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Platform Specialty Products Corp
Form 10-Q
August 02, 2018
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 June 30, 2018

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.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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	July 27, 2018
Common Stock, par value \$0.01 per share	288,230,782 shares

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
Platform; We; Us; Our; the Company; PSP AIs	Platform Specialty Products Corporation, a Delaware corporation, and its subsidiaries, collectively.
Amended and Restated Credit Agreement	Active ingredients. Platform's Second Amended and Restated Credit Agreement, dated August 6, 2014, among, inter alia, Platform, MacDermid Holdings, LLC, MacDermid, the subsidiaries of Platform and MacDermid Holdings, LLC from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent, as amended and restated from time to time.
Announced Arysta Sale	Platform's pending sale of its Agricultural Solutions business, which consists of Arysta and its subsidiaries, to UPL for an aggregate purchase price of \$4.2 billion in cash, as announced on July 20, 2018. The Announced Arysta Sale is expected to close in late 2018 or early 2019, subject to customary closing conditions, adjustments and regulatory approvals.
Arysta Arysta Sale Agreement	Arysta LifeScience Inc., parent company of Platform's Agricultural Solutions segment. Stock Purchase Agreement, dated July 20, 2018, between Platform and UPL related to the Announced Arysta Sale.
ASU Board	Accounting Standards Update. Platform's board of directors.
Credit Facilities	The First Lien Credit Facility and the Revolving Credit Facility, collectively, available under the Amended and Restated Credit Agreement.
DuPont	E.I. du Pont de Nemours and Company, now known as DowDuPont Inc.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
ESPP	Platform Specialty Products Corporation 2014 Employee Stock Purchase Plan.
Exchange Act	Securities Exchange Act of 1934, as amended.
FASB	Financial Accounting Standard Board.
First Lien Credit Facility	First lien credit facility available under the Amended and Restated Credit Agreement.
Founder Entities	Mariposa Acquisition, LLC and Berggruen Holdings Ltd. and its affiliates, collectively.
GAAP	Generally accepted accounting principles in the United States.
MacDermid	MacDermid, Incorporated, a Connecticut corporation. Platform's acquisition on October 31, 2013 of substantially all of the equity of MacDermid Holdings, LLC, 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, dated October 25, 2013, between Platform and the fiduciaries of the MacDermid, Incorporated Profit Sharing and Employee Savings Plan.
MacDermid Acquisition	
MacDermid Printing	MacDermid Printing Solutions LLC, now known as MacDermid Graphics Solutions LLC.
NYSE	New York Stock Exchange.
PDH Common Stock	Shares of common stock of Platform Delaware Holdings, Inc., a subsidiary of Platform.
Quarterly Report	This quarterly report on Form 10-Q for the three and six months ended June 30, 2018.
Retaining Holder	Each Holder of an equity interest of MacDermid Holdings, LLC 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.

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RSUs	Restricted stock units issued by Platform from time to time under the 2013 Plan.
SEC	Securities and Exchange Commission.
Senior Notes	Platform's 5.875% USD Notes due 2025, 6.00% EUR Notes due 2023 and 6.50% USD Notes due 2022, collectively.

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GLOSSARY OF DEFINED TERMS

Terms	Definitions
Series A Preferred Stock	2,000,000 shares of Platform's Series A convertible preferred stock held by the Founder Entities and 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 Nalozo, L.P., an affiliate of Nalozo S.à.r.l., the original seller of Arysta LifeScience Limited (Arysta), in connection with the acquisition of a 100% interest in Arysta on February 13, 2015. At December 31, 2016, none of the Series B Convertible Preferred Stock remained outstanding.
TCJA	Tax Cuts and Jobs Act of 2017
UPL	UPL Corporation Ltd., a Mauritius public limited company and a wholly-owned subsidiary of UPL Limited.
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.
2017 Annual Report	Platform's annual report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on February 28, 2018.
5.875% USD Notes Indenture	The indenture, dated November 24, 2017, governing the 5.875% USD Notes due 2025.
5.875% USD Notes due 2025	Platform's 5.875% senior notes due 2023, denominated in U.S. dollars, issued in the 2017 Notes Offering.
6.00% EUR Senior Notes due 2023	Platform's 6.00% senior notes due 2023 denominated in euros issued in the February 2015 Notes Offering.
6.50% USD Senior Notes due 2022	Platform's 6.50% senior notes due 2022 denominated in U.S. dollars issued in the February 2015 Notes Offering.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements that can be identified by words such as "expect," "anticipate," "project," "will," "should," "believe," "intend," "plan," "estimate," "predict," "believe," "seek," "continue," "outlook," "may," "might," "should," "can have," "likely," "potential," "target," and variations of such words and similar expressions. Examples of forward-looking statements include, but are not limited to, statements, beliefs, projections and expectations regarding the Announced Arysta Sale, including the timing for completion of this transaction, the ability of the parties to close this transaction, including obtaining regulatory approvals and meeting other closing conditions for the transaction; the expected accounting classification of the Agricultural Solutions business following the entering into the Arysta Sale Agreement and the related accounting treatment, including the amount and timing of any impairment charge that we may be required to record and its effect on our results of operations; our intended name change; corporate reorganization; business strategy and potential shares repurchases; as well as the impact of new accounting standards and accounting changes; the impact of the TCJA; our dividend policy; the effects of global economic conditions on our business and financial condition; our hedging activities; timing and outcome of environmental and legal matters; our goodwill and other intangible assets; price volatility and cost environment; our liquidity; our funding sources; our capital expenditures; our debt; off-balance sheet arrangements and contractual obligations; general views about future operating results; our risk management program; our business and management strategies; future prospects; and other events or developments that we expect or anticipate will occur in the future.

