Platform Specialty Products Corp
Form 10-K
March 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

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 (State or other jurisdiction of incorporation or organization)	37-1744899 (I.R.S. Employer Identification No.)
1450 Centrepark Boulevard, Suite 210 West Palm Beach, Florida (Address of principal executive offices)	33401 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 o	Accelerated filer o	Non-Accelerated filer x	Smaller reporting company o

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

The number of shares of common stock outstanding as of March 23, 2015 was 192,220,472. The aggregate market value of the common stock held by non-affiliates as of June 30, 2014 was approximately $1.90 billion, based upon the last reported sales price for such date on the NYSE. All (i) executive officers and directors of the registrant and (ii) all persons filing a Schedule 13D with the Securities and Exchange Commission in respect to the registrant's common stock who hold 10% or more of the registrant's outstanding common stock, have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement for its 2015 annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2014, are hereby incorporated by reference in Part III of this Annual Report on Form 10-K.

Table of Contents

GLOSSARY OF DEFINED TERMS

Terms	Definitions
Platform; Successor; We; Us; Our; the Company	Platform Specialty Products Corporation, a Delaware corporation, and its subsidiaries, collectively, for all periods subsequent to the MacDermid Acquisition.
A Shares	2,150,000 Class A Junior Shares authorized and issued by the Predecessor on April 13, 2007 to employees who purchased both preferred and common shares of the Predecessor as part of a $7.0 million management buy-in of both preferred and common shares of the Predecessor.
Acquisitions	The Agriphar Acquisition, CAS Acquisition, Arysta Acquisition and MacDermid Acquisition, collectively.
Agriphar	Percival and its agrochemical business, Agriphar.
Agriphar Acquisition	Acquisition of Agriphar, completed on October 1, 2014.
AIs	Active ingredients.
Amended and Restated Credit Agreement	Platform's credit agreement dated April 12, 2007, as amended 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) and February 13, 2015 (Amendment No. 3).
Amendment No. 2	Amendment No. 2, dated as of August 6, 2014, entered into among, inter alia, Platform, Platform Holdings, LLC, MacDermid, the subsidiaries of the borrowers from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent with respect to the Credit Agreement which made the Further Amendments to the Second Amended and Restated Credit Agreement upon consummation of the CAS Acquisition.
Amendment No. 3	Amendment No. 3, dated as of February 13, 2015, entered into among, Platform, Platform Holdings, LLC, MAS Holdings, NAIP and certain subsidiaries of Platform and Platform Holdings, LLC, the lenders from time to time parties thereto and Barclays Bank PLC to the Second Amended and Restated Credit Agreement upon consummation of the Arysta Acquisition.
Annual Report	This annual report on Form 10-K for the fiscal year ended December 31, 2014.
Arysta	Arysta LifeScience Limited, an Irish private limited company.
Arysta Acquisition	Acquisition of Arysta, completed on February 13, 2015.
ASC	Accounting Standard Codification.
Asset-Lite, High-Touch	Platform's philosophy and business model, which involves dedicating extensive resources to research and development and highly technical customer service, while limiting investments in fixed assets and capital expenditures.

G-1

GLOSSARY OF DEFINED TERMS

B Shares	1,364,000 Class B Junior Performance Shares issued by the Predecessor in May 2008 in order to compensate certain of the Predecessor's employees for their long-term commitment to the Predecessor, motivate sustained increases in the Predecessor's financial performance and, in a liquidation event, permit employees to share in the value of equity in the Predecessor.
Board	Platform's board of directors.
CAS	AgroSolutions business of Chemtura.
CAS Acquisition	Acquisition of 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.
C Shares	5,000,000 Class C Junior Shares authorized on January 29, 2013 by the Predecessor for issuance. The Class C Junior Shares were allocated to three tranches of 1,666,666 shares each and defined as Class C-1 Junior Shares, Class C-2 Junior Shares and Class C-3 Junior Shares. The number of issued and awarded Class C Junior Shares was 4,890,000 shares or 1,630,000 shares each for the Class C-1 Junior Shares, Class C-2 Junior Shares and Class C-3 Junior Shares.
Debt Commitment Letter	Commitment letter entered into on October 20, 2014 with Barclays Bank PLC, Credit Suisse AG, Cayman Islands Branch, Credit Suisse Securities (USA) LLC, Nomura Corporate Funding Americas, LLC, Nomura Securities International, Inc., UBS AG, Stamford Branch and UBS Securities LLC providing for the Facilities for the purposes of financing the proposed Arysta Acquisition and the fees and expenses in connection therewith, on the terms and subject to the conditions set forth in the commitment letter.
Domestication	Platform's change of jurisdiction of incorporation from the British Virgin Islands to Delaware on January 22, 2014.
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.
EU	European Union.
EURO Tranche Terms Loans	New term loans denominated in Euros in an aggregate amount of €205 million borrowed in connection with the CAS Acquisition.
Exchange Act	U.S. Securities Exchange Act of 1934, as amended.
Facilities	$1.60 billion term facility and senior unsecured bridge loans in an aggregate principal amount of $750 million incurred for the financing the Arysta Acquisition and the fees and expenses in connection therewith, on the terms and subject to the conditions set forth in the Debt Commitment Letter.

Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
FASB	Financial Accounting Standard Board.

GLOSSARY OF DEFINED TERMS

FCPA	Foreign Corrupt Practices Act of 1977, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage.
First Lien Credit Facility	First lien credit facility available under the Amended and Restated Credit Agreement.
Founder Entities	Mariposa Acquisition, LLC and Berggruen Acquisition Holdings, IV, Ltd., collectively.
Further Amendments	Further amendments to our Second Amended and Restated Credit Agreement pursuant to the Amendment No. 2 entered on August 6, 2014 by and among Platform, Barclays Bank PLC, the several lenders from time to time party thereto and the other parties thereto, which became effective upon the consummation of the CAS Acquisition on November 3, 2014.
GVAP	Platform's Global Value Added Portfolio, which includes products in the herbicides, insecticides, fungicides and seed treatment categories, based on patented or proprietary off-patent AIs.
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board.
Incremental Amendment	Incremental amendment No. 1 to the Amended and Restated Credit Agreement entered into on October 1, 2014 by and among Platform and MacDermid, as borrowers, MacDermid Holdings, certain subsidiaries of MacDermid Holdings and Platform, Barclays Bank PLC, as collateral agent and administrative agent, and the incremental lender party thereto through an increase in our existing Tranche B term loans in an aggregate principal amount of $300 million.
Initial Public Offering	Initial public offering of Platform (formerly named "Platform Acquisition Holdings Limited") completed on the London Stock Exchange on May 22, 2013, raising net proceeds of approximately $881 million.
JOBS Act	Jumpstart Our Business Startups Act of 2012.
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 an Exchange Agreement, dated October 25, 2013, between Platform and the fiduciaries of the 401K Plan.
MacDermid Holdings	MacDermid Holdings, LLC which, at the time of the MacDermid Acquisition, owned approximately 97% of MacDermid, a subsidiary of MacDermid Holdings.
May Private Placement	Private placement of an aggregate of 15,800,000 shares of our common stock completed on May 20, 2014 at a purchase price of $19.00 per share, raising net proceeds of approximately $287 million.
MAS Holdings	MacDermid Agricultural Solutions Holdings B.V., a company organized under the laws of the Netherlands and a subsidiary of Platform.

GLOSSARY OF DEFINED TERMS

NIAP	Netherlands Agricultural Investment Partners, LLC, a company organized under the laws of the Netherlands and a subsidiary of Platform.
NYSE	New York Stock Exchange.
New Tranche B Term Loans	New Tranche B term loans denominated in U.S. dollars in an aggregate principal amount of $130 million, borrowed in connection with the CAS Acquisition through an increase in Platform's existing tranche B term loan facility.
New Tranche B-2 Term Loans	New Tranche B-2 term loans denominated in U.S. dollars in an aggregate principal amount of up to $500 million, borrowed in connection with the Arysta Acquisition through an increase in Platform's existing tranche B term loan facility.
Notes Offering	Private offering of $1.1 billion aggregate principal amount of 6.50% USD Notes due 2022 and €350 million aggregate principal amount of 6.00% EUR Notes due 2023 to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to non-U.S. persons in accordance with Regulation S under the Securities Act, completed on February 2, 2015.
November Resale Registration Statement	Registration statement on Form S-1 (File No. 333-199817) initially filed on November 3, 2014 to register the resale of all of the shares sold in the October/November Private Placement. The November Resale Registration Statement was amended on November 10, 2014 and declared effective that same day.
October/November Private Placement	Private placement of an aggregate of 16,060,960 shares and 9,404,064 shares of our common stock completed on October 8, 2014 and November 6, 2014, respectively, at a price of $25.59 per share, raising net proceeds of approximately $651.5 million.
Original Seller	Nalozo S.à.r.l., a Luxembourg limited liability company and the original seller in the Arysta Acquisition.
PCAOB	Public Company Accounting Oversight Board.
PDH	Platform Delaware Holdings, Inc., a subsidiary of Platform.
PDH Common Stock	Shares of common stock of PDH.
Pension Plan	MacDermid, Incorporated Employees' Pension Plan (as amended and restated, effective January 1, 2009), a non-contributory domestic defined benefit pension plan.
Percival	Percival S.A., a société anonyme incorporated and organized under the laws of Belgium, acquired by Platform on October 1, 2014.
Pershing Square	Pershing Square Capital Management, L.P.
Predecessor	MacDermid and its subsidiaries, collectively, for all periods prior to the MacDermid Acquisition.
Predecessor 2011 Period	MacDermid's fiscal year ended December 31, 2011.
Predecessor 2012 Period	MacDermid's fiscal year ended December 31, 2012.
Predecessor 2013 Period	Ten-month period from January 1, 2013 through October 31, 2013.

G-4

GLOSSARY OF DEFINED TERMS

Public Offering	Underwritten registered public offering of 16,445,000 shares of our common stock completed on November 17, 2014 at a public offering price of $24.50 per share, raising gross proceeds of approximately $403 million.
REACH	Regulation (EC) No 1907/2006 of the European Parliament and the Council dated December 18, 2006 relating to the Registration, Evaluation, Authorization and Restriction of Chemicals which became effective on June 1, 2007 and requires manufacturers and importers of most chemicals in the EU to register these chemicals and evaluate their potential impact on human health and the environment.
Retaining Holder	Each Holder of an equity interest of MacDermid Holdings immediately prior to the closing if the MacDermid Acquisition, not owned by Platform, who executed a RHSA.
Revolving Credit Facility	Revolving Credit Facility available under the Amended and Restated Credit Agreement.
ROA	Returns on assets.
RSUs	Restricted stock units issued by Platform from time to time under the 2013 Plan.
RHSA	Retaining Holder Securityholders' Agreement dated October 10, 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.
Sarbanes-Oxley	Sarbanes-Oxley Act of 2002.
SEC	U.S. Securities and Exchange Commission.
Second Amended and Restated Credit Agreement	Second Amended and Restated Credit Agreement, dated as of August 6, 2014, among, inter alia, Platform, Platform Holdings, LLC, MacDermid, the subsidiaries of the borrowers from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent which generally provided for, among other things, (i) increased flexibility with respect to permitted acquisitions, (ii) the ability to request incremental facilities in currencies other than U.S. Dollars, and (iii) securing foreign assets in support of future term loans.
Securities Act	U.S. Securities Act of 1933, as amended.
Seller	Nalozo, L.P., an affiliate of the Original Seller who became the seller in the Arysta Acquisition pursuant to an amendment to the share purchase agreement dated February 11, 2015.
Seller Resale Registration Statement	Registration statement on Form S-3 (File No. 333-202287) initially filed on February 25, 2015 to register the resale of a maximum of 22,107,590 shares of common stock issuable upon conversion of the Series B Preferred Stock pursuant to a registration rights agreement entered into with the Seller dated February 13, 2015. The Seller Registration Statement was amended on March 20, 2015 and is expected to be declared effective by the SEC in early April 2015.

Series A Preferred Stock	2,000,000 shares of Platform's Series A 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.

G-5

GLOSSARY OF DEFINED TERMS

Series B Preferred Stock	600,000 shares of Platform's Series B Preferred Stock issued to the Seller in connection with the Arysta Acquisition on February 13, 2015.
SERP	Supplemental Executive Retirement Plan for executive officers of Platform.
Successor	Platform and its subsidiaries, collectively, for all periods subsequent to the MacDermid Acquisition.
Successor 2013 Period	Period from April 23, 2013 (inception) through December 31, 2013.
Tartan	Tartan Holdings, LLC, a Delaware limited liability company and subsidiary of Platform, formed at the time of the MacDermid Acquisition to hold the PDH Common Stock in exchange of MacDermid Holdings equity interests.
U.K. Pension Plan	Retirement and death benefit plans covering employees in the U.K.
USD Incremental Loans	Incremental term loans under the Incremental Amendment to the Amended and Restated Credit Agreement in an aggregate principal amount of $300 million used to finance the Agriphar Acquisition.
U.S. GAAP	Generally accepted accounting principles in the United States.
Warrant Exchange Offer	Exchange offer conducted by Platform in order to fund a portion of the cash consideration for the MacDermid Acquisition pursuant to which Platform issued common stock in exchange for $10.50 and 3 warrants, up to a maximum of half of the warrants outstanding.
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.
401K Plan	MacDermid, Incorporated Profit Sharing and Employee Savings Plan.
6.00% EUR Notes due 2023	Platform's 6.00% senior notes due 2023 denominated in Euro issued in the Notes Offering.
6.50% USD Notes due 2022	Platform's 6.50% senior notes due 2022 denominated in U.S. dollars issued in the Notes Offering.

Part I

Item 1. Business

Unless the context otherwise indicates or requires, all product names and trade names used in this Annual Report are our trademarks, some of which may be registered in certain jurisdictions. Although we have omitted the "®" and "TM" trademark designations for some of such marks in this Annual Report, all rights to such trademarks are nevertheless reserved. This Annual Report contains additional trade names of other companies. We do not intend our use or display of other companies' trade names to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Overview

Platform is a global, diversified producer of high-technology specialty chemical products and provider of technical services.

Our business involves the formulation of a broad range of specialty chemicals, created by blending raw materials through multi-step technological processes or formulating AIs into final agricultural products, which can be easily and safely used by growers in the fields. These specialty chemicals are sold into multiple industries, including agrochemical, electronics, graphic arts, metal and plastic plating, and offshore oil production and drilling industries. We refer to our products as "dynamic chemistries" due to their intricate chemical compositions. Our dynamic chemistries are used in a wide variety of attractive niche markets and we believe that the majority of our operations hold strong positions in the product markets they serve.

As our name "Platform Specialty Products Corporation" implies, we continually seek opportunities to act as an acquirer and consolidator of specialty chemical businesses on a global basis, particularly those meeting Platform's "Asset-Lite, High-Touch" philosophy, which involves prioritizing extensive resources to research and development and highly technical customer service, while managing conservatively our investments in fixed assets and capital expenditures. To date, Platform has completed four acquisitions: the MacDermid Acquisition on October 31, 2013, the Agriphar Acquisition on October 1, 2014, the CAS Acquisition on November 3, 2014 and the Arysta Acquisition on February 13, 2015.

We were initially incorporated with limited liability under the laws of the British Virgin Islands on April 23, 2013 under the name "Platform Acquisition Holdings Limited." We were created for the purpose of acquiring a target company or business with an anticipated enterprise value of between $750 million and $2.50 billion. We completed our Initial Public Offering in the United Kingdom on May 22, 2013, raising net proceeds of approximately $881 million and were listed on the London Stock Exchange.

Acquisitions

2013 Activity

MacDermid Acquisition

On October 31, 2013, we indirectly acquired substantially all of the equity of MacDermid Holdings which, at the time, owned 97% of MacDermid, a wholly-owned subsidiary of MacDermid Holdings. As a result, we became a holding company for the MacDermid business. We acquired the remaining 3% of MacDermid on March 4, 2014, pursuant to the terms of an Exchange Agreement, dated October 25, 2013, between us and the fiduciaries of the 401K Plan. Concurrently with the closing of the MacDermid Acquisition, we changed our name to "Platform Specialty Products Corporation." On January 22, 2014, we completed our Domestication from the British Virgin Islands to

Delaware, and on January 23, 2014, our common stock began trading on the NYSE under the ticker symbol "PAH."

The total consideration for the MacDermid Acquisition and the Exchange Agreement was approximately $1.80 billion (including the assumption of $754 million of indebtedness, consisting primarily of MacDermid's then first lien credit facility), plus (i) up to $100 million of contingent consideration tied to achieving certain EBITDA and stock trading price performance metrics over a seven-year period following the closing of the MacDermid Acquisition and (ii) an interest in certain MacDermid pending litigation which consideration was paid through a combination of both equity interests and cash.

2014 Activity

Agriphar Acquisition

On October 1, 2014, we completed the Agriphar Acquisition for a purchase price of approximately €300 million ($370 million), consisting of $350 million in cash, after certain post-closing working capital and other adjustments, and 711,551 restricted shares of our common stock, which will become unrestricted beginning January 2, 2018, unless agreed otherwise in accordance with the terms of the acquisition agreement. These shares can also be transferred back to us within six-months after the closing of the Agriphar Acquisition for €15 million ($18.2 million based on the December 31, 2014 exchange rate of $1.21 per €1.00).

Agriphar is a European crop protection group supported by a team of researchers and regulatory experts which provides a wide range of fungicides, herbicides and insecticides with end markets primarily across Europe. We believe Agriphar's wide variety of product applications and expertise will amplify the anticipated benefits from the CAS Acquisition and the Arysta Acquisition.

CAS Acquisition

On November 3, 2014, we completed the CAS Acquisition for $1.04 billion, consisting of $983 million in cash, after certain post-closing working capital and other adjustments, 2,000,000 shares of our common stock and the assumption of certain liabilities by Platform.

Established over 50 years ago, CAS is a niche provider of seed treatments and agrochemical products for a wide variety of crop protection applications in numerous geographies. CAS focuses on specific target applications in seven major product lines: adjuvants; fungicides; herbicides; insecticides; miticides; plant growth regulators; and seed treatments.

Recent Developments

Arysta Acquisition

On February 13, 2015, we completed the Arysta Acquisition for approximately $3.57 billion, consisting of $2.93 billion in cash, subject to working capital and other adjustments, and $600 million of Platform's Series B Preferred Stock issued to the Seller.

Arysta has a solutions-oriented business model that focuses on product innovation to address grower needs. Arysta's solutions are delivered on a local basis, utilizing globally managed patented and proprietary off-patent agrochemical AIs, or GVAP, and biological solutions, or biosolutions, complemented by a broad portfolio of regionally managed off-patent agrochemical offerings. Biosolutions includes biological stimulants, or biostimulants, innovative nutrition and biological control, or biocontrol, products. Arysta employs a targeted market strategy aimed at specific regions and crops where it is believed that its market position, product portfolio and capabilities enable Arysta to achieve sustainable high growth and a strong leadership position.

