrangements

In the normal course of business, the Company enters into contracts with certain counterparties to purchase and sell foreign currency exchange forwards and metal futures that contain master netting arrangements, typically in the form of an International Swaps and Derivatives Association (ISDA) or similar agreements. The right to set-off within these agreements is limited to certain termination events, such as bankruptcy or default of either party to the agreement. The Company has made an accounting policy decision not to offset and reports gross derivative asset and liability balances in the Condensed Consolidated Balance Sheets.

The following table presents recognized foreign currency exchange forward and metal future derivative contracts that are subject to master netting arrangements but not offset, as of September 30, 2016 and December 31, 2015, and shows in the "Net" column what the net impact would be on the Company's Condensed Consolidated Balance Sheets if all set-off rights were exercised:

		September 30, 2016				
(amounts in millions)		Amounts offset		Amounts not offset	Net	
	Gross assets	Gross liabilities offset	Net amounts presented	Financial instruments	Cash collateral paid	
Financial assets						
Derivative assets	\$2.1	\$ —	\$ 2.1	\$(0.4)	\$ —	\$ 1.7

		September 30, 2016				
(amounts in millions)		Amounts offset		Amounts not offset	Net	
	Gross liabilities	Gross assets offset	Net amounts presented	Financial instruments	Cash collateral paid	
Financial liabilities						
Derivative liabilities	\$4.8	\$ —	\$ 4.8	\$(1.0)	\$ (1.0)	\$ 2.8

		December 31, 2015				
(amounts in millions)		Amounts offset		Amounts not offset	Net	
	Gross assets	Gross liabilities offset	Net amounts presented	Financial instruments	Cash collateral paid	
Financial assets						
Derivative assets	\$3.1	\$ —	\$ 3.1	\$(0.3)	\$ —	\$ 2.8

		December 31, 2015				
(amounts in millions)		Amounts offset		Amounts not offset	Net	
	Gross liabilities	Gross assets offset	Net amounts presented	Financial instruments	Cash collateral paid	
Financial liabilities						
Derivative liabilities	\$1.7	\$ —	\$ 1.7	\$(1.2)	\$ (0.9)	\$(0.4)

Collateral paid to counterparties is recorded in "Prepaid expenses and other current assets" in the Condensed Consolidated Balance Sheets.

## 10. FAIR VALUE MEASUREMENTS

The Company determines fair value measurements used in its unaudited interim Condensed Consolidated Financial Statements based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs, as determined by either the principal

market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability. Absent a principal market to measure fair value, the Company uses the most advantageous market, which is the market in which the Company would receive the highest selling price for the asset or pay the lowest price to settle the liability, after considering transaction costs. However, when using the most advantageous market, transaction costs are only considered to determine which market is the most advantageous and these costs are then excluded when applying a fair value measurement.

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below, with Level 1 having the highest priority, and Level 3 having the lowest.

The three levels of the fair value hierarchy are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in non-active markets; and model-derived valuations whose inputs are observable or whose significant valuation drivers are observable.

Level 3 – significant inputs to the valuation model are unobservable and/or reflect the Company's market assumptions.

## Recurring Fair Value Measurements

The following tables present the Company's financial instruments, assets and liabilities that are measured at fair value on a recurring basis:

(amounts in millions)	September 30, 2016	Fair Value Measurement Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset Category				
Cash equivalents	\$ 23.2	\$—	\$ 23.2	\$ —
Available for sale equity securities	2.5	1.9	0.6	—
Derivatives	2.6	—	2.6	—
Total	\$ 28.3	\$1.9	\$ 26.4	\$ —

Liability Category				
Derivatives	\$ 33.5	\$—	\$ 33.5	\$ —
Long-term contingent consideration	75.0	—	—	75.0
Preferred stock redemption liability	504.0	—	—	504.0
Total	\$ 612.5	\$—	\$ 33.5	\$ 579.0

(amounts in millions)	December 31, 2015	Fair Value Measurement Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset Category				
Cash equivalents	\$ 59.4	\$2.9	\$ 56.5	\$ —
Available for sale equity securities	6.6	5.8	0.8	—
Derivatives	2.1	—	2.1	—
Total	\$ 68.1	\$8.7	\$ 59.4	\$ —

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Liability Category				
Derivatives	\$ 13.5	\$—	\$ 13.5	\$ —
Long-term contingent consideration	70.7	—	—	70.7
Total	\$ 84.2	\$—	\$ 13.5	\$ 70.7

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PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

The following methods and assumptions were used to estimate the fair value of each class of the Company's financial instruments, assets and liabilities:

**Cash equivalents** - Cash equivalents primarily comprise certificates of deposits issued by financial institutions. These funds are not publicly traded, but historically have been highly liquid. The Company records certificates of deposit at amortized cost in the Condensed Consolidated Balance Sheets. Given the relatively short maturities of these instruments, the Company believes amortized cost approximates fair value. The Company classifies these instruments as Level 2.