Forward-looking statements are not guarantees of future performance, actions or events, and are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying estimates, assumptions or expectations prove to be incorrect, actual results may differ materially from those contemplated by these statements. A discussion of such risks and uncertainties include, without limitation, the risks set forth in Part I, Item 1A, "Risk Factors" of our 2017 Annual Report and Part II, Item 1A, "Risk Factors" of this Quarterly Report. Any forward-looking statement made by us in this Quarterly Report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Please consult any further disclosures we make on related subjects in the Company's Form 10-K, 10-Q and 8-K reports filed with the SEC.

Non-GAAP Financial Measures

This Quarterly Report contains the following non-GAAP financial measures: Adjusted EBITDA, operating results on a constant currency basis and organic sales growth. Non-GAAP financial measures should not be considered in isolation from, as a substitute for, or superior to, performance measures calculated in accordance with GAAP. For definitions of these non-GAAP financial measures and additional information on why we present them, their respective limitations and reconciliations to the most comparable applicable GAAP measures, see "Non-GAAP Financial Measures" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in Part I, Item 2, and Note 16, Segment Information, to the unaudited interim Condensed Consolidated Financial Statements, both included in this Quarterly Report.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$1,022.5	\$941.1	\$1,986.6	\$1,802.9
Cost of sales	599.6	541.2	1,159.0	1,024.6
Gross profit	422.9	399.9	827.6	778.3
Operating expenses:				
Selling, technical, general and administrative	280.0	284.3	557.0	541.7
Research and development	25.9	25.1	49.4	46.7
Total operating expenses	305.9	309.4	606.4	588.4
Operating profit	117.0	90.5	221.2	189.9
Other expense:				
Interest expense, net	(79.5)	(85.0)	(157.7)	(174.4)
Foreign exchange (loss) gain	(52.2)	(59.9)	5.8	(72.5)
Other income, net	11.9	5.5	30.9	3.2
Total other expense	(119.8)	(139.4)	(121.0)	(243.7)
(Loss) income before income taxes and non-controlling interests	(2.8)	(48.9)	100.2	(53.8)
Income tax benefit (expense)	14.6	(11.1)	(50.4)	(29.8)
Net income (loss)	11.8	(60.0)	49.8	(83.6)
Net loss (income) attributable to the non-controlling interests	0.2	(1.1)	(0.5)	(1.9)
Net income (loss) attributable to common stockholders	\$12.0	\$(61.1)	\$49.3	\$(85.5)
Earnings (Loss) per share				
Basic	\$0.04	\$(0.21)	\$0.17	\$(0.30)
Diluted	\$0.04	\$(0.21)	\$0.17	\$(0.30)
Weighted average common shares outstanding				
Basic	288.2	286.1	288.0	285.3
Diluted	298.0	286.1	297.9	285.3

See accompanying notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

(In millions)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$11.8	\$(60.0)	\$49.8	\$(83.6)
Other comprehensive (loss) income				
Foreign currency translation adjustments	(377.8)	(37.3)	(318.6)	143.3
Pension and post-retirement plans:				
Total pension and post-retirement plans, net of tax of \$0.0 for the three and six months ended June 30, 2018 and 2017	—	—	—	(0.3)
Unrealized loss on available for sale securities:				
Total unrealized loss on available for sale securities, net of tax of \$0.0 for the three and six months ended June 30, 2017		(1.3)		(1.7)
Derivative financial instruments revaluation:				
Other comprehensive income (loss) before reclassifications, net of tax of \$0.9 and \$0.0 for the three months ended June 30, 2018 and 2017, and \$3.1 and \$0.0 for the six months ended June 30, 2018 and 2017, respectively	10.4	(4.8)	7.8	(6.2)
Reclassifications, net of tax of \$0.0 for the three and six months ended June 30, 2018 and 2017, respectively	(7.9)	3.0	0.9	6.0
Total unrealized gain (loss) arising on qualified hedging derivatives	2.5	(1.8)	8.7	(0.2)
Other comprehensive (loss) income	(375.3)	(40.4)	(309.9)	141.1
Comprehensive (loss) income	(363.5)	(100.4)	(260.1)	57.5
Comprehensive loss (income) attributable to the non-controlling interests	35.1	4.0	32.8	(2.2)
Comprehensive (loss) income attributable to common stockholders	\$(328.4)	\$(96.4)	\$(227.3)	\$55.3

See accompanying notes to the Condensed Consolidated Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(In millions)

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$442.4	\$477.8
Accounts receivable, net	1,243.1	1,156.0
Inventories	583.8	490.4
Prepaid expenses	47.3	42.8
Other current assets	185.2	173.6
Total current assets	2,501.8	2,340.6
Property, plant and equipment, net	429.7	452.3
Goodwill	4,043.8	4,201.2
Intangible assets, net	2,896.7	3,137.3
Other assets	106.4	121.0
Total assets	\$9,978.4	\$10,252.4
Liabilities and stockholders' equity		
Accounts payable	\$464.4	\$461.8
Current installments of long-term debt and revolving credit facilities	138.8	38.9
Accrued expenses and other current liabilities	582.4	591.1
Total current liabilities	1,185.6	1,091.8
Debt and capital lease obligations	5,402.0	5,440.6
Pension and post-retirement benefits	65.7	69.0
Deferred income taxes	524.9	579.6
Contingent consideration	80.7	79.2
Other liabilities	115.1	132.2
Total liabilities	7,374.0	7,392.4
Commitments and contingencies (Note 13)		
Stockholders' Equity		
Preferred stock - Series A	—	—
Common stock: 400.0 shares authorized (2018: 288.2 shares issued; 2017: 287.4 shares issued)	2.9	2.9
Additional paid-in capital	4,048.6	4,032.0
Treasury stock (2018 and 2017: 0.0 shares)	(0.1)	(0.1)
Accumulated deficit	(821.7)	(871.0)
Accumulated other comprehensive loss	(697.3)	(420.7)
Total stockholders' equity	2,532.4	2,743.1
Non-controlling interests	72.0	116.9
Total equity	2,604.4	2,860.0
Total liabilities and stockholders' equity	\$9,978.4	\$10,252.4