Business Segments

We generate revenue through the formulation and sale of our dynamic chemistries and agrochemical solutions. Our personnel work closely with our customers to ensure that the chemical composition and function of our dynamic chemistries are maintained as intended in addition to ensuring that our products are applied safely and effectively by growers globally. As an example, a customer will engage us to manufacture and sell a product consisting of a process composed of eight successive chemical baths, each of which is made up of our specialty chemicals, in order to enhance the overall performance of that customer’s circuit boards. In addition to providing such products, a member of our professional service team may visit the customer’s sites to ensure that the process sold maintains the correct chemical balance and can be used effectively in the manner and for the purpose desired. Another example from AgroSolutions is our “Aplique Bem” stewardship program which started in Brazil in partnership with the Institute of Agriculture, Campinas (IC) and expended into Latin America, Africa and Asia. This program focuses on teaching growers to apply agrochemicals safety and cost-effectively.

We leverage our close customer relationships to execute our growth strategies by working with our customers to identify opportunities for new products, which we develop by drawing upon our significant intellectual property portfolio and technical expertise. We believe that our customers place significant value on our brands, which have been developed through innovation, product leadership and customer service.

We manage our business in three operating segments: Performance Materials; Graphic Solutions; and AgroSolutions.

Performance Materials

Overview

Our Performance Materials segment manufactures and markets dynamic chemistry solutions that are used in the electronics, automotive, oil and gas production, and drilling industries. We operate in the Americas, Asia and Europe. Our products include surface and coating materials and water-based hydraulic control fluids. In conjunction with the sale of these products, we provide technical service and support when necessary to ensure superior performance of their application. The regional sales mix in this segment has shifted over the past several years from more industrialized nations towards emerging markets, such as Asia and South America. To better serve customers in these markets, we have developed state-of-the-art facilities in São Paulo, Brazil and Suzhou, China. We have approximately 600 personnel and four manufacturing facilities in Asia and remain focused on further increasing our presence in the region.

Our Performance Materials segment provides specialty chemicals to three industries:

Electronics. We are a global supplier of chemical compounds to the printed circuit board fabrication industry. In this industry, we design and formulate a complete line of proprietary “wet” dynamic chemistries that our customers use to process the surface of the printed circuit boards and other electronic components they manufacture. Our product portfolio in this industry is focused on niches such as final finishes, through hole metallization and circuit formation, in which we are a small cost to the overall finished product, but a critical component for maintaining the product’s performance. We believe our growth in this industry will be driven by demand in telecommunication, wireless devices and computers, and the increasing use of electronics in automobiles. Our customer base includes customers in the following end markets: computers; telecommunications; wireless devices; audio visual; automotive and office equipment.

Industrial. We are a global supplier of dynamic chemistries to the industrial metal and plastic finishing industries. In this industry, our dynamic chemistries are used for finishing, cleaning and providing surface coatings for a broad range of metal and non-metal surfaces. These coatings may have functional uses, such as improving wear and tear or providing corrosion resistance for appliance parts, or decorative uses, such as providing gloss finishes to components used in automotive interiors. Our chemical compounds are manufactured for these surface coating applications, including cleaning, activating, polishing, electro and electroless plating, phosphatizing, stripping and coating, anti-tarnishing and rust inhibiting for metal and plastic surfaces. Electroless plating is a method of plating metals onto a variety of base materials using chemical reduction without the application of electrical power. Electro plating, in contrast, involves plating metals with the use of an electrical current. Phosphatizing is the application of phosphates, such as iron and zinc, to prevent corrosion of steel surfaces. Our industrial customer base is highly fragmented and includes customers in the following end markets: automotive parts; industrial parts; transportation equipment; electronics equipment and appliances; and plumbing goods. We believe our growth in this industry will be primarily driven by increased worldwide automobile production and demand for appliances, computers and general engineering hardware.

Offshore. We produce water-based hydraulic control fluids for major oil companies and drilling contractors for offshore deep water production and drilling applications. Production fluids are used in the control systems that open and close critical valves for the deep water oil extraction and transportation process. Drilling fluids are used in control systems to operate valves on the ocean floor. Our current customer base is primarily in the production area of this business, as opposed to drilling and exploration. Although the recent sharp decline in oil prices has slowed the short-term growth expectations of the oil and gas industry, we believe there is significant long-term growth potential for this business as the industry rebounds, continues to grow and as oil is produced from new offshore, sub-sea wells.

Products

We review our portfolio of products regularly to seek to identify and replace low margin products with high margin products. Accordingly, our product mix may frequently change depending upon customer demand and the cost and selling prices related to any given product. In our Performance Materials segment, we offer various products to the electronics, industrial and offshore end markets, including:

- Plating products, which are used to plate holes drilled through printed circuit boards to connect opposite sides of the board and to connect the different layers of multi-layer printed circuit boards;

- Final finishes, which are used on printed circuit boards to preserve the solderability of the finished boards;

- Circuit formation products, which are an assortment of products to promote adhesion and form circuit patterns;

- Oxides, which are conversion coatings used in the fabrication of multilayer circuit boards;

- Pre-treatment and cleaning solutions, which are applied to prepare the surfaces of a wide variety of industrial products for additional treatment. We have a complete line of aqueous and semi-aqueous pre-treatment and cleaning products, which are more environmentally friendly than the solvents they replace;

- Functional conversion coatings, which are applied to metals to enhance corrosion resistance and paint adhesion in a wide spectrum of industrial applications where heavy duty usage and exposure to unfavorable environments are anticipated. Our products plate various parts are used in automotive and aerospace equipment, appliances, computer hard disks and other electronic products;

- Electroless nickel, which is applied to a variety of metal and plastic surfaces to enhance corrosion resistance, wear resistance, solderability and to repair worn or over-machined surfaces in a variety of applications. MacDermid was among the earliest developers of electroless nickel products, which are safer and more environmentally friendly than the products they replace;

- Decorative plating products, which can be used on all surface conditions to provide mirror-like finishes on steel, alloys or plastic in a more environmentally friendly manner. We offer an extensive range of quality decorative plating processes used in the plating of appliances, plumbing goods and automotive trim;

- Hard-coated films for the membrane switch and touch screen markets;

- Production fluids which are water-based hydraulic control fluids used in subsea production control systems to operate valves for the deep water oil extraction and transportation process; and

- Drilling fluids, which are water-based hydraulic control fluids, used in subsea control systems to operate valves for drilling rigs on the ocean floor.

Seasonality

There is no material portion of our Performance Materials segment that is subject to seasonality.

Graphic Solutions

Overview

Our Graphic Solutions segment primarily produces and markets photopolymers through an extensive line of flexographic plates that are used in the commercial packaging and printing industries. We manufacture photopolymers used to produce printing plates for transferring images onto commercial packaging, including packaging for consumer food products, pet food bags, corrugated boxes, labels and beverage containers. In addition, we also produce photopolymer printing plates for the flexographic and letterpress newspaper and publications markets. Our products are used to improve print quality and printing productivity. Flexography is a printing process that utilizes flexible printing plates made of rubber or other flexible plastics. Photopolymers are molecules that change properties upon exposure to light. Our business mix in this segment is focused on high innovation, higher cash flow businesses by offering new products.

Products

We review our portfolio of products regularly to identify and replace low margin products with high margin products. Accordingly, our product mix may frequently change depending upon customer demand and the cost and selling prices related to any given product. Products offered to customers in our Graphic Solutions segment include:

- Solid sheet printing elements, which are digital and analog printing sheets, used in the flexographic printing and platemaking processes. Our extensive line of flexographic plates are used in the commercial packaging and letterpress newspaper and publication industries;

- Liquid products, which are liquid photopolymers used to produce printing plates for transferring images onto commercial packaging; and

- Printing equipment, which are thermal plate processing systems that allow press-ready printing plates to be created without solvents.

Seasonality

There is no material portion of our Graphic Solutions segment that is subject to seasonality.

AgroSolutions

Overview

During the fourth quarter of 2014, we created a new operating segment, AgroSolutions, to manage our newly-acquired agrochemical vertical, which now includes Agriphar's, CAS' and Arysta's complementary businesses and which is expected to uniformly operate under the Arysta LifeScience brand.

Our AgroSolutions segment is based on a solutions-oriented business model that focuses on product innovation to address an ever-increasing need for higher crop yield and quality, as well as protection from weeds (herbicides), insects (insecticides) and diseases (fungicides). We offer a wide variety of proven plant health and pest control products to growers, which are comprised of specific target applications in the following major product lines: adjuvants; fungicides; herbicides; home applications (home and garden and ectoparasiticides); insecticides; miticides; plant growth regulators; and seed treatments. Our Global Value Added Portfolio, or GVAP, which includes products in the herbicides, insecticides, fungicides and seed treatment categories, based on patented or proprietary off-patent AIs, includes products derived from AIs for which we have a strong market position due to differentiated product offerings or supply relationships. We consider the GVAP portfolio to be a key pillar for our sustainable growth. Our product portfolio also includes biosolutions (biostimulants, innovative nutrition and biocontrol), and regional off-patent AIs that complement our principal product lines.

Agriphar is a European crop protection group with leading product development, registration and distribution capabilities. Its product portfolio provides a wide range of fungicides, herbicides and insecticides with end markets primarily across Europe and is supported by a talented team of researchers and regulatory experts. With its main operational facility in Belgium and owned distribution subsidiaries in France, Greece, Italy and Spain, we believe Agriphar has a strong on the ground presence in Western Europe and has developed a footprint in Latin America. Agriphar brings a wide variety of product applications and expertise across a range of geographic markets. We believe that these added capabilities will amplify the anticipated benefits from the CAS Acquisition and the Arysta Acquisition.

Established over 50 years ago, CAS is a leading niche provider of seed treatments and agrochemical products for a wide variety of crop protection applications in numerous geographies. CAS focuses on specific target applications in seven major product lines: adjuvants; fungicides; herbicides; insecticides; miticides; plant growth regulators; and seed treatments. CAS' products are developed for use on high-value target crops such as tree and vine fruits, ornamentals and nuts and for commodity row crops such as soybeans, canola and corn. CAS' dedicated sales force works with growers and distributors to promote the use of CAS' products throughout a crop's growth cycle and to address selective regional, climate and growth opportunities. Historically, CAS has expanded its presence in worldwide targeted markets by developing or acquiring crop protection products and obtaining registrations for new products, new uses for existing products and use of existing products in new countries. CAS' expertise in registering its product offerings and diverse global presence differentiates CAS from its competitors. CAS develops, sells and registers its own products, as well as products manufactured by others on a license or resale basis.

Arysta is a leading global provider of crop solutions, with expertise in agrochemical and biological products. Arysta has a solutions-oriented business model that focuses on product innovation to address grower needs. Arysta's solutions are delivered on a local basis, utilizing globally managed patented and proprietary off-patent agrochemical AIs and biosolutions, complemented by a broad portfolio of regionally managed off-patent agrochemical offerings. Biosolutions includes biological stimulants, or biostimulants, innovative nutrition and biological control, or biocontrol, products. Arysta employs a targeted market strategy aimed at specific regions and crops where it is believed that its market position, product portfolio and capabilities enable Arysta to achieve sustainable high growth and a strong leadership position. Arysta's product portfolio consists of a distinctive suite of both agrochemical and biosolutions products. Arysta's products serve a broad and diverse geographic mix, focusing on high-growth regions such as Africa, Central/Eastern Europe, Latin America, the Middle East and South Asia.

Products

Our AgroSolutions segment offers a wide variety of proven plant health and pest control products to growers comprised of seven major product lines (adjuvants, fungicides, herbicides, insecticides, miticides, plant growth regulators and seed treatments), as well as home applications (home and garden and ectoparasiticides), and biosolutions (biostimulants, innovative nutrition and biocontrol):

Adjuvants:	Adjuvants are used to help improve the performance of pesticides such as herbicides, insecticides and fungicides. Adjuvants improve the pesticide's ability to spread and penetrate the crop, ensuring good plant coverage and increased probability of contact with the targeted pest. Our main adjuvant products are Latex and Trisiloxane.
Biosolutions:	Our biosolutions product line segment includes over 700 biostimulants, innovative nutrition and biocontrol products. Our biostimulants stimulate plant growth and reproductive development. Our innovative nutrition products optimize the nutrition of plants. Our biocontrol products work like conventional crop protection without leaving residues. This portfolio is highly differentiated and primarily protected by trade secrets. Biostimulant products include Biozyme, BM 86 and BM Headset. Innovative nutrition products include Foltron and Poliquel. Biocontrol products include Carpovirusine, Kasumin and Vacciplant.
Ectoparasiticides:	We offer AIs that are highly effective at targeting and preventing infestation of domestic animals and livestock (sheep, cattle, goats, pigs and poultry) by lice, fleas and ticks without hurting the animal. Our main ectoparasiticides are Exi and Signal.
Fungicides:	Fungicides are products that prevent the spread of fungi in crops. Our combined fungicide portfolio includes Captan, Etridiazole, Fluoxastrobin, Propamocarb, Tetraconazole and Triflumizole. We also offer a targeted range of products designed to control different fungicidal infestations.
Herbicides:	Herbicides are products used to control unwanted plants while leaving the crops they are targeted to treat unharmed. We produce total and selective herbicides with a variety of formulations for many temperate and tropical crops such as tomatoes, potatoes, soybeans and onions. Our main herbicide products are Amicarbazone, Clethodim, Flucarbazone, Dichlobenil and Quizalofop-P-tefuryl.
Home and Garden:	We have a dedicated range of products in both ready-to-use and concentrated formulations to combat mosquitoes, cockroaches, ants, wasps and flies. Our main product in this line is Chloropyrifos.

6

Insecticides: Our insecticides, such as Acephate and Diflubenzuron, are products used against insect pests at different stages of the pest life cycle from egg and larvae to nymph and adult. Acephate, for example, is extremely effective in the control of helicoverpa. These products have both crop and public health applications.

Miticides: Miticides (acaricides) are products that control a variety of mite pests on crops. The products are primarily targeted at tree fruit and nut, vine, ornamental and selected row crop applications for effective mite control programs. Our main miticide products, such as Bifenazate and Propargite, are sold globally.

Plant Growth Regulators: Plant growth regulators are products used for controlling or modifying plant growth processes without severe toxic effect. Our main plant growth regulator products are Daminozide, Hydrazide, Maleic and N-decanol.

Seed Treatments: We have a leading position in the high-growth and high-value seed treatment industry. Seed treatment products are applied to seed before planting. Our diverse portfolio encompasses pioneer products, such as Carboxin, an early AI that is still used widely today, and Cypermethrin, Ipconazole and Thiram. Our seed treatments are used to coat seeds in order to protect the seed during germination and protect the plant during its initial growth phases. We anticipate growth in seed treatments resulting from the expanded use of higher-value genetically-modified seeds.

In addition, we offer certain non-crop products, including animal health products, such as honey bee protective miticides and certain veterinary vaccines. Apivar, one of our honey bee health products, is a leading global miticide for the protection of bees against the Varroa mite.

Seasonality

The agrochemical business is seasonal in nature and corresponds to agricultural cycles within each region in which we operate. The geographic spread of our products can result in significant variations in earnings and cash flow during such cycles. Agrochemical and biosolutions sales typically begin ahead of the growing season and peak in the middle of the season. In the northern hemisphere, farmers purchase the majority of their agrochemical inputs during the first half of the year. Growers in the southern hemisphere purchase the majority of their products in the second half of the year. As a result, we have historically experienced significant fluctuations in quarterly sales. For example, due to the size of Arysta's market in Latin America, Arysta typically generates greater net sales in the second half of the calendar year and its net sales tend to be lower during the first half of each calendar year.

Weather conditions and natural disasters such as heavy rains, hurricanes, hail, floods, tornadoes, freezing conditions, drought, or fire also affect decisions by our customers and end-users about the types and amounts of agrochemical and biosolutions products to purchase and the timing of use of such products. For example, an early spring in Europe can bring forward sales from the second quarter into the first quarter. The high degree of correlation between sales patterns and unpredictable weather conditions makes drawing conclusions from quarterly sales difficult.

Competitive Strengths

We believe that the following are our key competitive strengths:

- Strong Market Position in Attractive Niche End Markets. Our businesses strategically focus on acquiring and maintaining leading positions in niche sectors of high-growth markets by offering high value-added services that are indispensable to our customers. We believe that the combination of our global presence, innovative technology, process know-how, solutions orientation, strong commitment to research and development, dedication to customer service and broad range of proprietary and value-added products distinguishes us from our competitors, allowing us to maintain strong market share positions. Furthermore, we believe the diversity of the niche end markets we serve will enable us to continue our growth throughout economic cycles and mitigate the impact of a downturn in any single market.

- Diversified Customer, Product, End-Market and Geographic Mix. We offer a broad range of products and services to diverse and often unrelated end markets, ranging from agricultural, electronics to printing and offshore oil drilling, that we believe help mitigate the effects of any adverse event affecting a specific industry, end market or region.

- "Asset-Lite, High-Touch" Business Model. We define an "Asset-Lite, High-Touch" business model as the intersection of top-level returns, unit margins and asset efficiency with nearly half of our employees residing in either technological innovation or sales and services areas. Our commitment to technological innovation and our extensive intellectual property portfolio enables us to develop our cutting-edge products. In order to continue to provide innovative products and highly specialized technical service to our customers, we place a premium on maintaining an expert and qualified employee base.

Our global sales and service personnel possess extensive knowledge of and experience in our local markets. For instance, our technical management team serving our Asian markets in the agrochemical space has, on average, over 20 combined years of experience, including decades of joint product development with our key customers located in the greater China region. We believe that our proprietary technology, extensive industry experience and a customer service-focused business model are difficult for our competitors to replicate.

- Attractive Financial Profile with Strong Cash Flow Generation. Our key proprietary technology, service-oriented business model, high barriers to entry and significant customer switching costs have allowed us to achieve stable and compelling margins while protecting our market share. Further, our business model has allowed us to maintain strong cash generation even during economic downturns. Our fixed asset base is modern and well-maintained and, accordingly, requires low capital expenditures.

- Strong Expertise in Distribution and Registration. Our AgroSolutions business' distribution network currently reaches over 100 countries and jurisdictions through a network of distributors. Our large distribution network enables us to focus on profitable niche applications, which we believe are less sensitive to competitive pricing pressures. Our geographical footprint and distribution network also allows us to attract licensing and resale opportunities from partner companies for new products and technologies.

In addition to the strength of our distribution network, we have a team of specialists dedicated to the complex yet crucial process of product registration across various jurisdictions. We are well experienced in obtaining the required registrations for our products in each country in which they are sold and for each crop on which they are applied. Once obtained, these registrations provide a right to use the active ingredient upon which the product is based for the specified crop in that country or region for a number of years.