**Available for sale equity securities** - Equity securities classified as available for sale are measured using quoted market prices at the reporting date multiplied by the quantity held and, accordingly, are classified as Level 1 assets. Level 2 equity securities are measured using quoted prices for similar instruments in active markets. Available for sale securities are included in "Other assets" in the Condensed Consolidated Balance Sheets.

**Derivatives** - Derivative assets and liabilities include foreign currency, metals and interest rate derivatives. The values were determined using pricing models based upon observable market inputs, such as market spot and futures prices on over-the-counter derivative instruments, market interest rates and consideration of counterparty credit risk.

**Long-term contingent consideration** - The long-term contingent consideration represents a potential liability of up to \$100 million tied to achievement of EBITDA and common stock trading price performance metrics over a seven-year period ending December 2020 in connection with the MacDermid Acquisition. The common stock performance metric has been satisfied. The fair value of the EBITDA performance metric is derived using the income approach with unobservable inputs, based on future forecasts and present value assumptions which include a discount rate of approximately 1.06% and expected future value of payments of \$60.0 million calculated using a probability weighted EBITDA assessment with higher probability associated with the Company achieving the maximum EBITDA targets. Changes in the fair value of the long-term contingent consideration are recorded in "Selling, technical, general and administrative expenses" in the Condensed Consolidated Statements of Operations. Relative to the share price metric, an increase or decrease in the discount rate of 1% changes the fair value measure of the metric by approximately \$1.7 million. Relative to the EBITDA metric, an increase or a decrease in the discount rate of 1%, within a range of probability between 80% and 100%, changes the fair value measure of the metric by approximately \$3.0 million.

**Preferred stock redemption liability** - The preferred stock redemption liability represents a potential liability of up to \$600 million related to the issuance of 600,000 shares of Series B Convertible Preferred Stock in connection with the Arysta Acquisition. The Company and the Arysta Seller entered into a settlement agreement in September 2016 with respect to certain obligations related to the Company's shares of Series B Convertible Preferred Stock. See Note 11, Stockholders' Equity, under the heading "Series B Convertible Preferred Stock." The fair value of the preferred stock redemption liability is computed as the sum of the \$460 million cash consideration, which is discounted at an interpolated, risk-free rate, the September 30, 2016 market value of the 5,500,000 shares of common stock of the Company and accounts for settlement option assumptions. Accordingly, this liability is measured using Level 3 inputs. For the three and nine months ended September 30, 2016, the Company recorded a \$6.0 million gain associated with the change in fair value of the preferred stock redemption liability, which was recorded to "Other income, net" in the Condensed Consolidated Statement of Operations.



## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

The following table provides a reconciliation of the beginning and ending balances for the nine months ended September 30, 2016 for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

(amounts in millions)	September 30, 2016
Fair value measurements using significant unobservable inputs (Level 3)	
Balance at December 31, 2015	\$ 70.7
Changes in fair value	(1.7 )
Purchases, sales and settlements <sup>(1)</sup>	—
Additions	510.0
Transfers into Level 3	—
Transfers out of Level 3	—
Balance at September 30, 2016	\$ 579.0

<sup>(1)</sup> There were no purchases, sales or settlements during the nine months ended September 30, 2016.

The Company consistently applies its policy for transfers between fair value hierarchy levels as disclosed in the Company's Annual Report. There were no significant transfers between the fair value hierarchy levels for the nine months ended September 30, 2016.

## Nonrecurring Fair Value Measurements

The following table presents the carrying value and estimated fair value of the Company's long-term debt and capital lease obligations:

(amounts in millions)	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
USD Senior Notes due 2022	\$1,082.5	\$1,071.6	\$1,081.1	\$946.3
EUR Senior Notes due 2023	387.6	371.6	374.0	326.7
USD Senior Notes due 2021	488.5	539.9	487.5	500.0
First Lien Credit Facility - U.S. Dollar Term Loans	2,620.0	2,685.7	2,631.3	2,603.6
First Lien Credit Facility - Euro Term Loans	638.0	657.8	619.2	624.3
Capital lease obligations	5.1	5.2	5.5	5.3
Total	\$5,221.7	\$5,331.8	\$5,198.6	\$5,006.2

Carrying values presented above include unamortized premiums, discounts and debt issuance costs.

The following methods and assumptions were used to estimate the fair value of the Company's liabilities:

Long-term Debt and Capital Lease Instruments - These financial instruments are measured using quoted market prices at the reporting date multiplied by the gross carrying amount of the related debt, which excludes unamortized premiums, discounts and debt issuance costs. Such instruments are valued using Level 2 inputs.