See accompanying notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

(In millions)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$49.8	\$(83.6)
Reconciliation of net income (loss) to net cash flows used in operating activities:		
Depreciation and amortization	183.5	172.9
Deferred income taxes	(21.4)	(19.9)
Foreign exchange (gain) loss	(22.8)	70.2
Other, net	11.4	41.2
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(153.8)	(94.8)
Inventories	(112.3)	(86.5)
Accounts payable	24.3	41.1
Accrued expenses	9.4	(14.7)
Prepaid expenses and other current assets	(48.3)	(24.6)
Other assets and liabilities	(11.5)	(11.6)
Net cash flows used in operating activities	(91.7)	(10.3)
Cash flows from investing activities:		
Capital expenditures	(24.3)	(28.7)
Investment in registrations of products	(20.3)	(18.1)
Proceeds from beneficial interests on sold accounts receivable	34.2	2.4
Proceeds from disposal of property, plant and equipment	1.9	4.0
Proceeds from the sale of equity investment	25.0	—
Acquisition of business, net of cash acquired	(50.0)	(0.3)
Other, net	0.8	(4.7)
Net cash flows used in investing activities	(32.7)	(45.4)
Cash flows from financing activities:		
Change in lines of credit, net	106.3	69.9
Debt proceeds, net of discount and premium	—	1,927.6
Repayments of borrowings	(0.4)	(1,946.7)
Change in on-balance sheet factoring arrangements	(2.0)	5.1
Debt prepayment and debt extinguishment costs	—	(5.3)
Other, net	(0.7)	(8.6)
Net cash flows provided by financing activities	103.2	42.0
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15.8)	18.4
Net (decrease) increase in cash, cash equivalents and restricted cash	(37.0)	4.7
Cash, cash equivalents and restricted cash at beginning of period	483.9	423.5
Cash, cash equivalents and restricted cash at end of period	\$446.9	\$428.2
Non-cash investing activities:		
Beneficial interests obtained in exchange for sold accounts receivable	\$38.9	\$27.7

See accompanying notes to the Condensed Consolidated Financial Statements

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

(Unaudited)

(In millions, except share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity		
	Shares	Amount	Amount	Shares	Amount	(Loss)	Equity	Interests	Equity		
Balance at December 31, 2017	2,000,000	\$-287,405,939	\$2.9	\$4,032.0	6,618	\$(0.1)	\$(869.7)	\$(422.0)	\$2,743.1	\$116.9	\$2,860.0
Impact of ASU 2016-01 adoption	—	—	—	—	—	(1.3)	1.3	—	—	—	—
Adjusted balance at January 1, 2018	2,000,000	—287,405,939	2.9	4,032.0	6,618	(0.1)	(871.0)	(420.7)	2,743.1	116.9	2,860.0
Net income	—	—	—	—	—	49.3	—	49.3	0.5	49.8	—
Other comprehensive income, net of taxes	—	—	—	—	—	—	(276.6)	(276.6)	(33.3)	(309.9)	—
Exercise/ vesting of share based compensation	—	—44,549	—	—	—	—	—	—	—	—	—
Conversion of PDH Common Stock into common stock	—	—686,610	—	8.6	—	—	—	8.6	(8.6)	—	—
Issuance of common stock under ESPP	—	—70,807	—	0.6	—	—	—	0.6	—	0.6	—
Equity compensation expense	—	—	—	7.4	—	—	—	7.4	—	7.4	—
Changes in non-controlling interests	—	—	—	—	—	—	—	—	(3.5)	(3.5)	—
Balance at June 30, 2018	2,000,000	\$-288,207,905	\$2.9	\$4,048.6	6,618	\$(0.1)	\$(821.7)	\$(697.3)	\$2,532.4	\$72.0	\$2,604.4
	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Non- controlling Interests	Total Equity		
	Shares	Amount	Amount	Shares	Amount	(Loss)	Equity	Interests	Equity		
Balance at December 31,	2,000,000	\$-284,221,168	\$2.8	\$3,981.3	—	\$(573.5)	\$(674.5)	\$2,736.1	\$153.7	\$2,889.8	

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2016											
Net (loss) income	—	—	—	—	—	(85.5)	—	(85.5)	1.9	(83.6)	
Other comprehensive income, net of taxes	—	—	—	—	—	—	140.7	140.7	0.4	141.1	
Exercise/ vesting of share based compensation	—	—93,300	—	—	6,618	(0.1)	—	—	(0.1)	—	(0.1)
Conversion of PDH Common Stock into common stock	—	—1,908,554	—	23.2	—	—	—	—	23.2	(23.2)	—
Issuance of common stock under ESPP	—	—67,984	—	0.6	—	—	—	—	0.6	—	0.6
Equity compensation expense	—	—	—	5.7	—	—	—	—	5.7	—	5.7
Changes in non-controlling interests	—	—	—	2.0	—	—	—	—	2.0	(3.2)	(1.2)
Balance at June 30, 2017	2,000,000	\$-286,291,006	\$2.8	\$4,012.8	6,618	\$(0.1)	\$(659.0)	\$(533.8)	\$2,822.7	\$129.6	\$2,952.3

See accompanying notes to the Condensed Consolidated Financial Statements

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

1. BACKGROUND AND BASIS OF PRESENTATION

Background

Platform Specialty Products Corporation was incorporated in Delaware in January 2014 and its shares of common stock, par value \$0.01 per share, trade on the NYSE under the ticker symbol "PAH."