- Experienced Management Team. We believe our management has a proven track record of delivering consistent growth, even during economic downturns. Our CEO, Dan H. Leever, has been CEO of MacDermid since 1990, where he produced strong, resilient growth through multiple economic cycles. In our AgroSolutions business segment, Wayne M. Hewett, Arysta's CEO, became President of Platform upon completion of the Arysta Acquisition, and now leads the AgroSolutions business segment, as well as the integration of CAS, Agriphar and Arysta. CAS' management team, including its president Nelson Gibson, also joined our AgroSolutions business segment upon completion of the CAS Acquisition.

Business Strategies

We intend to continue to grow our businesses, improve profitability and drive shareholder returns by pursuing the following integrated strategies:

Expand our Core Businesses. We believe that we can capitalize on our technical capabilities, sophisticated process know-how, solutions orientation, strong customer relationships and deep industry knowledge to enhance growth by:

- Extending Product Breadth: We intend to extend many of our product offerings through the development of new applications for our existing products in our existing markets or through synergetic combinations of AIs within our new agrochemical vertical to develop innovative solutions to growers worldwide;

- Continuing to Grow Internationally with Our Customers: We intend to continue to grow internationally by expanding our product sales to our existing multinational customers as they continue to penetrate emerging regions. We intend to continue to make investments, especially in technical staff, in order to better serve our customers; and

- Maintaining our Strong Presence in Rapidly Growing Markets: We strategically focus on rapidly growing emerging markets and are targeting those geographies with attractive market fundamentals where our strengths in marketing, portfolio development, registration and customer education can add value for growers. We believe that Arysta's business is well-aligned with our strategic focus on rapidly growing emerging markets.

Leverage our Capabilities to Grow into New Markets and Applications. Building on our core competencies in product innovation, applications development and technical services, we intend to reach new high-growth markets and expand upon our existing technologies to develop new products for new applications in markets that are adjacent to those we currently serve. Examples of our initiatives include:

- Plating for Molded Interconnect Devices: Molded interconnect devices are devices made with injection-molded parts that integrate mechanical and electrical functions into a single piece. We believe that our technology results in a higher manufacturing yield and lower cost to our customers;

- High Value PET Recycling: As worldwide demand for recycled polyethylene terephthalate, or PET, grows, we are leveraging our strong position in Europe for specialized cleaners and defoamers that are used in recycling plastic products made of PET to expand that business globally, especially in emerging markets such as Asia and South America;

- Digital Flexographic Printing: We have developed an innovative LUX® process, which uses a flat top dot processing technology that significantly increases the quality and consistency of the printed image from a flexographic printing plate in a manner that we believe is more efficient and cost effective for our customers;

- Biosolutions: Within the biosolutions space, we believe there is significant untapped potential for discovery of new technologies addressing currently unmet needs, while the research and development costs and time to market are significantly lower than in agrochemicals;

- Value-Added Portfolio: Within the AgroSolutions business segment, we intend to continue to build on our GVAP through selective acquisitions and licensing of proprietary and proven AIs that are complementary to our future offerings and that can enhance our market access; and

- "New New:" In the agrochemical space, we endeavor to generate at least 15% of our annual gross profit from newly registered products and applications that we have introduced during the preceding three years (including products introduced globally for the first time and introductions of existing products to new markets or new applications), which we classify as "New New". This is an important focus for our long-term business development strategy.

Pursue Strategic Acquisitions. We intend to pursue acquisitions as a way to enhance our organic growth. We intend to focus primarily on businesses that share our "Asset-Lite, High-Touch" philosophy, with product offerings that provide geographic or product diversification, or expansion into related categories that can be marketed through our existing distribution channels or provide us with new distribution channels for our existing products, thereby increasing marketing and distribution efficiencies. Furthermore, we expect that acquisition candidates would demonstrate a combination of attractive margins, strong cash flow characteristics, category leading positions and products that generate recurring revenue. We anticipate that the fragmented nature of the specialty chemical products market will continue to provide opportunities for growth through strategic acquisitions of complementary businesses. We will only pursue acquisition opportunities that meet our acquisition criteria and when we deem it to be financially and fiscally prudent.

Maintain our Commitment to Technology and Value-Added Customer Service. We are focused on product innovation and high quality customer service, the two book-ends of Platform's business model. We believe that our commitment to technology as well as research and development will result in future success in our product innovation and development.

Focus on Human Capital. The success of our business depends on our ability to continue to capitalize on our technical capabilities, unique process know-how, strong customer relationships and industry knowledge. Our technical expertise and history of innovation demonstrated by the employees we acquired in the Acquisitions reflect the specialized and highly skilled nature of our research and development personnel. As such we intend to focus on attracting, retaining and developing the best human capital across all levels of our organization, which is key to our ability to successfully operate and grow our business.

Customers

We have a large, worldwide customer base. Among these customers are some of the world's preeminent companies, such as FIAT, Ford, GM, Helena, J. R. Simplot, LG, Molex, Samsung, Stanley Black & Decker, Winfield and major companies in the offshore oil and gas industries. We sell our products directly to end-user customers and through intermediaries such as distributors (national, regional, or local), agricultural cooperatives, retailers, and government agencies. The majority of our sales are through such intermediaries. We believe that we are able to service these customers and that we will attract new customers successfully through our international reach, coupled with our local presence, which enables us to meet the global and local needs of our customers through a global network of 19 manufacturing sites, seven of which include research centers, eight stand-alone research centers, and a direct sales force in over 20 countries.

We believe that our business is not materially dependent upon a single customer. However, although we have a diverse customer base and no customer or distributor constitutes 10% or more of our consolidated net sales, we do have customers and independent, third-party distributors, the loss of which may impair our results of operations for the affected earnings periods. Within each segment, we rely on such independent distributors to distribute our products and to assist us with the marketing and sale of certain of our products.

Selling & Marketing

Proprietary sales are generated from chemical compounds formulated from our own research and development laboratories and facilities. In many cases, these products are protected with patents, trade secrets or trademarks. Proprietary products have higher gross margins than non-proprietary products, and are perceived by our management to be more critical to our overall performance.

In our Performance Materials and Graphic Solutions segments, methods for selling and marketing our proprietary products vary slightly by geographic region. In total, we generate business through the efforts of sales and service personnel and regional distributors and manufacturing representatives. In the Americas, we employ sales, administrative and service personnel to market our entire line of proprietary products. In certain areas of the United States, distributors and manufacturing representatives also sell and service many of our products. We market certain of our products through subsidiaries in Brazil, Canada and Mexico. In Europe, sales, administrative and service representatives, who are employed by our subsidiaries located in Belgium, Czech Republic, France, Germany, Great Britain, Italy, Luxembourg, the Netherlands, Spain and Sweden, market our proprietary products. In the Asia-Pacific region, our local subsidiaries employ sales, administrative and service representatives to market our proprietary products through either subsidiaries or branches in Australia, mainland China, Hong Kong, India, Japan, Singapore, South Korea, and Taiwan. In addition to the countries where we have wholly owned subsidiaries, some of our proprietary chemicals are sold in other countries throughout Asia, Europe and South America through distributors. Such resale items are marketed in conjunction with and as an aid to the sale of proprietary chemicals.

In our AgroSolutions segment, our products are sold in over 100 countries globally and reach our grower-customers, the ultimate end-users, through a wide variety of market channels. Our sales, marketing, and go-to-market strategies vary significantly by region and depend to a large extent on the existing distribution infrastructure and market practices in each particular country. Depending upon the customer's location, we work with national and regional distributors, retailers, co-ops, government entities, and growers to promote our solutions. We also have loyalty programs in place for distributors and engage in active grower education to promote our products and brands. Because of our global presence and local capabilities, other agrochemical and crop protection companies enter into exclusive distribution rights agreements with us. Such agreements give us the exclusive right to distribute their products in specified territories, crops, applications, channels, and formulations.

In the larger and more mature North American market, we rely more heavily on an extensive existing distribution network. The North American distributor landscape is one of the most consolidated. In Asia, Europe, and Latin America, sales and marketing are conducted through a mix of national and regional distributors, retailers, co-ops, and growers (primarily large farmers).

Africa and Middle East represent our most unique region from a sales and marketing perspective due to relatively lower levels of existing distribution infrastructure. In addition, growers in these markets may not have access to sufficient amounts of capital and may rely on government programs in order to procure our products. In Africa, we have developed an extensive regional distribution network to enable us to deliver our products and products of our distribution partners, including Syngenta and Japanese manufacturers, to the grower. For example, in West Africa, we own or operate through partnerships over 90 retail stores. In many cases, growers in this region require additional customer outreach and education as our products and the agronomic techniques to apply them are relatively newer to this market. Strong grower relationships, deep customer relationships, and a more robust marketing organization are key elements of creating demand and growing sales and profitability in this region.

We employ a large customer-centric sales and marketing force of professionals worldwide. These professionals have strong technical expertise, local market knowledge and intimate customer relationships. Our local sales and marketing teams closely monitor local market trends and maintain active dialogue with our customers to assess and understand their constantly evolving challenges. We use this feedback from our local sales teams in the field to anticipate grower needs, respond rapidly to changing market conditions, and deliver customized, value-added solutions for our customers. This feedback loop is an important source of new product ideas and helps guide our capital allocation decisions. We leverage local market intelligence to develop new and innovative products that are then marketed by our local sales and marketing teams throughout the regions.

Employees

In order to ensure that we are able to continue to provide innovative products and highly technical service to our customers, we place a premium on maintaining a highly specialized and qualified employee base. As of December 31, 2014, we employed approximately 2,500 full-time employees across over 20 countries, including approximately 1,250 research and development chemists and experienced technical service and sales personnel. Our management believes that our relationships with our employees and collective bargaining unions are satisfactory.

Research and Development

Our research and development activities are focused on developing products and improving formulations and processes that will drive growth or otherwise add value to our core business operations. We accelerate market introductions and increase the impact of our product offerings through collaboration with partners in the commercial sector (customers and value chain partners) and by working with distributors, governments and local communities around the world.

With respect to our Performance Materials and Graphic Solutions segments, research in connection with proprietary products is performed principally in China, Great Britain, Japan and the United States. We spent $26.2 million during 2014, $4.0 million during the Successor 2013 Period, $19.9 million during the Predecessor 2013 Period and $25.1 million during the Predecessor 2012 Period on research and development activities. Substantially all research and development activities were performed internally.

Within our AgroSolutions segment, our global and regional marketing teams conduct a rigorous process for identifying key AIs with proven technical efficacy, which can be brought to market through our formulation, marketing, and distribution capabilities, in order to address strategic gaps in our portfolio. We aim to generate at least 15% of our annual gross profit from newly registered products and applications introduced within a three year period (including products introduced globally for the first time and introductions of existing products to new markets or new applications), which we classify as “New New”. Historically, Agriphar, which we acquired on October 1, 2014, recorded research and development expenditures of $1.8 million and $1.6 million for the nine months ended September 30, 2014 and the year ended December 31, 2013, respectively. CAS, which we acquired on November 3, 2014, recorded research and development expenditures of $7.8 million and $13.2 million for the nine months ended

September 30, 2014 and the year ended December 31, 2013, respectively.

Competitive Environment

We provide a broad line of proprietary chemical compounds and supporting services. Broadly speaking, we compete in the specialty chemicals market. On a more narrow scale, we compete in markets for specialty chemicals for agrochemicals, electronic applications, general metal and plastic finishing, printing and oil exploration and production.

We have many competitors in some proprietary product areas. Some of our competitors may have greater financial, technical and marketing resources than we do and may be able to devote greater resources to promoting and selling certain products. Some large competitors operate globally, as we do, but most operate only locally or regionally. We encounter competition from numerous and varied competitors in all areas of our business; however, our most significant competitors are Atotech Inc. (a division of Total S.A.), Enthone Inc. (an Alent plc company) and Rohm and Haas (a division of The Dow Chemical Company) for our Performance Materials segment and Asahi, E.I. du Pont de Nemours and Company and Flint Group for our Graphic Solutions segment.

The agrochemical sector in particular is a highly developed and competitive industry with a wide range of established competitors that offer a broad variety of competing products. The biosolutions sector is a newer and less mature industry than agrochemicals; however, we will face significant competition from various competitors seeking to offer competing products and solutions to our customers. In our AgroSolutions segment, our competitors include major multinational agrochemical companies such as BASF SE, Bayer AG and Syngenta AGFMC, as well as a number of Japanese participants and a variety of similar biosolutions companies. Many of these organizations have longer operating histories, significantly greater resources, greater brand recognition, and a larger base of customers than we do in one or more of the markets in which we sell our products. As a result, they may be able to devote greater resources to the research and development, manufacturing, formulation, promotion, or sale of their products, receive greater resources and support from independent distributors, initiate or withstand substantial price competition, or more readily take advantage of acquisition or other opportunities.

We compete primarily on the basis of quality, technology, performance, reliability, brand, reputation, range of products, customer services and support. We maintain extensive support, technical and testing services for our customers, and are continuously developing new products. We believe that our combined abilities to manufacture, sell, service and develop new products and applications, enable us to compete successfully both locally and internationally.

Product Backlog

Due to the relatively short cycle times in our business, our product backlog levels are minimal. In general, we do not formulate our products against a backlog of orders and do not consider backlog to be a significant indicator of the level of future sales activity. Production and inventory levels are based on the level of incoming orders as well as projections of future demand. Therefore, we believe that backlog information is not material to understanding our overall business and should not be considered a reliable indicator of our ability to achieve any particular level of revenue or financial performance.

Raw Materials and Sourcing of Products

In both our Performance Materials and Graphic Solutions segments, we use a variety of specialty and commodity chemicals in our manufacturing processes. Our manufacturing operations depend upon obtaining adequate supplies of raw materials on a timely basis. We typically purchase our major raw materials on a contract or as needed basis from outside sources.

In our AgroSolutions segment, we rely on unaffiliated contract manufacturers, both domestically and internationally, to produce certain products or key components or products. There is limited available manufacturing capacity that meets our quality standards and regulatory requirements. With one minor exception, we engage in no direct agrochemical AI manufacturing. We source virtually all of our AIs from third party manufacturers, which represent a limited number of key suppliers for AIs. We strive to maintain multiple supply sources for each AI; however, in some instances, there is only a single registered source of AIs for certain important products where there is currently no viable alternative source.

Our goal is to maximize our sourcing of raw materials, especially AIs, from quality suppliers in countries with generally low manufacturing costs, such as China and India.

We formulate and package our products in-house or through tolling and other third party manufacturing and formulation arrangements. We balance our in-house formulation with third party arrangements to limit our exposure to utilization drop-offs, facility closures, and certain manufacturing-related environmental risks which helps us to optimize our cost position.

Within certain portions of our biosolutions portfolio, we manage an end-to-end supply chain. We purchase natural raw materials, such as plant extracts and seaweed, to extract AIs for our biosolutions products.

Patents, Trademarks and Proprietary Products

We currently own or license the rights to more than 950 domestic and foreign patents related to Performance Materials and Graphic Solutions segments. The patents we hold are important to our business and have remaining lives of varying duration. Although certain of these patents are becoming increasingly more important, we believe that our ability to provide technical and testing services to customers, and to meet our customers' rapid delivery requirements is equally, if not, more important to our business. No specific group or groups of intellectual property rights are material to our business. However, we have many proprietary products which are not covered by patents and which are responsible for a large component of our total sales. Further, we hold a number of domestic and foreign trade names and trademark registrations and applications for registration, which we consider to be of value in identifying our products. We do not hold nor have we granted any franchises or concessions.

With respect to our AgroSolutions segment, our intellectual property and other proprietary rights are equally important and are protected by a combination of patents, trade secrets, trademarks, product registrations, data exclusivity, and other marketing exclusivity rights, exclusive or semi-exclusive manufacturing arrangements, and other non-patent strategies. As of December 31, 2014, we own, license or have freedom-to-operate rights under, approximately 140 domestic and foreign patents, and approximately 3,500 registrations. We seek intellectual property and other proprietary rights in major market and other commercially-relevant jurisdictions worldwide. On a consistent basis, we implement confidentiality procedures and contractual exclusivity and seek other rights necessary to protect our intellectual property, proprietary formulations, processes, and other product-related rights. We also rely on trade secrets and know-how to protect our processes, natural product composition/origin, and formulations. We seek to protect our own trade secrets (as well as the trade secrets of our strategic collaboration partners), in part by entering into confidentiality agreements (and other agreements, such as confidentiality provisions) with persons who have access to such trade secrets and/or proprietary materials, such as our employees, strategic partners (including development and commercialization partners, suppliers and distributors), outside scientific collaborators, contract manufacturers, contract research organizations, consultants, advisors, and other third parties. We also enter into invention or patent assignment agreements, when applicable, with our employees, consultants, contractors, and other third parties who may be engaged in discovery or development of intellectual property and other proprietary rights. We seek to include provisions in our material transfer agreements, license and development agreements, and other agreements that provide for the transfer of intellectual property rights back to us to the greatest extent possible under the circumstances of any specific transaction and development project.

Other property rights protection

Our GVAP includes six proprietary off-patent AIs: acephate; amitraz; captan; clethodim; propisichlor; and tetraconazole. Proprietary off-patent products are often characterized by a substantial degree of differentiation through formulation and product package offerings responsive to grower needs. Proprietary off-patent products enable providers to maintain a stronger market position and a differentiated margin profile, which may be further enhanced by specialized market access, a strong brand, or a competitive cost position. In addition, while they are not protected by patents, proprietary off-patent products require registrations in every country for every crop and AI that will be sold. Our strong registration capabilities provide us with the ability to effectively maintain and defend our existing registrations as well as to acquire new registrations in a cost effective and timely manner.

Government and Environmental Regulation

We are subject to numerous federal, state and local laws and regulations in the countries in which we operate, including tax and other laws that govern the way we conduct our business. However, no portion of our business is subject to re-negotiation of profits or termination of material contracts or subcontracts at the election of the governments in the countries in which we operate.

We are subject to the FCPA, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Our reliance on independent distributors to sell some of our proprietary chemicals internationally demands a high degree of vigilance in maintaining our policy against participation in corrupt activity, because these distributors could be deemed to be our agents, and we could be held responsible for their actions. Other U.S. companies have faced criminal penalties under the FCPA for allowing their agents to deviate from appropriate practices in doing business with these individuals. We are also subject to similar anti-bribery laws in the jurisdictions in which we operate, including the United Kingdom’s Bribery Act of 2010, which went into effect in the third quarter of 2011, which also prohibits commercial bribery and makes it a crime for companies to fail to prevent bribery. These laws are complex and far-reaching in nature, and, as a result, we cannot assure you that we would not be required in the future to alter one or more of our practices to be in compliance with these laws or any changes in these laws or the interpretation thereof. Any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and could result in a material adverse effect on our business, prospects, financial condition, or results of operations. In recent years, several jurisdictions have enhanced their laws and regulations in this area, increased their enforcement activities, and increased the level of cross-border coordination and information sharing. We could also suffer severe penalties, including criminal and civil penalties, disgorgement, and other remedial measures.