## 11. STOCKHOLDERS' EQUITY

## Underwritten Public Offering

On September 21, 2016, the Company completed the September 2016 Equity Offering of 48,787,878 shares of its common stock at a public offering price of \$8.25 per share. This number of shares includes 6,363,636 shares sold to the underwriters upon exercise in full of their option to purchase additional shares. The September 2016 Equity Offering was registered with the SEC pursuant



PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

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to Platform's shelf registration statement on Form S-3 declared effective by the SEC on July 26, 2016. The September 2016 Equity Offering resulted in gross proceeds to Platform of approximately \$402.5 million, before underwriting discounts and commissions and offering expenses of \$11.6 million.

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock. The Board has designated 2,000,000 of those shares as "Series A Preferred Stock." As of September 30, 2016 and December 31, 2015, a total of 2,000,000 shares of Series A Preferred Stock were issued and outstanding. The Board has also designated 600,000 of the authorized shares as "Series B Convertible Preferred Stock," which are redeemable and were presented in the mezzanine section of the Company's Condensed Consolidated Balance Sheet as of December 31, 2015. As further described below under the heading "Series B Convertible Preferred Stock", the Series B Convertible Preferred Stock was, for accounting purposes, deemed extinguished. As of September 30, 2016 and December 31, 2015, a total of 600,000 shares of Series B Convertible Preferred Stock were issued and outstanding. Shares of preferred stock have no voting rights, except in respect of any amendment to the Company's Certificate of Incorporation, as amended, that would alter or change their rights or privileges.

Series A Preferred Stock

The Founder Entities are the current holders of Platform's outstanding 2,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into one share of common stock at the option of the holders until December 31, 2020. All outstanding shares of Series A Preferred Stock will be automatically converted into shares of common stock on a one for one basis (i) in the event of a change of control of the Company following an acquisition or (ii) upon the last day of the seventh full financial year following the MacDermid Acquisition, being December 31, 2020 (which may be extended by the Board for three additional years).

Holders of Series A Preferred Stock are entitled to receive dividends in the form of shares of common stock. The dividend amount is calculated based on the appreciated stock price compared to the highest dividend price previously used in calculating the Series A Preferred Stock dividends, which is currently \$22.85.

Series B Convertible Preferred Stock

In connection with the Arysta Acquisition, the Company issued to the Arysta Seller 600,000 shares of Series B Convertible Preferred Stock, which have a \$1,000 per share liquidation preference. The fair value of these shares at the time of the Arysta Acquisition of \$646 million was recognized as "Redeemable preferred stock – Series B" in the Condensed Consolidated Balance Sheets. To the extent the Company does not settle all of its obligations pursuant to the settlement agreement mentioned below, at any time after December 15, 2016, the Arysta Seller has the ability to convert these shares into common stock of Platform at a conversion price of \$27.14 per share. Additionally, any shares that have not previously been converted will be automatically redeemed at a \$1,000 redemption price in the event of certain mergers or consolidations, the sale of all or substantially all of the Company's assets or subsidiaries, the sale of certain subsidiaries of the Company or the approval of any plan for the dissolution, liquidation or termination of the Company by its stockholders.

Under the terms of a settlement agreement with the Arysta Seller, from October 20, 2016 until the close of business on December 15, 2016, the Company may settle (i) all of its obligations with respect to the Series B Convertible Preferred Stock in exchange for a cash payment of \$1.00 and the issuance of 5,500,000 shares of its common stock upon simultaneous conversion of the Series B Convertible Preferred Stock by the Arysta Seller, and (ii) for a payment of \$460 million, its obligation to pay the make whole payment mentioned below to the Arysta Seller. To the extent the Company does not settle all of its obligations by December 15, 2016, it will be required, on April 20, 2017, pursuant to a share purchase agreement among the Company, the Arysta Seller and certain other parties thereto, dated as of October 20, 2014, as amended, to repurchase each share of Series B Convertible Preferred Stock that has not been converted into shares of common stock of Platform, or automatically redeemed as described above at the \$1,000 redemption price payable in shares of the Company's common stock (22,107,590 shares of common stock valued at

\$27.14 per share). Upon such repurchase, the Company shall also pay to holders of Series B Convertible Preferred Stock in cash a make whole payment, which corresponds to any deficit between (i) the 10-day volume weighted price of Platform's common stock prior to such repurchase and (ii) \$27.14 per share. Based on Platform's common stock price of \$8.11 as of September 30, 2016, the maximum potential make whole payment would total approximately \$421 million. To the extent the Company does not settle all of its obligations by December 15, 2016, the holders of Series B Convertible Preferred Stock are also entitled to an incremental payment equal to \$4.0 million per month from October 20, 2016 to April 20, 2017, or such earlier date after October 20, 2016 that

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

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the then outstanding shares of Series B Convertible Preferred Stock are converted into shares of common stock of Platform or automatically redeemed for cash by Platform.