Platform is a global and diversified producer of high-technology specialty chemical products. Platform's business involves the blending of a number of key ingredients to produce proprietary formulations. The Company operates in a wide variety of niche markets across multiple industries, including automotive, agricultural, animal health, electronics, graphics, and offshore oil and gas production and drilling. Platform delivers its products to customers through its sales and service workforce, regional distributors, and manufacturing representatives.

Platform has leading positions in niche segments of high-growth markets. The Company continually seeks opportunities to grow and enhance its strategic position by pursuing inorganic initiatives, focusing on specialty chemical businesses or assets within existing or complementary end-markets, particularly those meeting its "Asset-Lite, High-Touch" philosophy, which involves prioritizing resources to research and development, offering highly-technical sales and customer service, and managing conservatively its capital investments. Platform regularly reviews acquisition opportunities and may acquire businesses that meet its acquisition criteria when it deems it to be financially prudent.

Basis of Presentation

The accompanying unaudited interim Condensed Consolidated Financial Statements and related information in this Quarterly Report include the accounts of Platform and all of its controlled subsidiaries, and have been prepared on a basis that is substantially consistent with the accounting principles applied in the Company's 2017 Annual Report. In the opinion of management, these unaudited interim Condensed Consolidated Financial Statements reflect all adjustments that are normal, recurring and necessary for a fair presentation of the Company's financial position, results of operations and cash flows for interim periods, but are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2018. 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 2017 Annual Report. On July 20, 2018, the Company entered into a definitive agreement related to the Announced Arysta Sale. As the criteria for discontinued operations were not met at June 30, 2018, the Agricultural Solutions business continues to be reported as part of the Company's continuing operations in this Quarterly Report. See Note 17, Subsequent Events, for additional information.

The process of preparing the Company's unaudited interim Condensed Consolidated Financial Statements requires the use of estimates and judgments that affect the reported amount of assets, liabilities, net sales and expenses. These estimates and judgments are based on historical experience, future expectations and other factors as well as assumptions the Company believes to be reasonable under the circumstances. These estimates and judgments are reviewed on an ongoing basis and revised as necessary. Actual amounts may differ materially from these estimates. Certain prior year amounts have been reclassified to conform to the current year's presentation.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606) - In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," as a new FASB Accounting Standards Codification (ASC) Topic 606. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new guidance requires expanded disclosure of qualitative and quantitative information about the Company's revenues from contracts with customers.

The new guidance did not have a material impact on the Company's financial statements since the timing and pattern of revenue recognition predominantly continued to be recognized as the Company's performance obligation to ship or deliver its products was completed and the transfer of control passes to the customer in accordance with the new standard. The Company adopted the new guidance effective January 1, 2018 using the modified retrospective method. See Note 3, Significant Accounting Policies, to the Company's unaudited interim Condensed Consolidated Financial Statements included in this Quarterly Report for more information.

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 ASU was issued to reduce diversity in practice with respect to how certain cash receipts and cash payments are classified and presented in the statement of cash flows. The Company adopted the new guidance effective January 1, 2018 and retrospectively reported its 2017 results for the following items:

Off-balance sheet arrangements within the Agricultural Solutions segment, whereby the Company sells trade receivables to third parties without recourse and receives beneficial interests for a portion of these receivables, the proceeds of which were previously reported as "Cash flows from operating activities" in the Condensed Consolidated Statements of Cash Flows. For the six months ended June 30, 2017, \$27.7 million of beneficial interests from the sale of trade receivables were reclassified as non-cash activity, with cash receipts of approximately \$2.4 million reclassified from "Cash flows from investing activities" in the applicable Condensed Consolidated Statements of Cash Flows.

For the six months ended June 30, 2017, cash payments for debt prepayments and debt extinguishment costs of \$5.3 million were reclassified from "Cash flows from operating activities" to "Cash flows from financing activities" in the applicable Consolidated Statements of Cash Flows.

Recently Issued Accounting Pronouncements Not Yet Adopted

Leases (Topic 842) - In February 2016, the FASB issued ASU No. 2016-02, "Leases." This ASU requires lessees to recognize most leases in their balance sheets, but to record expenses on their income statements in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. As currently issued, the guidance is effective as of January 1, 2019 on either a modified retrospective or cumulative-effect-approach basis. The Company is currently in the process of implementing a system and processes in conjunction with the review of its lease agreements to support the required disclosures upon adoption.

Derivatives and Hedging (Topic 815) - In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities." This ASU improves the financial reporting of hedge relationships by updating hedging designation and measurement guidance. The update also simplifies the application of existing hedge accounting guidance related to assessing hedge effectiveness. The guidance is effective prospectively as of January 1, 2019, and is applied to contracts in existence at the date of adoption, with its effects required to be reflected as of January 1 of the year of adoption. The Company is evaluating the impact of this ASU.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES

In connection with the Company's adoption of ASU No. 2014-09, "Revenue from Contracts with Customers," and ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," the Company has updated its significant accounting policies for revenue recognition and equity securities as noted below.