We maintain a Business Conduct and Ethics Policy and a Code of Ethics for Senior Financial Officers which were approved by our Board and cover compliance with the FCPA and similar anti-corruption laws, as well as other legal areas applicable to our operations. We provide compliance training to our employees in an effort to raise awareness, foster compliance and set an expectation of compliance at all levels within the Company. The Business Conduct and Ethics Policy establishes a duty to report non-compliance and provides avenues for making such reports, including a reporting hotline. We also maintain a system for auditing compliance with applicable laws.

As a manufacturer and distributor of specialty chemicals and systems, we are subject to extensive U.S. and foreign laws and regulations relating to environmental protection and worker health and safety, including those governing discharges of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated properties and occupational safety and health matters. We have and may in the future incur significant costs, including cleanup costs, fines and sanctions and third-party claims for property or natural resource damage or personal injuries as a result of past or future violations of, or liabilities under, such laws and regulations. As of December 31, 2014, we had appropriate reserves for our various environmental matters, all of which we consider to be not material.

Domestic and international laws regulate the production and marketing of chemical substances. Almost every country has its own legal procedures for registration, transportation, export and import. Of these, the laws and regulations in Brazil, China, Canada, the EU, Taiwan, the United Kingdom and the United States are the most significant to our AgroSolutions segment. The European Union Commission for example has established procedures whereby all existing crop protection active ingredient chemicals commercially available in the EU are to be reviewed. REACH, adopted in December 2006, requires manufacturers and importers of most chemicals in the EU to register these chemicals and evaluate their potential impact on human health and the environment. The effective date of the legislation was June 1, 2007 and it required all covered substances to be pre-registered by November 30, 2008. Since December 1, 2008, no product containing covered substances can be manufactured in or imported into the EU unless the substances therein have been pre-registered. Active substances and co-formulants used in plant protection products (pesticides) are generally exempt from REACH as they are considered as already registered under the Plant Protection Products Directive 91/414/EEC. However, there are certain exceptions that may apply that require the active substance or co-formulant to be registered under REACH, particularly if the substance has a non-plant protection use. While we have registered and continue to register substances as necessary in accordance with applicable registration review deadlines, the registration process is lengthy and registration of certain of our substances may not be immediately effective. The cost estimates could vary based on the number of substances requiring registration, data availability and cost. The implementation of the REACH registration process may affect our ability to manufacture and sell certain products in the future. Additionally, other laws and regulations regulate and may limit our business in other countries. We incur, and will incur, substantial costs to register and maintain the registrations of our products in the jurisdictions in which we do business.

In response to increased government attention to environmental matters worldwide, we continue to develop proprietary products designed to reduce the discharge of pollutant materials into the environment and eliminate the use of certain targeted raw materials while enhancing the efficiency of customer chemical processes.

In addition, many of our full-time employees are employed outside the United States. In certain jurisdictions where we operate, particularly Brazil, France, Germany, Italy and Japan, labor and employment laws are relatively stringent and, in many cases, grant significant job protection to certain employees, including rights on termination of employment. In certain countries where we operate, our employees are also members of unions or are represented by a works council as required by law. We are often required to consult and seek the consent or advice of these unions and/or works councils. These laws, coupled with the requirement to consult with the relevant unions or works councils, could adversely affect our flexibility in managing costs and responding to market changes and could limit our ability to access the skilled employees on which our business depends.

Website Access Disclosure

Our internet website address is http://www.platformspecialtyproducts.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act, and the proxy statement for our annual meeting of stockholders, as soon as reasonably practicable after each such material is electronically filed with or furnished to the SEC. In addition, information concerning purchases and sales of our equity securities by our executive officers and directors is posted on our website by the end of the business day after filing with the SEC.

Our website also includes the following corporate governance materials under the tab "Investor Relations—Corporate Governance:" our Board of Directors Governance Principles and Code of Conduct; our Insider Trading Policy; our Business Conduct and Ethics Policy; our Code of Ethics for Senior Financial Officers; our Foreign Corrupt Practices Act/Anti-Corruption Policy; our Incident Response & Whistleblower Policy; our Conflict Minerals Policy; our Management, Board of Directors and Committee Composition; and the charters of our Board of Directors committees. These corporate governance materials are also available in print upon request by any stockholder to our Investor Relations department.

Information on our website does not constitute part of this Annual Report.

In addition to the information included in this Item 1, see Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 8, Note 1 (Basis of Presentation and Summary of Significant Accounting Policies) and Note 19 (Segment Information) for financial and other information concerning our business segments and geographic areas.

Corporate Information

Since early 2015, our new principal executive offices are located at 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401 and our telephone number is (561) 207-9600.

Executive Officers

Set forth below is certain information concerning our executive officers:

Name	Title
Daniel H. Leever	Chief Executive Officer and Vice Chairman
Wayne M. Hewett	President
Frank J. Monteiro	Senior Vice President and Chief Financial Officer
Benjamin Foulk	Senior Vice President – Human Resources
Ben Gliklich	Vice President – Corporate Development, Finance and Investor Relations
Robert L. Worshek	Vice President and Chief Accounting Officer
John L. Cordani	Vice President – Legal and Secretary
Michael V. Kennedy	Vice President - Tax
David Jacoboski	Corporate Treasurer

Daniel H. Leever, age 66, is Chief Executive Officer and Vice Chairman of Platform. Mr. Leever served as Chief Executive Officer, President and Vice Chairman of Platform from 2013 to 2015, and as Chief Executive Officer of MacDermid from 1990 to 2013. From 1998 to 2013, Mr. Leever served as Chairman of the Board of Directors of MacDermid. From 1989 to 1990, Mr. Leever served as Senior Vice President and Chief Operating Officer of MacDermid. Mr. Leever initially joined MacDermid as an employee in 1982. Mr. Leever attended undergraduate school at Kansas State University and graduate school at the University of New Haven School of Business.

Wayne M. Hewett, age 50, is President of Platform. Prior to joining Platform in February 2015, Mr. Hewett had served as President and Chief Executive Officer of Arysta since January 2010. Mr. Hewett joined Arysta in October 2009 as Chief Operating Officer. He served as a senior consultant to GenNx360, a private equity firm focused on sponsoring buyouts of middle market companies, from February 2009 to August 2009. Mr. Hewett served as Vice President, Supply Chain and Operations of General Electric Company from October 2007 to December 2008. Mr. Hewett served as President and Chief Executive Officer of Momentive Performance Materials, Inc., a global leader in silicones and advanced materials, from December 2006 to June 2007. From 2005 to December 2006, Mr. Hewett served as President and Chief Executive Officer of GE Advanced Materials, a global leader in providing a range of high-technology materials solutions that was renamed Momentive Performance Materials, Inc. after it was acquired by Apollo Management, a private equity firm. Prior thereto, Mr. Hewett's career included more than 15 years with various international divisions of GE, including serving as the President of GE Plastics Pacific. Mr. Hewett, who has lived in Japan and in China, was also a member of GE's Corporate Executive Council. Mr. Hewett holds Bachelor of Science and Master of Science degrees in industrial engineering from Stanford University.

Frank J. Monteiro, age 45, is Senior Vice President and Chief Financial Officer of Platform. Mr. Monteiro joined Platform in October 2013, prior to which he had served as Senior Vice President and Chief Financial Officer of MacDermid from February 2010. From April 2007 until February 2010, Mr. Monteiro served as Vice President of Finance and Treasurer of MacDermid. Mr. Monteiro joined the MacDermid business in June 1998 and, from June 1998 to April 2007, served as General Accounting Manager, Domestic Accounting Manager and Assistant Controller of Industrial Americas operations, and as Assistant Treasurer and Risk Manager of MacDermid. Mr. Monteiro received a Bachelor of Science in Accountancy from Bentley University.

Benjamin Foulk, age 45, is Senior Vice President – Human Resources of Platform. Prior to joining Platform in January 2015, Mr. Foulk had served since August 2009 as Corporate Department Vice President, Human Resources, at Boehringer Ingelheim, in Ingelheim, Germany, the largest privately held pharmaceutical company. In this role, Mr. Foulk provided HR support to the Board of Managing Directors of Boehringer Ingelheim for Marketing and Sales, Research and Development, and all Corporate Functions. From May 2005 to August 2009, Mr. Foulk served as the Vice President, Human Resources, at Boehringer Ingelheim Pharmaceuticals in Ridgefield, Connecticut, with responsibility for the U.S. HR business partners, staffing and organizational development. Prior to joining Boehringer Ingelheim, Mr. Foulk spent ten years in Human Resources at General Electric, in a variety of businesses from financial services to manufacturing as well as international assignments in Japan and Italy. Mr. Foulk holds a Bachelor of Science degree in Psychology and a Masters of Organizational Behavior degree, both from Brigham Young University.

Ben Gliklich, age 30, is Vice President – Corporate Development, Finance and Investor Relations of Platform. Mr. Gliklich was appointed in this role in January 2015. Mr. Gliklich joined Platform as Director of Corporate Development in May 2014. Prior to joining Platform, Mr. Gliklich was a senior associate at General Atlantic, a global growth-oriented private equity firm. Earlier in this career, Mr. Gliklich was an associate in the investment banking division of Goldman Sachs & Co. Mr. Gliklich holds an A.B. Cum Laude from Princeton University and an MBA with distinction from Columbia Business School.

Robert L. Worshek, age 44, is Vice President and Chief Accounting Officer of Platform. Mr. Worshek joined Platform in May 2014 and was formally appointed Vice President and Chief Accounting Officer in August 2014. Prior to joining Platform, Mr. Worshek was the Chief Accounting Officer of SunTrust Banks, Inc. from 2011 to 2013 and held various positions, including FASB Practice Fellow, at PricewaterhouseCoopers, LLP from 1997 to 2011. Mr. Worshek has a Bachelors of Science in Business Administration from the University of Nebraska at Omaha and an MBA from the Booth School of Business at the University of Chicago.

John L. Cordani, age 52, is Vice President – Legal and Secretary of Platform. Mr. Cordani was appointed in this role in August 2014. Mr. Cordani has served as the Corporate Secretary of Platform since October 31, 2013 and as the Secretary and General Counsel of MacDermid from 1994, other than during the period from May 2000 to March 2002, when he worked as a partner at Carmody & Torrance LLP. From 1989 until 1992, Mr. Cordani served as IP Manager of MacDermid. Having joined MacDermid in 1986, Mr. Cordani served as a researcher for this company from 1986 until 1989. Since 2001, Mr. Cordani also works as an Adjunct Professor of Law at Quinnipiac University Law School. Mr. Cordani received a Juris Doctor from Quinnipiac University Law School, a Master of Science in Materials Science from Rensselaer Polytech, and a Bachelor of Science in Chemical Engineering from Texas A&M University.

Michael V. Kennedy, age 53, is Vice President of Tax of Platform. Prior to being appointed in this role in March 2015, Mr. Kennedy served as Vice President of Tax and Treasurer of Platform from May 2014 to March 2015, and as Vice President of Tax of MacDermid since December 2013. Mr. Kennedy has also served as the Treasurer and Director of Tax of MacDermid Group, Inc. since its formation and as the Director of Tax of MacDermid, continuously since August 2006 and previously from January 1997 until September 2001. Mr. Kennedy has also served as Treasurer of MacDermid, since May 2011. From October 2001 through June 2006, Mr. Kennedy was Vice

President-Tax for Allied Domecq North American Corporation, an alcoholic beverage company. From October 1989 to December 1996, he was a tax manager at Dynamics Corporation of America, an electrical appliance and electronic device manufacturer. Mr. Kennedy began his career at Arthur Andersen & Co as a tax accountant and a senior tax supervisor from 1986 to 1989. Mr. Kennedy is a certified public accountant and received a Bachelor of Business Administration in Accounting from Pace University.

David A. Jacoboski, age 46, is Corporate Treasurer of Platform. Mr. Jacoboski was appointed in this role in March 2015, taking over the treasury responsibilities previously held by Mr. Kennedy. Prior to joining Platform, Mr. Jacoboski served as Vice President of Treasury and Assistant Treasurer of Cenveo, Inc., a provider of print and related resources, since 2010. Prior to Cenveo, Inc., Mr. Jacoboski has held corporate treasury and finance roles with Oakleaf Waste Management, LLC. (now Waste Management, Inc.), Lydall, Inc., Cuno, Inc. (now 3M Company) and Uniroyal Chemical Corporation (now Chemtura Corporation). Mr. Jacoboski received a Bachelor of Science in Business Administration, with a concentration in finance, from Bryant University and an MBA, with a concentration in finance, from the University of Connecticut.

Item 1A. Risk Factors

The ownership of our common stock involves a number of risks and uncertainties. Potential investors should carefully consider the risks and uncertainties described below and the other information in this Annual Report before deciding whether to invest in our securities. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The risks described below are not the only ones facing us. Additional risks that are currently unknown to us or that we currently consider to be immaterial may also impair our business or adversely affect our financial condition or results of operations.

Risks Relating to our Business

We may not be able to finance and/or consummate future acquisitions or successfully integrate acquisitions into our business.

Part of our strategy is to grow through acquisitions. Consummating acquisitions, including the Acquisitions, or our failure to integrate such businesses successfully or realize the anticipated business opportunities and growth prospects from such acquisitions, could result in unanticipated expenses and losses and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Our management might have its attention diverted while trying to integrate operations and corporate and administrative infrastructures and the cost of integration may exceed our expectations. In addition, it is possible that the integration process could result in the disruption of ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to achieve the anticipated benefits of any acquisition, including the Acquisitions, and could harm our financial performance. Business relationships also may be subject to disruption due to acquisition activities as customers, suppliers and others may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us, including our competitors.

We anticipate that any future acquisitions we pursue as part of our business strategy may be financed through a combination of available cash on hand, operating cash flow, availability under our existing financing arrangements and new capital market offerings. We may not be successful in completing any equity or debt offering in order to fund our growing business, and therefore we may be required to seek a number of alternative financings. If new debt is added to current debt levels, or if we incur other liabilities, including contingent liabilities, in connection with an acquisition, the debt or liabilities could impose additional constraints and requirements on our business and financial performance, which could materially adversely affect our financial condition and operations.

Our substantial indebtedness may adversely affect our cash flow and our ability to operate our business and fulfill our obligations under our indebtedness.

Our substantial indebtedness could have important consequences to you. For example, it could:

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require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, dividends, research and development efforts and other general corporate purposes;

- increase the amount of our interest expense, because our borrowings are at variable rates of interest, which, if interest rates increase, would result in higher interest expense;

- increase our vulnerability to general adverse economic and industry conditions;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- limit our ability to make strategic acquisitions, introduce new technologies or exploit business opportunities; and

- place us at a competitive disadvantage compared to our competitors that have less indebtedness.

In addition, our credit facility and other agreements governing our outstanding debt contain covenants that restrict our operations. These covenants restrict, among other things, our ability to incur additional debt, grant liens, pay cash dividends, enter new lines of business, repurchase our shares of common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions. These restrictions could limit our ability to plan for or react to market conditions, meet extraordinary capital needs or otherwise take actions that we believe are in our best interest.

Our ability to satisfy our debt obligations and to fund any planned capital expenditures, dividends and other cash needs will depend in part upon the future financial and operating performance of our subsidiaries and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, legislative, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we are unable to generate sufficient cash flow or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness and could be required to seek waivers or amendments to our covenants, alternative sources of financing or reductions in expenditures. We may not be able to obtain such waivers, amendments or alternative financings, or if we obtain them, they may not be on terms favorable to us. If we are unable to make payments or refinance our debt or obtain waivers or new financing under these circumstances, we may consider other options, which, if necessary, may not be effected on commercially reasonable terms or at all, including:

- sales of assets;

- sales of equity;

- reduction or delay of capital expenditures, strategic acquisitions, investments and alliances; or

- negotiations with our lenders to restructure the applicable debt.

If the holders of indebtedness elect to declare all borrowed funds due and/or to terminate their commitments for future funding, those holders could exercise rights, including assuming control over our deposit accounts and/or commencing foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation.

We are exposed to intangible asset risk.

We have recorded intangible assets, including goodwill in connection with the Acquisitions. Goodwill represents the excess of the acquisition cost over the amount of recognized identifiable assets and liabilities. We do not amortize goodwill and other intangible assets that have indefinite useful lives; rather, we periodically test them for impairment. Some of the developments which could cause impairment of goodwill or other intangible assets include the failure of a particular business to achieve its expected results of operations, the failure of an acquisition to perform as expected or the strengthening of the currency in which goodwill or another intangible asset has been recorded. Goodwill will be tested for impairment at the reporting unit level annually, or when events or changes in circumstances indicate that goodwill might be impaired.

Our business, results of operations and financial condition could be materially adversely affected by the loss of our executive officers and key employees and the inability to attract and retain appropriately qualified replacements.

Our business involves complex operations and therefore demands a management team and employee workforce that is knowledgeable and expert in many areas necessary for our operations. We are highly dependent on the continuing efforts of our executive officers, particularly Martin E. Franklin, our Founder and Chairman, Daniel H. Leever, our Chief Executive Officer, and Wayne M. Hewett, our President, who make up our "Office of the Chairman." We believe those officers' experience in the specialty chemical industry and/or our business has largely contributed to our recent strategic acquisitions of complementary businesses and is important to our future growth strategy.

As a company focused on manufacturing and highly technical customer service, we also rely on our ability to attract and retain skilled employees, including our specialized research and development and sales and service personnel, to maintain our efficient production processes, to drive innovation in our product offerings and to maintain our deep customer relationships. The departure of a significant number of our highly skilled employees or of one or more employees who hold key management positions could have an adverse impact on our operations, including customers choosing to follow an employee or manager to one of our competitors.

We may not realize all of the anticipated benefits from the implementation of our productivity initiatives.

Our productivity initiatives may reduce our workforce. Our decisions as to which reductions and eliminations to make as part of these operational restructuring initiatives may prove to be incorrect, and accordingly, we could adversely affect our ability to operate or grow our business and may negatively impact our results of operations. Further, we may not realize all of the anticipated benefits from productivity initiatives in which we may engage in the future.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including Sarbanes-Oxley, Dodd-Frank, the JOBS Act, new SEC regulations and NYSE market rules, are creating uncertainty for public companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

In addition, compliance with Section 404 of Sarbanes-Oxley and the related regulations regarding our required assessment of our internal controls over financial reporting and our registered public accounting firm's future audit of that assessment will require the commitment of significant financial and managerial resources, which could have a material adverse effect on our financial position and operating results. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may also be harmed.

Failure to establish and maintain effective internal controls in accordance with Section 404 of Sarbanes-Oxley could have a material adverse effect on our business and share price.