As a result of the settlement agreement, for accounting purposes, the Series B Convertible Preferred Stock was deemed an extinguishment in exchange for the issuance of another financial instrument that is recognized as a "Preferred stock redemption liability" in the Condensed Consolidated Balance Sheets. The Company recognized a gain of \$103 million in "Other income, net" in the accompanying Condensed Consolidated Statement of Operations and a gain of \$32.9 million in "Net income (loss) attributable to common stockholders." The Company also elected the fair value option to measure the liability as it most accurately reflects the economics of the transaction and the value of the liability. For the three and nine months ended September 30, 2016, the Company recorded a \$6.0 million gain associated with the remeasurement of the liability, which was recorded to "Other income, net" in the Condensed Consolidated Statement of Operations.

## Non-Controlling Interest

In connection with the MacDermid Acquisition, approximately \$97.5 million was raised in new equity consisting of shares of PDH Common Stock. Since October 31, 2014, all shares of PDH common stock are convertible, at the option of the holder, into a like number of shares of the Company's common stock, the sale of which is subject to a contractual lock-up of 25% per year over a four-year period, which started on October 31, 2013.

The PDH Common Stock is classified as a non-controlling interest on the Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015 and will continue to be until such time as it is fully converted into shares of the Company's common stock. The total number of shares of common stock originally issuable upon the exchange of PDH Common Stock pursuant to the RHSA was approximately 8.8 million, against which 776,862 shares have been issued as of September 30, 2016.

For the three months ended September 30, 2016 and 2015, approximately \$1.5 million and \$1.1 million, respectively, of net loss has been allocated to the Retaining Holders, as included in the Condensed Consolidated Statements of Operations, representing non-controlling interest of 6.20% and 6.35% at September 30, 2016 and 2015, respectively. For the nine months ended September 30, 2016 and 2015, approximately \$(4.2) million and \$0.1 million, respectively, of net (loss) income has been allocated to the Retaining Holders, as included in the Condensed Consolidated Statements of Operations.

## 12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Changes in each component of accumulated other comprehensive (loss) income, net of tax, for the three and nine months ended September 30, 2016 and 2015 were as follows:

(amounts in millions)	Three Months Ended September 30, 2016					Accumulated Other Comprehensive (Loss) Income
	Foreign Currency Translation Adjustments	Pension and Post-retirement Plans	Unrealized Loss on Available for Sale Securities	Derivative Financial Instrument Revaluation	Non-Controlling Interests	
Balance at June 30, 2016	\$ (446.8)	\$ (26.3 )	\$ (0.4 )	\$ (24.9 )	\$ 24.7	\$ (473.7 )
Other comprehensive (loss) income before reclassifications, net	(0.7 )	—	(0.1 )	(1.6 )	9.0	6.6
Reclassifications, pretax	—	—	—	3.0	—	3.0
Balance at September 30, 2016	\$ (447.5)	\$ (26.3 )	\$ (0.5 )	\$ (23.5 )	\$ 33.7	\$ (464.1 )

## PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

## Notes to the Condensed Consolidated Financial Statements

(Unaudited)

(amounts in millions)	Nine Months Ended September 30, 2016					
	Foreign Currency Translation Adjustments	Pension and Post-retirement Plans	Unrealized Gain on Available for Sale Securities	Derivative Financial Instrument Revaluation	Non-Controlling Interests	Accumulated Other Comprehensive (loss) Income
Balance at December 31, 2015	\$(899.3)	\$ (26.3 )	\$ 1.2	\$ (8.1 )	\$ 46.4	\$ (886.1 )
Other comprehensive income (loss) before reclassifications, net	451.8	—	(1.7 )	(24.3 )	(12.7 )	413.1
Reclassifications, pretax	—	—	—	8.9	—	8.9
Balance at September 30, 2016	\$(447.5)	\$ (26.3 )	\$ (0.5 )	\$ (23.5 )	\$ 33.7	\$ (464.1 )
(amounts in millions)	Three Months Ended September 30, 2015					
	Foreign Currency Translation Adjustments	Pension and Post-retirement Plans	Unrealized Gain on Available for Sale Securities	Derivative Financial Instrument Revaluation	Non-Controlling Interests	Accumulated Other Comprehensive Loss
Balance at June 30, 2015	\$(386.0)	\$ (15.4 )	\$ 0.3	\$ —	\$ 13.5	\$ (387.6 )
Other comprehensive (loss) income before reclassifications, net	(350.2 )	—	1.0	(11.8 )	7.2	(353.8 )
Balance at September 30, 2015	\$(736.2)	\$ (15.4 )	\$ 1.3	\$ (11.8 )		