Revenue Recognition – The Company recognizes revenue either upon shipment or delivery of product depending on when it is reasonably assured that both title and the risks and rewards of ownership have been passed on to the customer, and the Company's performance obligations have been fulfilled and collectability is reasonably assured. Estimates for sales rebates, incentives and discounts, as well as sales returns and allowances, are accounted for as reductions of revenue when the earnings process is complete. Sales rebates, incentives and discounts are typically earned by customers based on annual sales volume targets, which vary by each segment. The Company records an estimate for these accruals based on contract terms and its historical experience with similar programs. An estimate for future expected sales returns is recorded based on historical experience with product returns; however, changes to these estimates may be required if the historical data used in the calculation differ from actual experience. Differences between estimated expense and actual costs are typically immaterial and are recognized in earnings in the period such differences are determined. Variable consideration for volume discounts, rebates and returns are recorded as contract liabilities and settled with the customer in accordance with the terms of the applicable contract, typically when annual program requirements are achieved by the customer.

On a limited and discretionary basis, the Company allows certain distributors within its Agricultural Solutions segment extensions of credit on a portion of the sales to them during a purchasing cycle which remain in the distributor's inventory. The extension of credit is not a right to return, and distributors must pay unconditionally when the extended credit period expires.

Remaining performance obligations relate to contracts with a duration of less than one year, in which the Company has the right to invoice the customer at the time the performance obligation is satisfied for the amount of revenue recognized at that time. Accordingly, the Company has elected the practical expedient available under ASC Topic 606 not to disclose remaining performance obligations under its contracts. The Company has also elected the practical expedient to expense incremental costs for obtaining contracts with terms of less than one year.

Within the Agricultural Solutions segment, certain contracts with customers provide distribution rights for certain AIs registered with local government authorities and owned by the Company. These contracts typically require the Company to provide the AI at stated prices to the customer over the contract term. Revenue related to the upfront license fees in these contracts is recognized over time using a time elapsed input method since the license fees for the distributions rights is considered symbolic intellectual property. In these contracts, typically, the customer will simultaneously receive and consume the benefit from the entity's performance of providing access to its intellectual property as the performance occurs.

See Note 16, Segment Information, to the Company's unaudited interim Condensed Consolidated Financial Statements included in this Quarterly Report for a disaggregation of the net sales for each reportable segment.

Equity Securities – Equity securities that have readily determinable fair values are classified as available for sale and are carried at fair value. Unrealized holding gains and losses are recorded in the Condensed Consolidated Statements of Operations as "Other (expense) income." Equity securities which do not have readily determinable fair values are recorded at cost and are evaluated whenever events or changes in circumstances indicate that the carrying values of such investments may be impaired. Equity securities are included in the Condensed Consolidated Balance Sheets as "Other assets."

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of "Cash and cash equivalents," as recorded in the Condensed Consolidated Balance Sheets, to "Cash, cash equivalents and restricted cash," as recorded in the Condensed Consolidated Statements of Cash Flows:

(amounts in millions)	June 30, December 31,	
	2018	2017
Cash and cash equivalents	\$ 442.4	\$ 477.8
Restricted cash included in "Other current assets"	4.5	6.1
Cash, cash equivalents and restricted cash	\$ 446.9	\$ 483.9

5. ACCOUNTS RECEIVABLE

(amounts in millions)	June 30, December 31,	
	2018	2017
Total accounts receivable, net	\$1,248.4	\$ 1,157.7
Non-current accounts receivable, net (5.3) (1.7)		
Current accounts receivable, net	\$1,243.1	\$ 1,156.0

Total accounts receivable are net of an allowance for doubtful accounts of \$45.5 million and \$47.6 million at June 30, 2018 and December 31, 2017, respectively. Accounts receivable classified as non-current at June 30, 2018 and December 31, 2017, which relate to the Company's Agricultural Solutions segment, were recorded in the Condensed Consolidated Balance Sheets as "Other assets."

6. INVENTORIES

The major components of inventory, on a net basis, were as follows:

(amounts in millions)	June 30, December 31,	
	2018	2017
Finished goods	\$368.5	\$ 328.9
Work in process	29.7	28.8
Raw materials and supplies	199.1	149.8
Total inventory, net	597.3	507.5
Non-current inventory, net (13.5) (17.1)		
Current inventory, net	\$583.8	\$ 490.4

Inventory classified as non-current at June 30, 2018 and December 31, 2017, which relate to the Company's Agricultural Solutions segment, were recorded in the Condensed Consolidated Balance Sheets as "Other assets."

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
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7. PROPERTY, PLANT AND EQUIPMENT

The major components of property, plant and equipment were as follows:

(amounts in millions)	June 30, December 31,	
	2018	2017
Land and leasehold improvements	\$ 106.0	\$ 108.8
Buildings and improvements	156.9	149.8
Machinery, equipment, fixtures and software	348.4	344.6
Construction in process	32.1	34.3
Total property, plant and equipment	643.4	637.5
Accumulated depreciation	(213.7)	(185.2)
Property, plant and equipment, net	\$ 429.7	\$ 452.3

For the three months ended June 30, 2018 and 2017, the Company recorded depreciation expense of \$18.7 million and \$19.7 million, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded depreciation expense of \$38.5 million and \$37.1 million, respectively.

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

(amounts in millions)	Performance Agricultural		Total
	Solutions	Solutions	
Balance at December 31, 2017			
Goodwill	\$ 2,299.2	\$ 2,108.6	\$ 4,407.8
Accumulated impairment losses	(46.6)	(160.0)	(206.6)
	2,252.6	1,948.6	4,201.2
Additions from acquisitions	10.6	9.5	20.1
Foreign currency translation and other	(44.8)	(132.7)	(177.5)
Balance at June 30, 2018			
Goodwill	2,265.0	1,985.4	4,250.4
Accumulated impairment losses	(46.6)	(160.0)	(206.6)
	\$ 2,218.4	\$ 1,825.4	\$ 4,043.8

In May 2018, the Company completed the acquisitions of HiTech Korea Co., Ltd within its Performance Solutions segment and Etec Crop Solutions Limited within its Agricultural Solutions segment for approximately \$50.0 million in aggregate. The impact of these acquisitions on the Company's results of operations was not material.