As a publicly traded company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of Sarbanes-Oxley, which requires, beginning with this Annual Report, annual management assessments of the effectiveness of our internal control over financial reporting. As we no longer qualify as an "emerging growth company" as defined in the JOBS Act, Section 404 will additionally require, commencing with our annual report on Form 10-K for fiscal year 2015, a report by our independent registered public accounting firm that addresses the effectiveness of our internal control over financial reporting. During the course of our testing, we may identify weaknesses or deficiencies. If such weaknesses or deficiencies are not remediated in time, investors may lose confidence in the accuracy of our financial reporting, which could have a material adverse effect on the price of our common stock. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of Sarbanes-Oxley and, when applicable to us, our independent public accounting firm may not be able or willing to issue an unqualified report on the effectiveness of our internal control over financial reporting. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations.

Testing and maintaining internal control can divert our management's attention from other matters that are important to the operation of our business. We also expect the regulations to increase our legal and financial compliance costs, make it more difficult to attract and retain qualified executive officers and members of our Board, particularly to serve on our audit committee, and make some activities more difficult, time consuming and costly.

Our substantial international operations subject us to risks not faced by domestic competitors.

Sales from international markets represent an increasing portion of our net sales. Accordingly, our business is subject to increasing risks related to the different legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Risks inherent to our international operations include the following:

- foreign customers and distributors may have increased credit risk and different financial conditions, which may necessitate longer payment cycles of accounts receivable or result in increased bad debt write-offs (including due to bankruptcy) or additions to reserves;

- foreign countries may impose additional withholding taxes or otherwise tax our foreign income, impose tariffs, duties, export controls, import restrictions or adopt other restrictions on foreign trade or investment, including currency exchange controls;

- foreign exchange controls may delay, restrict or prohibit the repatriation of funds, and any restrictions on the repatriation of funds may result in adverse tax consequences and tax inefficiencies;

- U.S. export licenses may be difficult to obtain, and the transportation of our products may be delayed or interrupted;

- general economic and political conditions in the countries in which we operate, including fluctuations in gross domestic product, interest rates, market demand, labor costs and other factors beyond our control, could have an adverse effect on our net sales in those countries; and

- unexpected adverse changes in foreign laws or in foreign regulatory requirements may occur, including in laws or regulatory requirements pertaining to employee benefits, environmental, health and safety.

We also may face difficulties managing and administering an internationally dispersed business. In particular, the management of our personnel across several countries can present legal, logistical and managerial challenges. Additionally, international operations present challenges related to operating under different business cultures and languages. Our overall success as a global business depends, in part, upon our ability to succeed in different legal, regulatory, economic, social and political conditions.

We have made investments in, and are expanding our business into, emerging markets and biosolutions, which exposes us to certain risks.

Our markets continue to shift from more industrialized nations towards emerging markets which require us to respond to rapid changes in market conditions in these countries. As a result, we may be subject to a variety of risks including economies that may be dependent on only a few products (and therefore subject to significant fluctuations), consumers with limited or fluctuating discretionary spending on which the end users of our products depend, weak legal systems which may affect our ability to enforce our intellectual property and contractual rights, exchange controls, unstable governments and privatization, changes in customs or tax regimes, or other government actions affecting the flow of goods and currency. Accordingly, changes in any of those areas may have significant negative impacts on our financial condition and operating results.

In addition, our investments in biosolutions are risky and may not be profitable. While certain biosolutions products have been in the market for years, biosolutions as a whole is a new and evolving area of its industry without a history against which to measure growth and without an established presence in most markets. Biosolutions products work most effectively when used in combination with agrochemicals and have been used as standalone applications in areas of low pest pressure. The demand for biosolutions products is increasingly driven by the desire to increase yield and quality, coupled with heightened public concern relating to residue on crops for human consumption and feed for animals as well as public demand for new and innovative ways to address crop risks. As with any growing, evolving industry, there is a risk that adoption will not be as robust as we expect. If that happens, we may not see the level of returns on our investment in biosolutions that we anticipate which could materially adversely affect our reputation, financial condition and results of operations.

We are exposed to fluctuations in foreign exchange rates, which may adversely affect our operating results and may significantly affect the comparability of our results between financial periods.

Because we do not manage our foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates on our net sales, cash flows and reported amount of assets and liabilities, our financial performance can be positively or negatively impacted by changes in foreign exchange rates in any given reporting period. Besides currency translation risks, we incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a different currency from their functional currency. Given the volatility of exchange rates, we cannot assure you that we will be able to effectively manage our currency transaction or translation risks or that any volatility in currency exchange rates will not have an adverse effect on our financial condition or results of operations.

The loss of independent distributors, contract manufacturers or key customers or suppliers could adversely affect our overall sales and profitability.

In both our Performance Materials and Graphic Solutions segments, we have key customers, the loss of which may impair our results of operations for the affected earnings periods. The principal products purchased by such customers are surface finishing chemicals in our Performance Materials segment and solid sheet printing elements in our Graphic Solutions segment. In addition, we use a variety of specialty and commodity chemicals in our manufacturing processes. Our manufacturing operations depend upon obtaining adequate supplies of raw materials on a timely basis. We typically purchase our major raw materials on a contract or as needed basis from outside sources. The availability and prices of raw materials may be subject to curtailment or change due to, among other things, the financial stability of our suppliers, suppliers' allocations to other purchasers, interruptions in production by suppliers, new laws or regulations, changes in exchange rates and worldwide price levels (especially for raw materials derived from petrochemical based feedstocks). In some cases, we are limited in our ability to purchase certain raw materials from other suppliers by our supply agreements which contain certain minimum purchase requirements. Additionally, as our supply contracts expire, we may not be able to renew them on terms favorable to us. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of raw materials in a timely manner or if the costs of raw materials increase significantly.

In our AgroSolutions segment, we rely on unaffiliated contract manufacturers, both domestically and internationally, to produce certain products or key components of products. There is limited available manufacturing capacity that meets our quality standards and regulatory requirements. If we are unable to arrange for sufficient production capacity among our contract manufacturers or if our contract manufacturers encounter production, quality, financial, or other difficulties (including labor or geopolitical disturbances), we may encounter difficulty in meeting customer demands as the manufacture of our products may not be easily transferable to other sites. In addition, many of our products are developed or distributed through strategic partnerships. Some of our existing formulated products and others currently under development include combinations of proprietary AIs or combinations of AIs with proprietary safeners or adjuvants. Some of these proprietary AIs, safeners, and adjuvants are owned by third parties, and the development and commercialization of such products are carried out through contractual strategic arrangements with such third parties. Strategic partnerships ultimately may not lead to development, registration or commercialization of products or product candidates in the most efficient manner, or at all, which could have an adverse material effect on our business, financial results, and results of operations.

We may also be dependent on a limited number of key suppliers for AIs. We strive to maintain multiple supply sources for each AI; however, in some instances, there is only a single registered source of AIs for certain important products where there is currently no viable alternative source. In addition, we generally do not have long-term supply contracts with AI suppliers for our regional portfolio. If our sources of AI supplies are terminated or affected by adverse prices or other concerns, we may not be able to identify alternate sources of AI supplies to sustain our sales volumes on commercially reasonable terms, or at all.

We also rely on independent distributors within each segment to distribute our products and to assist us with the marketing and sale of certain of our products. There can be no assurance that our distributors will focus adequate resources on selling our products to end users, or will be successful in selling our products, which could materially adversely affect our business.

If we are unable to protect our intellectual property rights, our business and results of operations could be adversely affected.

Our success depends to a significant degree upon our ability to protect and preserve our intellectual property rights and the rights to our proprietary processes, methods, compounds and other technology. Failure to protect our existing intellectual property rights may result in the loss of valuable technologies. We rely on commonly used legal and business protections, but we may be unable to prevent third parties from using our intellectual property and other proprietary information without our authorization, particularly in countries where the laws do not protect our proprietary rights to the same degree as in the United States. A vigorous prosecution of an infringement claim is not always cost effective or practical.

In some cases, we rely upon unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally will enter into confidentiality agreements with our employees and third parties to protect our intellectual property, our confidentiality agreements could be breached and may not provide meaningful protection for our trade secrets or proprietary manufacturing expertise.

In addition, we rely on both registered and unregistered trademarks to protect our name and brands. Failure by us to adequately maintain the quality of our products and services associated with our trademarks or any loss to the distinctiveness of our trademarks may cause us to lose certain trademark protection. Further, competitors may infringe our trademarks, potentially resulting in litigation.

The failure to protect our intellectual property and other proprietary information (including unsuccessful enforcement proceedings) could have a material adverse effect on our competitive advantages and/or our business, results of operations and share price.

We may experience claims that our products infringe the intellectual property rights of others, which may cause us to incur unexpected costs or prevent us from selling our products.

We seek to improve our business processes and develop new products and applications. Many of our competitors have a substantial amount of intellectual property that we must continually monitor to avoid infringement. We may experience claims that our processes and products infringe issued patents (whether present or future) or other intellectual property rights belonging to others. From time to time, we oppose patent applications that we consider overbroad or otherwise invalid in order to maintain the ability to operate freely in our various business lines without the risk of being sued for patent infringement. If, however, patents are subsequently issued on any such applications by other parties, or if patents belonging to others already exist that cover our products, processes or technologies, we could experience claims for infringement or have to take other remedial or curative actions to continue our manufacturing and sales activities with respect to one or more products. Further, intellectual property litigation is expensive and time-consuming, regardless of the merits of any claim, and could divert our management's attention from operating our business.

In addition, many of our products directly or indirectly provide critical performance attributes. Our sale of those products therefore involves the risk of product liability claims. If a person were to bring a product liability suit against one of our customers, that customer may attempt to seek contribution from us. A person may also bring a product liability claim directly against us. A successful product liability claim or series of claims against us in excess of our insurance coverage for payments could have a material adverse effect on our financial condition or results of operations. While we endeavor to protect ourselves from such claims and exposures in our contractual negotiations (including through indemnification provisions), we cannot assure you that our efforts in this regard will ultimately protect us from any such claims.

We depend upon our information technology systems.

Our business operations could be disrupted if our information technology systems fail to perform adequately. The efficient operation of our business depends on our information technology systems, some of which are managed by third-party service providers. We rely on our information technology systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks and viruses. Any such damage or interruption could have a material adverse effect on our business.

Our net sales and gross profit have varied depending on our product, customer and geographic mix for any given period, which makes it difficult to forecast future operating results.

Our net sales and gross profit vary among our products and customer groups and markets, and therefore may be different in future periods from historic or current periods. Overall gross profit margins in any given period are dependent in large part on the product and customer and geographic mix reflected in that period's net sales. Market trends, competitive pressures, commoditization of products, increased component or shipping costs, regulatory conditions, severe weather and other factors may result in reductions in revenue or pressure on the gross profit margins of certain segments in a given period.

The varying nature of our product, customer and geographic mix between periods, including the historically seasonable nature of our agrochemical operations, has materially impacted our net sales and gross profit between periods during certain recessionary times and may lead to difficulties in measuring the potential impact of market, regulatory and other factors on our business. As a result, we may be challenged in our ability to forecast our future operating results.

Further, potential future business acquisitions can compound the difficulty in making comparisons between prior, current and future periods because acquisitions, which are not ordinary course events, also affect our gross profit margins and our overall operating results.

Seasonality, as well as adverse weather conditions, may cause fluctuations in the revenue and operating results of our AgroSolutions business.

Our agrochemical operations are seasonal, with a greater portion of total net revenue and operating income occurring in the second and fourth quarters. As a result of seasonality, any factors that would negatively affect our second and fourth quarter results in any year, including severe weather conditions and natural disasters that affect decisions by our customers and end-users about the types and amounts of agrochemicals and biosolutions products to purchase and the timing of use of such products, could have an adverse impact on the results of operations, financial condition and results of operations of our AgroSolutions business for the entire year.

Sales volumes for agrochemical products, like all agricultural products, are subject to the sector's dependency on weather, disease and pest infestation conditions. Adverse weather conditions and natural disasters such as storms, hurricanes, tsunamis, hail, tornadoes, freezing conditions, extreme heat, drought and floods in a particular region could have a material adverse effect on our AgroSolutions business. The agricultural industry, including our AgroSolutions business, may also be adversely affect by global climate change and its impact on weather conditions such as changes in precipitation patterns and the increased frequency of extreme weather events.

We face intense competition, and our failure to compete successfully may have an adverse effect on our net sales, gross profit and financial condition.

We encounter competition from numerous and varied competitors in all areas of our businesses. Many of our competitors have longer operating histories, significantly greater resources, greater brand recognition, and a larger base of customers than us in one or more of the markets in which they sell their products. As a result, such competitors may be able to devote greater resources to the research and development, manufacturing, formulation, promotion, or sale of their products, receive greater resources and support from independent distributors, initiate or withstand substantial price competition, or more readily take advantage of acquisition or other opportunities.

We compete primarily on the basis of quality, technology, performance, reliability, brand, reputation, range of products, and service and support. The competitive landscape for biosolutions is less well-established than for agrochemicals because it is a newer and less mature area that remains in development. We compete with biosolutions providers that have similar product claims and offer potential functional substitutes for our products. Customer education and corresponding demand creation is a critical element of competing within the biosolutions sector. We expect our competitors to continue to develop and introduce new products and to enhance their existing products, which may cause a decline in market acceptance of our products. Our competitors may also improve their manufacturing processes or expand their manufacturing capacity, which could make it more difficult or expensive for us to compete successfully. In addition, our competitors could enter into exclusive arrangements with our existing or potential customers or suppliers, which could limit our ability, or significantly increase costs, to acquire necessary raw materials or to generate sales. At the same time, an increasing number of our products are coming off patent and are thus available to generic manufacturers to produce. As a result, we anticipate that we will continue to face new and different competitive challenges.

In addition, our operating results are influenced in part by our ability to introduce new products and services that offer distinct value to our customers. We seek to provide tailored products for our customers' often unique problems, which require an ongoing level of innovation. Even where we devote significant human and financial resources to develop new technologically advanced products and services, we may not be successful in these efforts. If we are not able to continue technological innovation and successful commercial introduction of new products, our customers may turn to other producers to meet their requirements, which may impact our business, financial condition and results of operations.

Conditions in the global economy may directly adversely affect our net sales, gross profit and financial condition and may result in delays or reductions in our spending that could have a material adverse effect on us.

Our products are sold in industries that are sensitive to changes in general economic conditions, including agriculture, metals and plastics finishings, electronics, oil production and drilling and graphic arts industries. Accordingly, our net sales, gross profit and financial condition depend significantly on general economic conditions and the demand for our products and services in the markets in which we compete. Delays or reductions in our customers' purchasing that result from economic downturns would reduce demand for our products and services and, consequently, could have a material adverse effect on our business, financial condition and results of operations.

Our specialty chemical industry and printing businesses are significantly influenced by industry trends and characteristics.

We believe that the specialty chemical industry and the printing industry are cyclical and subject to constant and rapid technological change, product obsolescence, price erosion, evolving standards, short product lifecycles, raw material price fluctuations and changes in product supply and demand. The specialty chemical industry is currently being affected by globalization and a shift in customers' businesses while the printing industry is currently shrinking. The trends and characteristics in these industries may cause significant fluctuations in our results of operations and cash flows and have a material adverse effect on our financial condition.

Our specialty chemicals are used for a broad range of applications by our customers. Changes, including technological changes, in our customers' products or processes may make our specialty chemicals unnecessary, which would reduce the demand for those chemicals. We have had, and may continue to have, customers that find alternative materials or processes and therefore no longer require our products, which would have a material adverse effect on our business, financial condition and results of operations.

Chemical manufacturing is inherently hazardous and could result in accidents that disrupt our operations or expose us to significant losses or liabilities.

The hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes are inherent in our operations. Potential risks include explosions and fires, chemical spills and other discharges or releases of toxic or hazardous substances or gases, and pipeline and storage tank leaks and ruptures. Those hazards may result in personal injury and loss of life, damage to property and contamination of the environment, which may result in a suspension of operations and the imposition of civil or criminal fines, penalties and other sanctions, cleanup costs, and claims by governmental entities or third parties. We are dependent on the continued operation of our production facilities (including third parties manufacturing on a tolling basis), and the loss or shutdown of operations over an extended period could have a material adverse effect on our financial condition and results of operations.

We may incur material costs relating to environmental and health and safety requirements or liabilities, which could have a negative impact on our results of operations and cash flows.

We are subject to extensive federal, state, local and foreign environmental, health and safety laws and regulations concerning the environment and the generation, use, handling, storage, transportation, treatment and disposal of hazardous waste and other materials. Our operations bear the risk of violations of those laws and sanctions for violations such as clean-up and removal costs, long-term monitoring and maintenance costs, costs of waste disposal, fines for natural resource damage, and payments for property damage and personal injury. Additionally, those requirements, and enforcement of those requirements, may become more stringent in the future. The ultimate cost of compliance with any such requirements could be material. In the past, we have incurred, and will in the future incur, significant costs and capital expenditures in complying with environmental, health and safety laws and regulations. Although it is our policy to comply with such laws and regulations, it is possible that we have not been or may not be at all times in compliance with all of those requirements.

Many of our products and the AIs incorporated in our products are inherently hazardous. Our research and development, manufacturing, formulation and packaging activities involve the use of hazardous materials and the generation of hazardous waste. We cannot eliminate the risk of accidental contamination, discharge or injury resulting from those materials. Also, our suppliers or toll manufacturers may use and/or generate hazardous materials in connection with producing our products. We may be required to indemnify our suppliers, toll manufacturers or waste disposal contractors against damages and other liabilities arising out of the production, handling or storage of our products or raw materials or the disposal of related wastes. As a result, we could in the future incur significant liabilities, including cleanup costs, fines and sanctions and third-party claims for property or natural resource damages or personal injuries.

At any given time, we may be involved in claims, litigation, administrative proceedings, settlements and investigations of various types in a number of jurisdictions involving potential environmental liabilities. Liability under some environmental laws relating to contaminated sites can be joint and several and imposed retroactively, regardless of fault or the legality of the activities that gave rise to the contamination. Some of our manufacturing facilities have an extended history of chemical manufacturing operations or other industrial activities, and contaminants have been detected at some of our sites and offsite disposal locations. Ultimate environmental costs are difficult to predict and may vary from current estimates and reserves. The discovery of additional contaminants, the inability or failure of other liable parties to satisfy their obligations, the imposition of additional cleanup obligations, or the commencement of related third-party claims could result in significant additional costs.

Our offshore industry products are subject to the hazards inherent in the offshore oil production and drilling industry, and we may incur substantial liabilities or losses as a result of these hazards.

We produce water-based hydraulic control fluids for major oil companies and drilling contractors to be used for potentially hazardous offshore deep water production and drilling applications. Offshore deep water oil production and drilling are subject to hazards that include blowouts, explosions, fires, collisions, capsizing, sinking and damage or loss to pipeline, subsea or other facilities from severe weather conditions. Those hazards could result in personal injury and loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage and suspension of operations. A catastrophic occurrence at a location where our products are used may expose us to substantial liability for personal injury, wrongful death, product liability or commercial claims. To the extent available, we maintain insurance coverage that we believe is customary in our industry. Such insurance does not, however, provide coverage for all liabilities, and we cannot assure you that our insurance coverage will be adequate to cover claims that may arise or that we will be able to maintain adequate insurance at rates we consider reasonable. The occurrence of a significant offshore deep water oil production or drilling event that results in liability to us that is not fully insured could materially and adversely affect our results of operations and financial condition.