Indefinite-Lived Intangible Assets

The carrying value of indefinite-lived intangible assets other than goodwill, which consisted solely of tradenames, was \$367 million and \$386 million at June 30, 2018 and December 31, 2017, respectively.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Finite-Lived Intangible Assets

Intangible assets subject to amortization were as follows:

(amounts in millions)	June 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer lists	\$1,286.3	\$ (297.5)	\$988.8	\$1,303.3	\$ (263.5)	\$1,039.8
Developed technology ⁽¹⁾	2,147.3	(621.0)	1,526.3	2,250.7	(557.0)	1,693.7
Tradenames	29.6	(15.8)	13.8	30.3	(13.8)	16.5
Non-compete agreements	2.8	(1.5)	1.3	2.8	(1.3)	1.5
Total	\$3,466.0	\$ (935.8)	\$2,530.2	\$3,587.1	\$ (835.6)	\$2,751.5

⁽¹⁾ Includes in-process registration rights awaiting completion before amortization commences.

For the three months ended June 30, 2018 and 2017, the Company recorded amortization expense on intangible assets of \$73.1 million and \$67.3 million, respectively. For the six months ended June 30, 2018 and 2017, the Company recorded amortization expense on intangible assets of \$145 million and \$136 million, respectively. The quarter - and year-to-date increase includes \$3.5 million of accelerated amortization related to certain product registration rights.

9. DEBT, FACTORING AND CUSTOMER FINANCING ARRANGEMENTS

The Company's debt and capital lease obligations consisted of the following:

(amounts in millions)	Maturity Date	Interest Rate	June 30, 2018	December 31, 2017
USD Senior Notes ⁽¹⁾	2022	6.50%	\$1,087.6	\$ 1,086.1
EUR Senior Notes ⁽¹⁾	2023	6.00%	404.5	415.1
USD Senior Notes ⁽¹⁾	2025	5.875%	784.0	783.2
First Lien Credit Facility - USD Term Loans ⁽²⁾	2020	> of 3.50% or LIBOR plus 2.50%	622.3	620.4
First Lien Credit Facility - USD Term Loans ⁽²⁾⁽³⁾	2021	> of 4.00% or LIBOR plus 3.00%	1,122.9	1,121.2
First Lien Credit Facility - Euro Term Loans ⁽²⁾	2020	> of 3.25% or EURIBOR plus 2.5%	677.4	694.3
First Lien Credit Facility - Euro Term Loans ⁽²⁾⁽³⁾	2021	> of 3.50% or EURIBOR plus 2.75%	697.7	716.0
Borrowings under the Revolving Credit Facility		LIBOR plus 3.00%	60.0	—
Borrowings under lines of credit ⁽⁴⁾			66.2	28.5
Other			18.2	14.7
Total debt and capital lease obligations			5,540.8	5,479.5
Less: current installments of long-term debt and revolving credit facilities			138.8	38.9
Total long-term debt and capital lease obligations			\$5,402.0	\$ 5,440.6

Senior Notes, net of unamortized premium, discounts and debt issuance costs of \$32.8 million and \$35.5 million at

⁽¹⁾ June 30, 2018 and December 31, 2017, respectively. Weighted average effective interest rate of 6.5% at June 30, 2018 and December 31, 2017.

⁽²⁾ First Lien Credit Facility term loans, net of unamortized discounts and debt issuance costs of \$27.9 million and \$33.3 million at June 30, 2018 and December 31, 2017, respectively. Weighted average effective interest rate of 4.6% and 4.5% at June 30, 2018 and December 31, 2017, respectively, including the effects of interest rate swaps. See Note 10, Financial Instruments, to the Company's unaudited interim Condensed

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Consolidated Financial Statements for further information regarding the Company's interest rate swaps.

- (3) The maturity date will extend to June 7, 2023, provided that the Company is able to prepay, redeem or otherwise retire and/or refinance in full its \$1.10 billion 6.50% USD Senior Notes due 2022, as permitted under the Amended and Restated Credit Agreement, on or prior to November 2, 2021.
- (4) Lines of credit weighted average interest rate of 3.9% and 3.5% at June 30, 2018 and December 31, 2017, respectively.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

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. At June 30, 2018, the maximum borrowing capacity under the Amended and Restated Credit Agreement totaled \$485 million, which consisted of (i) an aggregate principal amount of up to \$240 million under the Revolving Credit Facility to be denominated in U.S. dollars, and (ii) an aggregate principal amount of up to \$245 million under the Revolving Credit Facility to be denominated in multicurrency. 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.

On March 21, 2018, the Company entered into Amendment No. 9 to the Second Amended and Restated Credit Agreement, which extended the maturity date of a portion of the amount then outstanding under the Revolving Credit Facility to June 7, 2020, subject to certain conditions. The Company's total borrowing capacity amounts to \$485 million through June 7, 2019 and \$410 million from June 8, 2019 to June 7, 2020.

The Amended and Restated Credit Agreement also provides the Company with the ability to incur certain amounts of additional incremental term loans, subject to pro-forma compliance with financial maintenance covenants and certain other requirements.

The Company is required to pay a quarterly commitment fee of 0.50% on the unused balance of the Revolving Credit Facility.

The obligations incurred under the Amended and Restated Credit Agreement are guaranteed by substantially all of the Company's domestic subsidiaries and, with respect to the obligations denominated in euros, by the Company and certain of its international subsidiaries. Substantially all of the Company's domestic subsidiaries, and certain of its international subsidiaries, have also granted security interests in substantially all of their assets in connection with such guarantees, including, but not limited to, their equity interests and personal property.

Covenants, Events of Default and Provisions

The Amended and Restated Credit Agreement contains customary representations and warranties, and affirmative and negative 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. In particular, the Revolving Credit Facility imposes a financial covenant to maintain a first lien net leverage ratio of 6.25 to 1.0; provided that in the event that the Company or certain of its subsidiaries (i) incur incremental facilities in an aggregate amount in excess of \$250 million or (ii) make restricted payments in an aggregate amount in excess of \$50 million, the first lien net leverage ratio will be reduced to 4.0 to 1.0, in each case 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. Borrowings under the Amended and Restated Credit Agreement are 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. Borrowings under the Amended and Restated Credit Agreement are also subject to mandatory prepayment provisions in the case of excess cash flow, 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.

The Amended and Restated Credit Agreement 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, or defaults with respect to, certain other material indebtedness, bankruptcy and insolvency events, material judgments, and change of control provisions. Upon the occurrence of an event of default,

and after the expiration of any applicable grace period, payment of any outstanding loans under the Amended and Restated Credit Agreement may be accelerated and the Company's lenders could foreclose on their security interests in the Company's assets, which may have a material adverse effect on the consolidated financial condition, results of operation or cash flows of the Company.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

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In addition, the Amended and Restated Credit Agreement 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 issuance discount, subject to the yield calculation provisions, as defined, is in excess of 50 basis points of the yield on existing term loan indebtedness.

At June 30, 2018, the Company was in compliance with the debt covenants contained in the Credit Facilities and, in accordance with applicable debt covenants, had full availability of its unused borrowing capacity of \$400 million, net of letters of credit, under the Revolving Credit Facility.

Senior Notes

The Senior Notes are governed by indentures which provide, among other things, for customary affirmative and negative covenants, events of default, and other customary provisions. The Company also has the option to redeem the Senior Notes prior to their maturity, subject to, in certain cases, the payment of an applicable make-whole premium. The Senior Notes are unsecured and fully and unconditionally guaranteed on a senior unsecured basis by generally all of the Company's domestic subsidiaries that are guarantors under the Amended and Restated Credit Agreement. In addition, the 5.875% USD Notes Indenture provides that, in connection with the satisfaction of certain financial covenants and other conditions, all of the then direct and indirect subsidiaries constituting Platform's Agricultural Solutions business may be designated as unrestricted subsidiaries and, as applicable, released from their guarantees of the 5.875% USD Notes due 2025. Subsequent to such "Arysta Unrestricted Designation," a sale of Platform's Agricultural Solutions business through the sale of capital stock or assets may be considered a "Qualified Arysta Equity Offering." In general, Platform may have the right to use an aggregate amount of net cash proceeds from a Qualified Arysta Equity Offering, not to exceed 50% of such net cash proceeds, for permitted restricted payments (including dividends and repurchases of capital stock) to the extent that an equal amount of net cash proceeds is used to permanently reduce debt in accordance with the 5.875% USD Notes Indenture. In addition, after or contemporaneously with the Arysta Unrestricted Designation, any dividend or sale of common shares of unrestricted subsidiaries constituting all or part of Platform's Agricultural Solutions business, such as contemplated with respect to the Announced Arysta Sale, shall not be considered an Asset Sale (as defined in the 5.875% USD Notes Indenture).

Lines of Credit and Other Debt Facilities

The Company has access to various revolving lines of credit, short-term debt facilities, and overdraft facilities worldwide which are used to fund short-term cash needs. At June 30, 2018 and December 31, 2017, the aggregate principal amount outstanding under such facilities totaled \$126 million and \$28.5 million, respectively. The Company also had letters of credit outstanding of \$36.1 million and \$29.5 million at June 30, 2018 and December 31, 2017, respectively, of which \$24.8 million and \$18.6 million at June 30, 2018 and December 31, 2017, respectively, reduced the borrowings available under the various facilities. At June 30, 2018 and December 31, 2017, the availability under these facilities totaled approximately \$503 million and \$606 million, respectively, net of outstanding letters of credit.

Precious Metals Contracts

Certain subsidiaries of the Company 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.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Accounts Receivable Factoring Arrangements

Off-balance sheet arrangements

The Agricultural Solutions segment has arrangements to sell trade receivables to third parties without recourse to the Company. Under these arrangements, the segment had capacity to sell approximately \$234 million and \$236 million of eligible trade receivables at June 30, 2018 and December 31, 2017, respectively. The segment had utilized approximately \$97.6 million and \$124 million of these arrangements at June 30, 2018 and December 31, 2017, respectively. The receivables under these arrangements are excluded from the Condensed Consolidated Balance Sheets and the initial proceeds are reported in the Condensed Consolidated Statements of Cash Flows as "Operating Activities." Beneficial interests obtained in exchange for sold accounts receivables (the deferred purchase price) at the end of each period are reported in the Condensed Consolidated Balance Sheets as "Other current assets" and the proceeds from these beneficial interests are reported in the Condensed Consolidated Statements of Cash Flows as "Cash flows from investing activities." Costs associated with these programs are reported in the Condensed Consolidated Statements of Operations as "Selling, technical, general and administrative" expenses.