Historically, we have contested significant tax assessments and we are likely to contest additional tax assessments in the future.

Historically, Arysta had a large and complex international tax profile. From time to time Arysta received tax assessments for significant amounts from the tax authorities of the countries in which it operates, especially in Brazil. Arysta is currently contesting tax assessments in several administrative and legal proceedings, and its challenges are at various stages. If determined adversely, these proceedings may have an adverse impact on our business, results of operations or financial condition. In addition, in some jurisdictions, challenges to tax assessments require the posting of a bond or security for the contested amount, which may reduce our flexibility in operating our agrochemicals business.

In addition, we are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes, income taxes payable, and net deferred tax position. There are many transactions where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from that which is reflected in our historical financial statements. An audit or litigation can result in significant additional income taxes payable in the jurisdictions in which we operate which could have an adverse impact on our financial condition and results of operations.

Failure to comply with the FCPA and other similar anti-corruption laws could subject us to penalties and damage our reputation.

We are subject to the FCPA, which generally prohibits U.S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and requires companies to maintain certain policies and procedures. Certain of the jurisdictions in which we conduct business are at a heightened risk for corruption, extortion, bribery, pay-offs, theft and other fraudulent practices. Under the FCPA, U.S. companies may be held liable for actions taken by their strategic or local partners or representatives. If we, or our intermediaries, fail to comply with the requirements of the FCPA, or similar laws of other countries, governmental authorities in the United States or elsewhere, as applicable, could seek to impose civil and/or criminal penalties, which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

Compliance with government regulations, or penalties for non-compliance could prevent or increase the cost of the development, distribution and sale of our products.

We, our business, our products and our customers' products are subject to regulation by many U.S. and non-U.S. supranational, national, federal, state and local governmental authorities. Regulations include customs, imports and international trade laws, export control, antitrust laws, environmental, global climate change, health and safety requirements and zoning and occupancy laws that regulate manufacturers generally or govern the importation, promotion and sale of our products, the operation of factories and warehouse facilities and our relationship with our customers, suppliers and competitors. Our products and manufacturing processes are also subject to ongoing reviews by certain governmental authorities.

Our agrochemical and biosolutions products are subject to technical review and approval by government authorities in each country where we wish to sell our products. The regulatory requirements are complex and vary from country to country. They are also subject to frequent changes as new data requirements arise in response to scientific developments. There is a general international consensus as evidenced, for example, by the standards and guidelines issued by the Organization for Economic Co-operation and Development, or OECD, on the data needed in order to evaluate the safety of agrochemicals and biosolutions products before they can be placed on the market. In addition, in all regions of the world, directives, laws and/or regulations require the approval of agrochemical products before they can be sold into commerce. The approval process, referred to as "registration," varies from country to country, but in general, all processes are complex and mandate periodic product reviews, referred to as "re-registration," which can often result in the requirement to generate new data and could result in either restrictions being placed on the permissible uses of the product going forward or in a refusal by the relevant government authority to grant a re-registration for the product altogether. Notably, scientific developments often result in new data requirements under these regulatory directives, laws and/or regulations, thereby impacting both the scope and timing of the process as well as the likelihood of a registration or re-registration being granted by the relevant government authority. Globally, a large number of AIs in our agrochemical products are currently or will soon be subject to such re-registration processes which may result in products having their approval for sale withdrawn in some countries. We cannot assure you that registrations will be granted to us on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain those registrations, would adversely affect our ability to generate revenue from those products.

We may be unable to ensure compliance with international trade restrictions and economic sanctions laws and regulations, which failure to comply could adversely affect our business, results of operations, and financial condition.

We have operations, assets and/or make sales in countries all over the world, including countries that are or may become the target of the United States and other countries' trade restrictions, including economic sanctions, which we refer to collectively as "Economic Sanctions Laws." Economic Sanctions Laws are complex and change with time as international relationships and confrontations between and among nations evolve. For example, the U.S. Department of the Treasury's Office of Foreign Assets Control and the U.S. State Department administer certain laws and regulations that impose penalties upon U.S. persons and, in some instances, non-U.S. entities, for conducting activities or transacting business with certain countries, governments, entities, or individuals subject to U.S. Economic Sanctions Laws. Given the breadth of our international operations and the scope of our sales globally, including via third party distributors over whom we may have limited or no control, coupled with the complexity and ever-changing nature of Economic Sanctions Laws, there can be no assurance that we will at all times be in full compliance. If we fail to comply with Economic Sanctions Laws, actions could be taken against us that could materially and adversely affect our reputation or have a material and adverse effect on our business, results of operations and financial condition.

Risks Relating to Ownership of our Common Stock

We have numerous equity instruments outstanding that would require us to issue additional shares of common stock. Therefore, you may experience significant dilution of your ownership interests and the future issuance of additional shares of our common stock, or the anticipation of such issuances, could have an adverse effect on our stock price.

We have numerous equity instruments outstanding that would require us to issue additional shares of common stock, in some cases for no or a fixed amount of additional consideration. Specifically, as of March 23, 2015, we had outstanding the following:

- 2,000,000 shares of Series A Preferred Stock, which were automatically converted from ordinary shares held by the Founder Entities before the Domestication, and which are convertible into shares of our common stock, on a one-for-one basis, at any time at the option of the Founder Entities;

- 600,000 shares of Series B Preferred Stock, issued on February 13, 2015 in connection with the Arysta Acquisition and which are convertible into up to 22,107,590 shares of our common stock at any time at the option of the Seller. Each share of Series B Preferred Stock that is not previously converted to common stock will be subject to automatic redemption on the first to occurs of (a) October 20, 2016, or (b) the occurrence of a merger including a change of control of Platform, the sale of all or substantially all of the assets or subsidiaries of Platform or a bankruptcy or liquidation of Platform.

- 8,751,616 exchange rights which require us to issue shares of our common stock for shares of PDH Common Stock at the option of the holder, on a one-for-one basis, at 25% per year, since October 31, 2014;

- 175,000 options which are exercisable to purchase shares of our common stock, on a one-for-one basis, at any time at the option of the holder; and

- 471,933 RSUs which were granted to employees and one consultant under our 2013 Plan. Each RSU represents a contingent right to receive one (1) share of our common stock.

Therefore, you may experience significant dilution of your ownership interests and the future issuance of additional shares of our common stock, or the anticipation of such issuances, could have an adverse effect on our stock price.

In addition, the holders of our Series A Preferred Stock are entitled to receive dividends on the Series A Preferred Stock in the form of shares of our common stock. On December 31, 2014, we approved a stock dividend of 10,050,290 shares of our common stock with respect to the Series A Preferred Stock, which represented 20% of the appreciation of the market price of our common stock over the Initial Public Offering price of $10.00 multiplied by the total Initial Public Offering shares. The dividend price was $22.85 (calculated based upon the average of the last ten trading days of the year's volume weighted average share prices), and the shares were issued on January 2, 2015 based on the volume weighted average price of $23.16 on December 31, 2014. In subsequent years, the dividend amount will be calculated based on the appreciated stock price compared to the highest dividend price previously used in calculating the Series A Preferred Stock dividends. Such issuance of common stock as stock dividend could have a dilutive impact on, and reduce the value of, our outstanding common stock. For more information of the Series A Preferred Stock, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of this Annual Report.

We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with future acquisitions, future issuances of our securities for capital raising purposes or for other business purposes. Future sales of substantial amounts of our common stock, or the perception that sales could occur, could have a material adverse effect on the price of our common stock.

We may issue preferred stock in the future, and the terms of the preferred stock may reduce the value of our common stock.

Our Board is authorized to create and issue one or more additional series of preferred stock, and, with respect to each series, to determine number of shares constituting the series and the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, which may include dividend rights, conversion or exchange rights, voting rights, redemption rights and terms and liquidation preferences, without stockholder approval. If we create and issue one or more additional series of preferred stock, it could affect your rights or reduce the value of our outstanding common stock. Our Board could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power of the holders of our common stock and which could have certain anti-takeover effects.

We cannot assure you that we will declare dividends or have the available cash to make dividend payments.

To the extent we intend to pay dividends on our common stock, we will pay such dividends at such times (if any) and in such amounts (if any) as our Board determines appropriate and in accordance with applicable law. We are also subject to certain restrictions in our financing arrangements which may prohibit or limit our ability to pay dividends. Additionally, for so long as any shares of Series B Preferred Stock are outstanding, no dividend or distribution may be declared or paid or set aside for payment on all or substantially all the outstanding shares of any other series of preferred stock, other than the Series A Preferred Stock, or common stock without the prior vote or written consent of the holders of at least a majority of the shares of Series B Preferred Stock then outstanding, voting separately as a single class. We therefore can give no assurance that we will be able to pay dividends going forward or as to the amount of such dividends, if any.

We operate as a holding company and our principal source of operating cash will be income received from our subsidiaries.

We are a holding company and do not have any material assets or operations other than ownership of equity interests of our subsidiaries. Our operations are conducted almost entirely through our subsidiaries, and our ability to generate cash to meet our obligations or to pay dividends is highly dependent on the earnings of, and receipt of funds from, our subsidiaries through dividends or intercompany loans. As a result, we are dependent on the income generated by our subsidiaries to meet our expenses and operating cash requirements. The amount of distributions and dividends, if any, which may be paid from our subsidiaries to us will depend on many factors, including results of operations and financial condition, limits on dividends under applicable law, its constitutional documents, documents governing any indebtedness of the respective subsidiary, and other factors which may be outside our control. If our subsidiaries are unable to generate sufficient cash flow, we may be unable to pay our expenses or make distributions and dividends on our shares of common stock.

We are governed by Delaware law, which has anti-takeover implications.

We are governed by Delaware law. The application of Delaware law to us may have the effect of deterring hostile takeover attempts or a change in control. In particular, Section 203 of the Delaware General Corporation Law imposes certain restrictions on merger, business combinations and other transactions between us and holders of 15% or more of our common stock. A Delaware corporation may opt out of that provision either with an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or by-laws approved by its stockholders. We have not opted out of this provision. Section 203 could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate office is located in a leased office space in West Palm Beach, Florida and in an office space we own in Waterbury, Connecticut. At December 31, 2014, we lease or own facilities and laboratories throughout the United States, some of which have multiple buildings and warehouses, and these U.S. facilities encompass approximately 0.5 million square feet. We lease or own international facilities encompassing approximately 1.6 million square feet primarily in Asia, Europe and South America. Of the United States and international manufacturing and warehouse facilities, approximately 1.5 million square feet of space is owned, while the remaining 0.6 million square feet of space is leased. The approximate percentage of the facility square footage used by the Performance Materials, Graphic Solutions and AgroSolutions business segments is 61%, 16% and 23%, respectively.

We believe that all of our facilities and equipment are in good condition, well-maintained, adequate for our present operations and utilized for their intended purposes. See Note 4 to our audited consolidated financial statements, Property, Plant and Equipment, which discloses amounts invested in land, buildings and machinery equipment, and Note 14, Operating Lease Commitments, which discloses the Company's operating lease commitments.

Item 3. Legal Proceedings

In the ordinary course of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, product liability claims, contractual disputes, premises claims and employment and environmental, health, and safety matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, prospects, financial condition, cash flows and results of operations.

On July 8, 2014, a federal court jury found in favor of MacDermid Printing Solutions LLC in litigation against Cortron, Inc. and awarded MacDermid Printing Solutions LLC $3.9 million in anti-trust damages; $7.9 million in breach of contract damages; $3.8 million in additional punitive damages for misappropriation of trade secrets, and $11.9 million plus additional punitive damages for unfair trade practices. The actual aggregate amount of damages, including the amount of punitive damages and an award of attorney fees will be determined by the presiding judge after post-trial briefing by the parties. Cortron, Inc. may appeal the verdict; accordingly, MacDermid Printing Solutions LLC's ability to collect on the judgment is uncertain. All proceeds from this litigation are subject to the pending litigation provisions of our Business Combination Agreement and Plan of Merger dated as of October 10, 2013.

On September 22, 2014, the United States District Court for the District of New Jersey rendered a verdict in favor of MacDermid in this patent litigation with E.I. du Pont de Nemours and Company. The Court issued summary judgment rulings in favor of MacDermid finding certain E.I. du Pont de Nemours and Company's patents invalid and not infringed. These rulings summarily found against E.I. du Pont de Nemours and Company on all of the patent claims asserted by E.I. du Pont de Nemours and Company in this lawsuit. The ruling, however, leaves all counterclaims made by MacDermid against E.I. du Pont de Nemours and Company in place. All proceeds from this litigation are subject to the pending litigation provisions of our Business Combination Agreement and Plan of Merger dated as of October 10, 2013.

On February 19, 2015, MacDermid, as plaintiff, settled litigation with Cookson Group plc, Enthone Inc., Cookson Electronics and David North, as defendants, for $25.0 million. The litigation related to certain corporate activities that occurred between MacDermid and the defendants in 2006 and 2007. All proceeds from this litigation are subject to the pending litigation provisions of our Business Combination Agreement and Plan of Merger dated as of October 10, 2013.

We are a manufacturer and distributor of specialty chemical products, and are therefore exposed to the risk of liability or claims with respect to environmental cleanup or other matters, including those in connection with the disposal or releases of, or exposure to, hazardous materials. We have received notices of violation with respect to instances of non-compliance with environmental laws. Some of our facilities and former facilities have been environmentally impacted from historic operations and some of our facilities are in the process of being investigated and remediated. See Note 16 to our audited consolidated financial statements included in this Annual Report.

We or our affiliates have been named as a potentially responsible party in certain superfund sites due to historic operations. Asbestos and other hazardous substances are or may be present at our facilities. We are subject to extensive domestic and foreign laws and regulations relating to environmental protection and worker health and safety, including those governing discharges of pollutants into soil, air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated properties. We have incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations. Additional costs could be incurred, including cleanup costs, fines, sanctions, and third-party claims, as a result of violations of or liabilities under environmental laws. As of December 31, 2014, we had appropriate reserves for our various environmental matters, all of which we consider to be not material.

Item 4. Mine Safety Disclosure

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for our Common Stock

Our ordinary shares (which were converted into shares of common stock upon the Domestication) were previously listed for trading on the London Stock Exchange under the ticker symbol "PAH" in U.S. Dollars. Our shares began trading on the London Stock Exchange on May 17, 2013 and were traded until October 10, 2013 when trading was halted due to the announcement of the then-pending MacDermid Acquisition. The following table sets forth the quarterly range of high and low reported sale prices of our ordinary shares as reported on the London Stock Exchange for the periods indicated:

Period	High	Low
Second Quarter 2013 (May 17, 2013 to June 30, 2013)	$11.00	$10.05
Third Quarter 2013	$10.80	$10.13
Fourth Quarter 2013 (through October 10, 2013)	$10.60	$10.46

Our common stock commenced trading under the ticker symbol "PAH" on the NYSE on January 23, 2014. The following table sets forth the closing high and low sales prices of our common stock as reported on the NYSE for the periods indicated:

Period	High	Low
First Quarter 2014 (from January 23, 2014 to March 31, 2014)	$21.82	$13.83
Second Quarter 2014	$28.70	$19.38
Third Quarter 2014	$27.85	$24.71
Fourth Quarter 2014	$27.74	$20.97

Holders

As of March 23, 2015, we had 418 registered holders of record of our common stock, par value $0.01 per share.

Dividends

We have not declared or paid any dividends on the shares of our common stock (or the ordinary shares from which the shares of our common stock were converted) since our inception and have no current plans to pay dividends on such shares of common stock in the foreseeable future. In addition, we are a holding company and as a result, our ability to pay dividends is highly dependent on receipts of funds from our subsidiaries. See Item 1A, Risk Factors, We operate as a holding company and our principal source of operating cash will be income received from our subsidiaries.

The holders of our Series A Preferred Stock are entitled to receive dividends on the Series A Preferred Stock in the form of shares of our common stock. On December 31, 2014, we approved a stock dividend of 10,050,290 shares of our common stock with respect to the Series A Preferred Stock, which represented 20% of the appreciation of the market price of our common stock over the Initial Public Offering price of $10.00 multiplied by the total Initial Public Offering shares. The dividend price was $22.85 (calculated based upon the average of the last ten trading days of the year's volume weighted average share prices) and the shares were issued on January 2, 2015 based upon the volume weighted average price of $23.16 on December 31, 2014. In subsequent years, the dividend amount will be calculated based on the appreciated stock price compared to the highest dividend price previously used in calculating the Series A Preferred Stock dividends. We are subject to certain restrictions in our Amended and Restated Credit

Agreement and the indenture governing our senior notes which may prohibit or limit our ability to pay dividends. Additionally, for so long as any shares of Series B Preferred Stock are outstanding, no dividend or distribution may be declared or paid or set aside for payment on all or substantially all the outstanding shares of any other series of preferred stock, other than the Series A Preferred Stock, or common stock without the prior vote or written consent of the holders of at least a majority of the shares of Series B Preferred Stock then outstanding, voting separately as a single class. Finally, we may become subject to additional restrictions in any additional indebtedness we may incur, which may prohibit or limit our ability to pay dividends.

Item 6. Selected Financial Data

Platform's Selected Consolidated Financial Information

The following table presents our selected consolidated historical financial data for us and our Predecessor as of the dates and for each of the periods indicated. The selected consolidated historical data as of and for the year ended December 31, 2014, for the Successor 2013 Period, the Predecessor 2013 Period, the Predecessor 2012 Period, and as of December 31, 2013 has been derived from our audited consolidated financial statements included in this Annual Report. The selected consolidated historical data as of December 31, 2012 has been derived from the audited consolidated financial statements of our Predecessor. The selected consolidated historical financial data presented below contain all normal recurring adjustments that, in the opinion of management, are necessary to present fairly our financial position and results of operations as of and for the periods presented. The selected historical consolidated financial data included below and elsewhere in this Annual Report are not necessarily indicative of future results and should be read in conjunction with the section entitled "Financial Statements and Supplementary Data" included in Part II, Item 8 of this Annual Report, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of this Annual Report.

(amounts in millions, except per share data)

Statement of Operations Data	Year Ended December 31, 2014 (Successor)		Period from Inception (April 23, 2013) to December 31, 2013 (Successor)		Period from January 1, 2013 to October 31, 2013 (Predecessor)		Year Ended December 31, 2012 (Predecessor)
Net sales	$ 843.2		$ 118.2		$ 627.7		$ 731.2
Gross profit	396.6		35.7		322.8		355.1
Operating profit (loss)	9.5	(1)	(195.6)	(2)	91.7	(3)	115.1
(Loss) income before income taxes, non-controlling interests and dividends on preferred shares	(30.9)	(1)	(201.4)	(2)	26.5	(3)	71.0
Income tax benefit (expense)	6.7		5.8		(13.0)		(24.7)
Net (loss) income	(24.2)	(1)	(195.6)	(2)	13.5	(3)	46.3
Basic earnings per share	(1.94)	(1)	(2.10)	(2)	n/a		n/a
Diluted earnings per share	(1.94)	(1)	(2.10)	(2)	n/a		n/a

Balance Sheet Data	December 31, 2014 (Successor)	December 31, 2013 (Successor)	December 31, 2012 (Predecessor)
Cash & cash equivalents	$ 397.3	$ 123.0	$143.4
Working capital (4)	1,335.8	263.8	246.4
Total assets	4,557.6	2,260.2	1,233.9
Total debt	1,415.9	752.3	720.6
Total equity	2,552.6	1,115.1	272.4

(1) Includes the following significant items related to the Acquisitions affecting comparability for the year ended December 31, 2014:

- Purchase accounting adjustment of $35.5 million charged to cost of sales for the manufacturer's profit in inventory adjustment;
- Transaction related costs, primarily comprised of professional fees, of $47.8 million; and
- Non-cash mark-to-market charge related to the contingent consideration in connection with the MacDermid acquisition of $29.1 million.

(2) Includes the following significant items related to the MacDermid Acquisition affecting comparability in the Successor 2013 Period:

- Non-cash charge related to the preferred share dividend rights of the Founders entities of $172.0 million;
- Purchase accounting adjustment of $23.9 million charged to cost of sales for the manufacturer's profit in inventory adjustment; and
- Transaction related costs, primarily comprised of professional fees, of $15.2 million.

(3) Includes the following significant items related to the MacDermid Acquisition affecting comparability in the Predecessor 2013 Period:

- Transaction related costs primarily for professional fees and fees paid to Predecessor shareholders resulting from management fees payable in conjunction with consummation of the MacDermid Acquisition of $16.9 million; and
- Deemed compensation expense related to pre-acquisition share awards of approximately $9.3 million.

(4) Working capital is defined as current assets less current liabilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of our financial condition and results of operations during the period ended December 31, 2014, the Successor 2013 Period and each of the Predecessor 2013 Period and the Predecessor 2012 Period. We did not own MacDermid for any of the Predecessor periods or for the entirety of the Successor 2013 Period. Consequently, these results may not be indicative of the results that we would expect to recognize for future periods. This discussion should be read in conjunction with the section entitled "Financial Statements and Supplementary Data," included in Part II, Item 8 of this Annual Report, and with the section entitled "Selected Financial Data" included in Part II, Item 6 of this Annual Report.

Overview

We are a global, diversified producer of high technology specialty chemical products and provider of technical services. Our business involves the formulation of a broad range of specialty chemicals, created by blending raw materials through multi-step technological processes of formulating AIs into final agricultural products, which can be easily and safely used by growers in the field. These specialty chemicals are sold into multiple industries, including agricultural, electronics, graphic arts, metal and plastic plating, and offshore oil production and drilling.

As our name "Platform Specialty Products Corporation" implies, we continually seek opportunities to act as an acquirer and consolidator of specialty chemical businesses on a global basis, particularly those meeting Platform's "Asset Lite, High-Touch" philosophy, which involves prioritizing extensive resources to research and development and highly technical customer service, while managing conservatively our investments in fixed assets and capital expenditures. To date, Platform has completed four acquisitions: the MacDermid Acquisition, on October 31, 2013, the Agriphar Acquisition on October 1, 2014, the CAS Acquisition on November 3, 2014 and the Arysta Acquisition on February 13, 2015.

We were initially incorporated with limited liability under the laws of the British Virgin Islands on April 23, 2013 under the name "Platform Acquisition Holdings Limited." We were created for the purpose of acquiring a target company or business with an anticipated enterprise value of between $750 million and $2.50 billion. We completed our Initial Public Offering in the United Kingdom on May 22, 2013, raising net proceeds of approximately $881 million and were listed on the London Stock Exchange.

Acquisitions

MacDermid Acquisition

On October 31, 2013, we completed the MacDermid Acquisition, pursuant to which we indirectly acquired substantially all of the equity of MacDermid Holdings which, at the time, owned 97% of MacDermid. As a result, we became a holding company for the MacDermid business. We acquired the remaining 3% of MacDermid on March 4, 2014, pursuant to the terms of an Exchange Agreement, dated October 25, 2013, between us and the fiduciaries of the 401K Plan. Concurrently with the closing of the MacDermid Acquisition, we changed our name to "Platform Specialty

Products Corporation." On January 22, 2014, we completed the Domestication, changing our jurisdiction of incorporation from the British Virgin Islands to Delaware, and on January 23, 2014, our common stock began trading on the NYSE under the ticker symbol "PAH."

The total consideration for the MacDermid Acquisition and the Exchange Agreement was approximately $1.80 billion (including the assumption of $754 million of indebtedness, consisting primarily of MacDermid's then first lien credit facility), plus (i) up to $100 million of contingent consideration tied to achieving certain EBITDA and stock trading price performance metrics over a seven-year period following the closing of the MacDermid Acquisition and (ii) an interest in certain MacDermid pending litigation which consideration was paid through a combination of both equity interests and cash.

Agriphar Acquisition

On October 1, 2014, we completed the Agriphar Acquisition. Pursuant to the terms of the acquisition agreement, MacDermid Agricultural Solutions Holdings B.V. acquired 100% of the equity interests of Percival for a purchase price of approximately €300 million ($370 million) consisting of $350 million in cash, after certain post-closing working capital and other adjustments, and 711,551 restricted shares of our common stock.

We financed the Agriphar Acquisition with proceeds from the Incremental Amendment and available cash on hand.

CAS Acquisition

On November 3, 2014, we completed the CAS Acquisition for $1.04 billion, consisting of $983 million in cash, after certain post-closing working capital and other adjustments, 2,000,000 shares of our common stock and the assumption of certain liabilities by Platform.

We financed the CAS Acquisition with a combination of available cash on hand and borrowings under an increase in term loans of approximately $389 million ($256 million of which is denominated in Euro), $60 million under our U.S. Dollar revolving credit facility and €55 million ($68.7 million) under our multicurrency revolving credit facility pursuant to our Amended and Restated Credit Agreement.

Arysta Acquisition

On February 13, 2015, we completed the Arysta Acquisition for approximately $3.57 billion, consisting of $2.93 billion in cash, subject to working capital and other adjustments, and $600 million of Platform's Series B Preferred Stock issued to the Seller.

We financed the Arysta Acquisition with the proceeds from (1) available cash on hand, (2) the offering of $1.10 billion aggregate principal amount of 6.50% senior notes due 2022 denominated in U.S. dollars and €350 million aggregate principal amount of 6.00% senior notes due 2023 denominated in Euro, which offering was completed on February 2, 2015, and (3) additional borrowings of $500 million (less original issue discount of 1%) through an incremental term loan denominated in U.S. dollars, €83 million (less original discount of 2%) through an increase to our existing term loan facility denominated in Euro, and $160 million our increased U.S. dollar revolving credit facility.

Our Business

Our business involves the formulation of a broad range of specialty chemicals, which we create by blending raw materials through multi-step technological processes or formulating AIs into final agricultural products, which can be easily and safely used by growers in the fields. These specialty chemicals encompass the products we sell to our customers in the agrochemical, electronics, metal and plastic plating, graphic arts, and offshore oil production and drilling industries. We refer to our products as "dynamic chemistries" due to their intricate chemical compositions. Our dynamic chemistries are used in a wide variety of attractive niche markets and we believe that the majority of our operations hold strong positions in the product markets they serve.

We generate revenue through the manufacture and sale of our dynamic chemistries and by providing highly technical service to our customers through our extensive global network of specially trained service personnel. Our personnel work closely with our customers to ensure that the chemical composition and function of our dynamic chemistries are maintained as intended. As an example, a customer will engage us to manufacture and sell a product consisting of a process composed of eight successive chemical baths, each of which is made up of our specialty chemicals, in order to enhance the overall performance of that customer's circuit boards. In addition to providing such product, a member of our professional service team would visit the customer's manufacturing facilities on a regular basis to ensure that the process sold maintains the correct chemical balance and can be used effectively in the manner and for the purpose desired.

While our dynamic chemistries typically represent only a small portion of our customers' costs, we believe that they are critical to our customers' manufacturing processes and overall product performance. Further, operational risks and switching costs make it difficult for our customers to change suppliers and allow us to retain customers and maintain our market positions.

We manage our business in three operating segments: Performance Materials, Graphic Solutions and AgroSolutions. The AgroSolutions segment was created during the fourth quarter of 2014 to manage our newly acquired agrochemical vertical, which now includes Agriphar's, CAS' and Arysta's complementary businesses and which is expected to uniformly operate under the Arysta LifeScience brand.

Performance Materials – Our Performance Materials segment manufactures and markets dynamic chemistry solutions that are used in the electronics, automotive and oil and gas production and drilling industries. We operate in the Americas, Asia and Europe. Our products include surface and coating materials and water-based hydraulic control fluids. In conjunction with the sale of these products, we provide technical service and support when necessary to ensure superior performance of their application. The regional sales mix in this segment has shifted over the past several years from more industrialized nations towards emerging markets, such as Asia and South America. To better serve customers in these markets, we have developed state-of- the-art facilities in São Paulo, Brazil and Suzhou, China. We have approximately 600 personnel and four manufacturing facilities in Asia and remain focused on further increasing our presence in the region.

Graphic Solutions – Our Graphic Solutions segment primarily produces and markets photopolymers through an extensive line of flexographic plates that are used in the commercial packaging and printing industries. We manufacture photopolymers used to produce printing plates for transferring images onto commercial packaging, including packaging for consumer food products, pet food bags, corrugated boxes, labels and beverage containers. In addition, we also produce photopolymer printing plates for the flexographic and letterpress newspaper and publications markets. Our products are used to improve print quality and printing productivity. Flexography is a printing process that utilizes flexible printing plates made of rubber or other flexible plastics. Photopolymers are molecules that change properties upon exposure to light. Our business mix in this segment is focused on high innovation, higher cash flow businesses by offering new products. We believe growth in this segment will be driven by consumer demand and advertising.

AgroSolutions – Our AgroSolutions segment is based on a solutions-oriented business model that focuses on product innovation to address an ever-increasing need for higher crop yield and quality. We offer a wide variety of proven plant health and pest control products to growers, which are comprised of specific target applications in the following major product lines: adjuvants, fungicides, herbicides, home applications (home and garden and ectoparasiticides), insecticides, miticides, plant growth regulators and seed treatments. We refer to globally managed patented and proprietary off-patent fungicides, herbicides, and insecticides as our value-added portfolio, or GVAP. Our product portfolio also includes biosolutions (biostimulants, innovative nutrition and biocontrol), and regional off patent AIs that complement our principal product lines.

Our operating segments include significant foreign operations. There are certain risks associated with our foreign operations. See Part I, Item 1A.—Risk Factors—“Our substantial international operations subject us to risks not faced by domestic competitors.”

We sell our products into three main geographic regions: the Americas, Asia and Europe. Because our segments utilize shared facilities and administrative resources and offer products that are distinct from one another, we make decisions about how to manage our operations by reference to each segment and not with respect to the underlying products or geographic regions that comprise each segment.

Global Economic and Industry Conditions

Our products are sold in industries that we believe are sensitive to changes in general economic conditions. Accordingly, net sales, gross profit and financial condition depend significantly on general economic conditions and the impact of these conditions on demand for our dynamic chemistries and services in the markets in which we compete. Our business is particularly impacted by demand for chemistry products utilized in the automotive, printed circuit board, offshore oil production and commercial packaging industries.

Our business is also significantly influenced by trends and characteristics in the specialty chemical industry and the printing industry. We believe that these industries are cyclical and subject to constant and rapid technological change, product obsolescence, price erosion, evolving standards, short product life-cycles, raw material price fluctuations and changes in product supply and demand.

The specialty chemical industry is currently being affected by globalization and a shift in customers' businesses out of traditional geographic markets and into high-growth, emerging markets.

The printing industry is currently shrinking, which is reflected in the newspaper closures and consolidations that have occurred during the past three years. The newspapers are also reducing capital spending due to outsourcing their production. As a result, sales of newspaper plates have been adversely impacted by these trends.

Net sales in future periods will depend, among other factors, upon a continued general improvement in global economic conditions, our ability to meet unscheduled or temporary changes in demand, and our ability to penetrate new markets with strategic product initiatives in specific targeted markets.

The AgroSolutions segment is supported by strong global fundamentals such as the need to feed a growing population, with limited land and competition from biofuels, in addition to a change in dietary standards in emerging markets, that create a critical need to increase yields, which is accomplished through the use of agrochemicals, including seed treatment, to protect the crop, and biosolutions offerings (especially biostimulants and innovative nutrition), among other technologies, for crop enhancement.

Despite strong macro trends for the industry, net sales in future periods can depend, among other factors, on commodity prices, climate conditions and the development of new technologies, such as GM seeds, that can partially substitute the need for agrochemicals.

Foreign Currency Exposure

For the year ended December 31, 2014, 70% of net sales were denominated in currencies other than the U.S. Dollar - predominantly the Euro, British Pound Sterling, Chinese Yuan, Brazilian Real and Hong Kong Dollar. For the Successor 2013 Period and the Predecessor 2013 Period, approximately 68% and 67%, respectively, of net sales, were denominated in currencies other than the U.S. Dollar. For the Predecessor 2012 Period, approximately 67% of net sales were denominated in currencies other than the U.S. Dollar. Except for hedging exchange risk related to acquisitions, generally we have not utilized currency hedges to mitigate exchange rate risk between the U.S. Dollar and the foreign currencies of our operations other than with respect to the British Pound Sterling. Therefore, our financial performance may be positively or negatively impacted by changes in foreign exchange rates in any given reporting period. However, as we continue to expand our international presence through acquisitions, we continue to review a full range of options focused on mitigating foreign currency exchange rate risk. For most currencies, we are a net receiver of the foreign currency and therefore we benefit from a weaker U.S. Dollar and are adversely affected by a stronger U.S. Dollar relative to the foreign currency.

For the year ended December 31, 2014, net sales were unfavorably impacted by approximately $3.4 million as the U.S. Dollar strengthened against most foreign currencies, and especially the Brazil Real, British Pound Sterling and Euro when compared to 2013.

For the Successor 2013 Period and the Predecessor 2013 Periods, net sales were negatively impacted as the U.S. Dollar strengthened against the Brazil Real, British Pound Sterling and Euro when compared to 2012. However, the absolute impact on the Successor and Predecessor 2013 Period net sales was not material.

For the Predecessor 2012 Period, net sales were negatively impacted as the U.S. Dollar strengthened against the Brazil Real, British Pound Sterling and Euro when compared to 2011. However, the absolute impact on 2012 net sales was not material.

The majority of Agriphar's, CAS' and Arysta's net sales are denominated in currencies other than the U.S. Dollar. Therefore, changes in foreign exchange rates in any given reporting period may positively or negatively impact their respective financial performance.

Results of Operations

The following table summarizes the results of operations for the year ended December 31, 2014 and for the Successor 2013 Period, as well as the Predecessor 2013 and 2012 Periods:

(amounts in millions)	Year Ended December 31, 2014 Successor	Period from Inception (April 23, 2013) through December 31, 2013 Successor	January 1, 2013 through October 31, 2013 Predecessor	Year Ended December 31, 2012 Predecessor
Net sales	$ 843.2	$ 118.2	$ 627.7	$ 731.2
Cost of sales	446.6	82.5	304.9	376.1
Gross profit	396.6	35.7	322.8	355.1
Operating expenses:				
Selling, technical, general and administrative	357.9	54.5	207.6	214.6
Non-cash charge related to preferred stock dividend rights	-	172.0	-	-
Research and development	26.2	4.0	19.9	25.1
Restructuring	3.0	0.8	3.6	0.3
Total operating expenses	387.1	231.3	231.1	240.0
Operating profit (loss)	9.5	(195.6)	91.7	115.1
Other (expense) income:				
Interest, net	(37.9)	(5.4)	(45.9)	(49.1)
Loss on extinguishment of debt	-	-	(18.8)	-
Other (expense) income, net	(2.5)	(0.4)	(0.5)	5.0
Total other expense	(40.4)	(5.8)	(65.2)	(44.1)
(Loss) income before income taxes, non-controlling interest and dividends on preferred shares	(30.9)	(201.4)	26.5	71.0
Income tax benefit (provision)	6.7	5.8	(13.0)	(24.7)
Net (loss) income	(24.2)	(195.6)	13.5	46.3
Net loss (income) attributable to the non-controlling interest	(5.7)	1.4	(0.3)	(0.3)
Net (loss) income attributable to shareholders	(29.9)	(194.2)	13.2	46.0
Accrued stock dividend on cumulative Founder's preferred shares	(232.7)	-	-	-
Accrued payment-in-kind dividend on cumulative preferred shares	-	-	(22.4)	(44.6)

Net (loss) income attributable to common shares	$ (262.6)	$ (194.2)	$ (9.2)	$ 1.4

36

Year Ended December 31, 2014 Compared to Successor 2013 Period (Inception (April 23, 2013) through December 31, 2013) and Predecessor 2013 Period (January 1, 2013 through October 31, 2013)

Net Sales

Net sales totaled $843 million for the year ended December 31, 2014, compared to net sales of $118 million for the Successor 2013 Period and $628 million for the Predecessor 2013 Period. Net sales for the year ended December 31, 2014 includes a full 12 months of MacDermid results, compared to two months in the Successor 2013 Period and ten months in the Predecessor 2013 Period, as well as $26.1 million and $61.9 million of sales generated through the Agriphar and CAS Acquisitions, which were completed on October 1, 2014 and November 3, 2014, respectively. Sales were unfavorably impacted by $3.4 million due to the increase in value of the U.S. Dollar during the year ended December 31, 2014 compared to the Successor and Predecessor 2013 Periods. Net sales of products that we have identified as new products, which represent opportunities to enter markets adjacent to those we currently serve, were $90.3 million for the year ended December 31, 2014 compared to $11.2 million for the Successor 2013 Period and $65.6 million for the Predecessor 2013 Period.

Net sales in the Performance Materials segment totaled $589 million for the year ended December 31, 2014, compared to net sales of $92.6 million for the Successor 2013 Period and $482 million for the Predecessor 2013 Period. Net sales for the year ended December 31, 2014 includes a full 12 months of MacDermid results, compared to two months in the Successor 2013 Period and ten months in the Predecessor 2013 Period. Electronic product sales increased in Asia, core industrial and film product sales increased in the Americas and Europe, as well as offshore fluids primarily in Europe.