On-balance sheet arrangements

The Agricultural Solutions segment has also arrangements to sell trade receivables to a third party with recourse to the Company. Under these arrangements, the segment had capacity to sell approximately \$53.6 million and \$71.1 million of eligible trade receivables at June 30, 2018 and December 31, 2017, respectively. The segment had utilized approximately \$28.3 million and \$34.6 million at June 30, 2018 and December 31, 2017, respectively, of the total capacity and recorded the related liabilities in the Condensed Consolidated Balance Sheets as "Accrued expenses and other current liabilities." The proceeds from these arrangements are reported in the Condensed Consolidated Statements of Cash Flows as "Cash flows from financing activities." Costs associated with these programs are reported in the Condensed Consolidated Statements of Operations as "Interest expense, net."

10. FINANCIAL INSTRUMENTS

Derivatives and Hedging

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. 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 any counterparties.

Foreign Currency

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

At June 30, 2018, the Company held foreign currency forward contracts to purchase and sell various currencies in order to mitigate such foreign currency exposure, primarily with the U.S. dollar and euro. The Company has not designated any foreign currency exchange forward contracts as eligible for hedge accounting and, as a result, changes in the fair value of foreign currency forward contracts are recorded in the Condensed Consolidated Statements of Operations as "Other income, net." The total notional value of foreign currency exchange forward contracts held at June 30, 2018 and December 31, 2017 was approximately \$657 million and \$615 million, respectively, with settlement dates generally within one year.

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 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 tin and silver, with a notional value of \$35.1 million and \$31.8 million at June 30, 2018 and December 31, 2017, respectively. All contracts outstanding at June 30, 2018 had delivery dates within one year. The Company has not designated these derivatives as hedging instruments and, accordingly, records changes in their fair values in the Condensed Consolidated Statements of Operations as "Other income, net."

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 features whose fair values are determined by the change in the market values of the underlying metals between delivery and measurement dates. Amounts associated with these supply agreements, primarily related to gold and palladium, which serve as the notional value of the embedded derivatives, have been recorded in the Condensed Consolidated Balance Sheets as "Inventories" and "Current installments of long-term debt and revolving credit facilities" and totaled \$11.3 million and \$9.7 million at June 30, 2018 and December 31, 2017, respectively. The fair value of these contracts has been bifurcated and recorded in the Condensed Consolidated Balance Sheets as "Other current assets" of \$0.3 million at June 30, 2018 and "Accrued expenses and other current liabilities" of \$0.4 million at December 31, 2017.

For the three and six months ended June 30, 2018 and 2017, the Company recorded the following realized and unrealized gains (losses) associated with derivative contracts not designated as hedging instruments:

		Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
(amounts in millions)					
Derivatives not designated as hedging instruments:	Location on Condensed Consolidated Statement of Operations:				
Foreign exchange and metals contracts	Other income, net	\$12.9	\$(1.1)	\$10.9	\$(2.5)

Interest Rates

The Company entered into interest rate swaps to effectively fix the floating base rate portion of its interest payments on approximately \$1.13 billion of U.S. dollar denominated debt and €277 million of euro denominated debt at 1.96% and 1.20%, respectively, through June 2020.

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

For the three and six months ended June 30, 2018, the Company's interest rate swaps were deemed highly effective utilizing the dollar-offset method of assessing hedge effectiveness. The ineffectiveness resulting from the repriced portion of the Company's euro-denominated debt in 2017 totaled \$0.2 million and \$0.6 million for the three and six months ended June 30, 2018 and was recorded in the Condensed Consolidated Statements of Operations as "Other income, net." The Company expects to reclassify \$4.2 million of income from "Accumulated other comprehensive loss" to "Interest expense, net" in the Condensed Consolidated Statements of Operations during the next twelve months.

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. Although the right to offset within these agreements exists under certain termination events, such as bankruptcy or default, it is the Company's accounting policy to present derivative assets and liabilities under such master netting arrangements on a gross basis in the Condensed Consolidated Balance Sheets.

The following table provides information on the Company's derivative positions at June 30, 2018 and December 31, 2017 subject to these master netting arrangements as if they were presented on a net basis, allowing for the right of offset by counterparty and cash collateral:

(amounts in millions)	June 30, 2018		December 31, 2017	
	Asset	Liability	Asset	Liability
Gross amounts	\$ 14.0	\$ 8.2	\$ 5.5	\$ 6.2
Gross amount subject to offset in master netting arrangements that are not offset	(3.7)	(3.0)	(1.0)	(2.0)
Cash collateral paid	—	—	—	(0.4)
Net	\$ 10.3	\$ 5.2	\$ 4.5	\$ 3.8

Collateral paid to counterparties is recorded in the Condensed Consolidated Balance Sheets as "Other current assets."

Fair Value Measurements

The following table presents the Company's financial assets and liabilities that are measured at fair value on a recurring basis:

(amounts in millions)	Balance sheet location	Classification	June 30, December 31,	
			2018	2017
Asset Category				
Foreign exchange and metals contracts not designated as hedging instruments	Other current assets	Level 2	\$ 15.9	\$ 5.5
Available for sale equity securities	Other assets	Level 1	3.0	3.7
Interest rate swaps designated as cash flow hedging instruments	Other current assets	Level 2	4.8	—
Interest rate swaps designated as cash flow hedging instruments	Other assets	Level 2	8.9	3.4
Available for sale equity securities	Other assets	Level 2	0.1	0.6
Total			\$ 32.7	\$ 13.2
Liability Category				
Foreign exchange and metals contracts not designated as hedging instruments	Accrued expenses and other liabilities	Level 2	\$ 9.0	\$ 7.3
Interest rate swaps designated as cash flow hedging instruments	Accrued expenses and other liabilities			