Net sales in the Graphic Solutions segment sales totaled $166 million for the year ended December 31, 2014, compared to net sales of $25.6 million for the Successor 2013 Period and $146 million for the Predecessor 2013 Period. As with the Performance Materials segment, net sales for the year ended December 31, 2014 includes a full 12 months of MacDermid results, compared to two months in the Successor 2013 Period and ten months in the Predecessor 2013 Period. The decrease in net sales is primarily attributable to lower demand for newspaper plating products partially offset by higher sales volume in packaging products primarily in Europe.

During the fourth quarter of 2014, we created a new operating segment, AgroSolutions, which includes Agriphar's and CAS's complementary businesses, as well as certain subsequently acquired businesses of Arysta. The AgroSolutions segment reported sales of $88.0 million for the year ended December 31, 2014, representing partial year sales from the Agriphar and CAS Acquisitions completed on October 1, 2014 and November 3, 2014, respectively.

By region, for the Performance Materials and Graphic Solutions segments, net sales from the Americas, Asia and Europe were $272 million, $214 million and $269 million for the year ended December 31, 2014 compared to $42.7 million, $34.6 million and $41.0 million in the Successor 2013 Period and $237 million, $177 million and $214 million in the Predecessor 2013 Periods, respectively. Net sales were lower in the Americas in 2014 primarily from an unfavorable foreign currency impact of approximately $5.4 million in addition to lower newspaper plating product sales volume. In the Asia region, net sales increased $2.8 million in 2014 which was due to continued strong demand for our electronics products but was partially offset by lower sales volume in core film products and an unfavorable foreign currency impact of approximately $2.8 million. European sales increased by $13.9 million in 2014 which was largely driven by favorable currency impacts of approximately $6.1 million in addition to higher sales volume of core industrial and film products and offshore fluids in the Performance Materials segment in addition to packaging products in the Graphic Solutions segment.

Changes in the average selling prices of the Company's products did not have a material impact on net sales for the year ended December 31, 2014 compared to the Successor 2013 Period and the Predecessor 2013 Period.

Cost of Sales

Cost of sales totaled $447 million (53.0% of net sales) for the year ended December 31, 2014, compared to $82.5 million (69.8% of net sales) for the Successor 2013 Period and $305 million (48.6% of net sales) for the Predecessor 2013 Period. Cost of sales for the year ended December 31, 2014 includes a full 12 months of MacDermid results, versus two months in the Successor 2013 Period and ten months in the Predecessor 2013 Period as well as $28.5 million and $48.3 million of incremental cost of sales from the Agriphar and CAS Acquisitions, which were completed on October 1, 2014 and November 3, 2014, respectively. For the year ended December 31, 2014 and the Successor 2013 Period, cost of sales includes $35.5 million and $23.9 million of charges, respectively, related to the elimination of manufacturer's profit in inventory charged to cost of sales resulting from purchase accounting fair value adjustments to inventory associated with our acquisitions. Excluding these charges, cost of sales as a percentage of net sales for the year ended December 31, 2014 and the Successor 2013 period was 48.8% and 49.6%, respectively.

Gross Profit

For the year ended December 31, 2014, gross profit totaled $397 million (47.0% gross margin), compared to $35.7 million (30.2% gross margin) for the Successor 2013 period and $323 million (51.4% gross margin) for the Predecessor 2013 Period. The Agriphar and CAS acquisitions accounted for $11.2 million of the year over year increase. For the year ended December 31, 2014 and the Successor 2013 Period, gross profit includes $35.5 million and $23.9 million of charges, respectively, related to the elimination of manufacturer's profit resulting from the step-up of inventory related to the Acquisitions. Excluding the inventory charges, gross margin was 51.3% and 50.4% for the year ended December 31, 2014 and the Successor 2013 Period. Gross profit for the year ended December 31, 2014 was unfavorably impacted by $1.8 million due to the increase in value of the U.S. Dollar. The primary driver of the higher gross profit for the year ended 2014 was more sales in higher margin electronic products in Asia and industrial products and offshore fluids in Europe from our Performance Materials segment. Changes in the average selling price of products did not have a material impact on gross profit for the year ended December 31, 2014 compared to the Successor and Predecessor Periods.

Non-Cash Charges related to Preferred Stock Dividend Rights

The Series A Preferred Stock issued by Platform has dividend rights that were triggered upon the successful close of the MacDermid Acquisition. On December 31, 2014, we approved a stock dividend of 10,050,290 shares of our common stock with respect to the Series A Preferred Stock, which represented 20% of the appreciation of the market price of our common stock over the Initial Public Offering price of $10.00 multiplied by the total Initial Public Offering shares. The dividend price was $22.85 (calculated based upon the average of the last ten trading days of the year's volume weighted average share prices) and the shares were issued on January 2, 2015 based upon the volume weighted average price of $23.16 on December 31, 2014. In subsequent years, the dividend amount will be calculated based on the appreciated stock price compared to the highest dividend price previously used in calculating the Series A Preferred Stock dividends. Shares of the Series A Preferred Stock will be automatically converted into shares of our common stock on a one for one basis (i) in the event of a change of control of Platform following an acquisition or (ii) upon the last day of the seventh full financial year following the completion of the MacDermid Acquisition, being December 31, 2020 (extendable by our Board for three additional years). Each share of Series A Preferred Stock is convertible into one share of our common stock at the option of the holder until December 31, 2020 and has certain voting rights. We recognized a non-cash charge during the Successor 2013 Period related to the fair value of the preferred dividend rights of $172 million upon the completion of the MacDermid Acquisition. The fair value of the preferred dividend rights was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions included the fair value of our common stock and an assumption of volatility. The fair value was calculated using a Monte-Carlo simulation.

Selling, Technical, General and Administrative Expense

Selling, technical, general and administrative expense totaled $357.9 million (42.4% of net sales) for the year ended December 31, 2014, compared to $54.5 million (46.1% of net sales) for the Successor 2013 Period and $207.6 million (33.1% of sales) for the Predecessor 2013 Period. The Agriphar Acquisition and CAS Acquisition, collectively, accounted for $30.0 million of the year over year increase. The 2014 selling, technical, general and administrative total includes $47.8 million of acquisition-related costs primarily comprised of professional costs, compared to $15.2 million for the Successor 2013 Period and $16.9 million for the Predecessor 2013 Period. Selling, technical, general and administrative expense for the year ended December 31, 2014 also includes $29.1 million related to the fair value adjustment of the long-term contingent consideration liability related to the MacDermid Acquisition, compared to income of $0.7 million realized during the Successor 2013 Period. The Predecessor 2013 Period includes $9.3 million of compensation expense related to the recognition of legacy MacDermid Class C Junior share costs. Selling, technical, general and administrative costs, net of acquisition-related charges (including Class C Junior share compensation expense and the contingent consideration adjustment but excluding incremental amortization expense in connection with the Acquisitions), represent 33.3%, 33.8% and 28.9% of net sales for the year ended December 31, 2014, the Successor 2013 Period and the Predecessor 2013 Period, respectively.

Research and Development Expense

Research and development expense for the year ended December 31, 2014 totaled $26.2 million (3.1% of net sales), compared to $4.0 million (3.4% of net sales) for the Successor 2013 Period and $19.9 million (3.2% of net sales) for the Predecessor 2013 Period. The Agriphar and CAS Acquisitions accounted for $2.1 million of the year over year increase.

Operating Profit

For the year ended December 31, 2014, operating profit was $9.5 million (1.1% of net sales), compared to operating loss of $196 million (165.5% of net sales) for the Successor 2013 period and operating profit of $91.7 million (14.6% of net sales) for the Predecessor 2013 Period. The Agriphar and CAS Acquisitions reported operating losses of $22.4 million. For the year ended December 31, 2014, operating profit was unfavorably impacted by the manufacturers profit in inventory adjustment of $35.5 million, transaction related costs of $47.8 million and a non-cash adjustment to the long term contingent consideration of $29.1 million. Excluding these acquisition-related expenses, operating profit as a percentage of sales was 14.4% in 2014.

Operating profit for the Performance Materials segment for the year ended December 31, 2014 totaled $46.3 million, compared to operating loss of $109 million for the Successor 2013 Period and operating profit of $73.5 million for the Predecessor 2013 Period. Operating loss for the Graphic Solutions segment for the year ended December 31, 2014 totaled $14.4 million, compared to operating loss of $86.6 million for the Successor 2013 Period and $18.2 million for the Predecessor 2013 Period. Excluding acquisition-related costs and a 50% allocation of corporate expenses, operating profit in the Performance Materials segment increased primarily due to higher sales volume on electronics industry products sold in Asia and core industrial and film products sold in Europe. Operating profit decreased in the Graphic Solutions segment, excluding acquisition-related costs and a 50% allocation of corporate expenses, primarily due to the lower sales volume of newspaper plating products.

Operating loss for the AgroSolutions segment for the year ended December 31, 2014 totaled $22.4 million, and included acquisition-related costs of $23.5 million related to the elimination of manufacturer’s profit in inventory charged to cost of sales resulting from purchase accounting fair value adjustments, as well $38.1 million of transaction related costs primarily comprised of professional fees.

Restructuring Expense

Restructuring expense for the year ended December 31, 2014 totaled $3.0 million (0.4% of net sales) compared to $0.8 million (0.6% of net sales) for the Successor 2013 Period and $3.6 million (0.6% of net sales) for the Predecessor 2013 Period. Restructuring actions initiated during the year ended December 31, 2014 and the Successor 2013 Period represent several small initiatives aimed at cost reduction opportunities. The actions initiated during the Predecessor 2013 Period primarily included expenses related to the elimination of certain positions within the Graphic Solutions segment in the Americas.

Interest Expense, net

Net interest expense for the year ended December 31, 2014 totaled $37.9 million (4.5% of net sales), compared to $5.4 million (4.6% of net sales) for the Successor 2013 Period and $45.9 million (7.3% of net sales) for the Predecessor 2013 Period. Net interest expense for the year ended December 31, 2014 consists primarily of interest on the first lien secured credit facility of $30.4 million, representing 12 months of activity versus two months in the Successor 2013 Period and ten months in the Predecessor 2013 Period, and interest on term loans in support of our acquisition activity of $5.5 million. The net interest expense recorded during the Successor 2013 Period represents interest, inclusive of amortization of deferred financing fees, on the first lien credit facility assumed in the MacDermid

Acquisition.

Loss on Extinguishment of Debt

In the Predecessor 2013 Period, we recorded a loss of $18.8 million related to the refinancing of tranche B and tranche C term loans and senior subordinated notes. This amount consisted of $12.5 million of call premiums on the senior subordinated notes and $6.3 million of write-offs of deferred financing fees related to the extinguished debt. No similar losses were recorded during the year ended December 31, 2014 or Successor 2013 Period.

Other (Expense) Income, net

Net other expense for the year ended December 31, 2014 totaled $2.5 million (0.3% of net sales), compared to net other expense of $0.4 million (0.4% of net sales) for the Successor 2013 Period and net other expense of $0.5 million (0.1% of net sales) for the Predecessor 2013 Period. For the year ended December 31, 2014, other expense consisted primarily of net foreign exchange losses of $3.0 million. For the Successor 2013 Period, other expense consisted primarily of net foreign exchange losses of $0.6 million. For the Predecessor 2013 Period, other expense consisted primarily of net losses on derivative contracts of $0.4 million.

Income Tax (Benefit) Expense

Income tax benefit for the year ended December 31, 2014 totaled $6.7 million, compared to an income tax benefit of $5.8 million for the Successor 2013 Period, and an income tax expense of $13.0 million for the Predecessor 2013 Period. We are a U.S. based company with a statutory income tax rate of 35%. We operate in various foreign countries, which have tax rates that are different from the U.S. statutory tax rate. For the year ended December 31, 2014, our effective tax rate was a 21.7% income tax benefit on a pre-tax loss of $30.9 million. The effective tax rate was positively impacted by a $3.7 million adjustment to permanently reinvested earnings and $7.7 million of foreign taxes at rates different from the U.S. statutory rate. The effective tax rate was negatively impacted by non-deductible purchase price contingency costs of $6.6 million, non-deductible transaction related costs of $6.5 million and $1.5 million for a change in uncertain tax positions. For the Successor 2013 Period, our effective tax rate was a 2.89% income tax benefit on pre-tax losses of $201.4 million. The effective tax rate was negatively impacted by the non-deductible charge related to preferred stock dividend rights of $60.2 million and non-deductible transaction related costs of $4.2 million. For the Predecessor 2013 Period, MacDermid's effective tax rate was a 49.0% income tax expense on pre-tax income of $26.5 million. The effective tax rate was negatively impacted by non-deductible transaction related costs of $1.9 million and an increase in the valuation allowance for federal, state and foreign net operating losses and tax credits of $3.6 million.

Successor 2013 Period (Inception (April 23, 2013) through December 31, 2013)

Net Sales

Net sales for the Successor 2013 Period were $118 million which were comprised of global sales from our Performance Materials and Graphic Solutions segments of $92.6 million and $25.6 million, respectively. Net sales of products that we have identified as new products, which represent opportunities to enter markets adjacent to those we currently serve, were $11.2 million for the Successor 2013 Period.

For the Successor 2013 Period, net sales in the Americas were $42.7 million. In Europe and Asia, net sales were $41.0 million and $34.6 million, respectively, for the Successor 2013 Period.

Changes in our product mix and the average selling prices of products did not have a material impact on net sales for the Successor 2013 Period.

Gross Profit

For the Successor 2013 Period, gross profit was $35.7 million and gross margin was 30.2%. The largest driver of the decrease in the gross margin as compared to the Predecessor 2013 and 2012 Periods was a $23.9 million charge to cost of sales for the recognition of two-thirds of the inventory step up in connection with the MacDermid Acquisition. Excluding this charge, our gross margin was 50.4%. Changes in the product mix and the average selling prices of products did not have a material impact on gross profit for the Successor 2013 Period.

Non-Cash Charges related to Preferred Stock Dividend Rights

The Series A Preferred Stock issued by Platform had dividend rights that were triggered upon the successful close of the MacDermid Acquisition. We recognized a non-cash charge related to the fair value of preferred dividend rights of $172 million. The fair value of the preferred dividend rights was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions included the fair value of our common stock and an assumption of volatility. The fair value was calculated using a Monte-Carlo simulation.

Selling, Technical, General and Administrative Expense

Selling, technical, general and administrative expense was $54.5 million for the Successor 2013 Period. As a percentage of net sales, selling, technical, general and administrative expense was 46.1% for the Successor 2013 Period. Such expenses were higher than the Predecessor 2013 and 2012 Periods due primarily to acquisition-related charges of $15.2 million for professional fees in addition to incremental amortization expense on newly valued intangible assets.

Research and Development Expense

Research and development expense for the Successor 2013 Period was $4.0 million and was the result of additional investments made to support certain strategic projects. As a percentage of net sales, research and development expense was 3.4% for the Successor 2013 Period.

Operating Loss

Operating losses for the Performance Materials segment and the Graphic Solutions segment for the Successor 2013 Period were approximately $109 million and $86.6 million, respectively. The operating losses were due to the segment allocation of adjustments recorded in connection with the MacDermid Acquisition.

Restructuring Expense

Restructuring expense for the Successor 2013 Period was $0.8 million and was comprised of several small restructuring initiatives in an effort to achieve cost savings.

Interest Expense, net

Net interest expense for the Successor 2013 Period was $5.4 million and primarily represents interest, inclusive of amortization of deferred financing fees, on the first lien credit facility assumed in the MacDermid Acquisition of $5.5 million net of interest income.

Other (Expense) Income, net

Other expense for the Successor 2013 Period was $0.4 million due primarily to foreign exchange losses.

Income Tax Benefit

For the Successor 2013 Period, we recorded an income tax benefit of $5.8 million. Our effective tax rate was 2.89% income tax benefit on pre-tax losses of $201.4 million. The effective tax rate was negatively impacted by the non-deductible charge related to preferred stock dividend rights of $60.2 million and non-deductible transaction related costs of $4.2 million.

41

Predecessor 2013 Period (January 1, 2013 through October 31, 2013)

The following discussion and analysis compares the operating results of the Predecessor for the period January 1, 2013 to October 31, 2013, which we refer to as the Predecessor 2013 Period, to the year ended December 31, 2012.

Net Sales

MacDermid's net sales decreased in the Predecessor 2013 Period by $103.5 million, or 14.2%, as compared to the Predecessor 2012 Period. The decrease in net sales was primarily attributable to comparing operating results for a 10-month period to a period consisting of a full twelve months. Net sales of products that MacDermid has identified as new products, which represent opportunities to enter markets adjacent to those it currently serves, was $65.6 million for the Predecessor 2013 Period, compared to $66.7 million for the Predecessor 2012 Period.

Net sales in the Performance Materials segment decreased by $77.7 million, or 13.9%, as compared to the Predecessor 2012 Period. The decrease in net sales was primarily attributable to comparing operating results for a ten month period to one consisting of a full twelve months. Net sales in the Graphic Solutions segment decreased by $25.8 million, or 15.0%, as compared to the Predecessor 2012 Period. The decrease in net sales was primarily attributable to comparing operating results for a 10-month period to a period consisting of a full 12 months.

For the Predecessor 2013 Period, net sales in the Americas were $237 million. In Europe and Asia, net sales were $214 million and $177 million, respectively, for the Predecessor 2013 Period.

Changes in the average selling prices of MacDermid's products did not have a material impact on net sales for the Predecessor 2013 Period compared to the Predecessor 2012 Period.

Gross Profit

Gross profit decreased in the Predecessor 2013 Period by $32.2 million, or 9.1%, as compared to the Predecessor 2012 Period. The decrease in gross profit was primarily attributable to comparing operating results for a ten month period to a period consisting of a full twelve months. Despite lower gross profit, the gross margin of 51.4% in the Predecessor 2013 Period represented an increase of 280 basis points as compared to the Predecessor 2012 Period gross margin of 48.6% primarily due to favorable changes in product mix.

Selling, Technical, General and Administrative Expense

Selling, technical, general and administrative expense decreased in the Predecessor 2013 Period by $7.1 million, or 3.3%, as compared to the Predecessor 2012 Period. The decrease in selling, technical, general and administrative was primarily attributable to comparing operating results for a 10-month period to a period consisting of a full twelve months. As a percentage of net sales, selling, technical, general and administrative expense was 33.1% and 29.4% for the Predecessor 2013 Period and the Predecessor 2012 Period, respectively. The Predecessor 2013 Period includes $16.9 million of acquisition-related costs primarily comprised of professional fees in addition to compensation expense of $9.3 million associated with recognition of legacy MacDermid Class C Junior shares representing 100% of expense for the vested shares due to the MacDermid Acquisition being sufficiently probable. Excluding these charges, selling, technical, general and administrative expense as a percentage of sales was 29.0%.

Research and Development Expense

Research and development expense decreased in the Predecessor 2013 Period by $5.2 million, or 20.6%, as compared to the year Predecessor 2012 Period. The decrease in research and development expense was primarily attributable to comparing operating results for a 10-month period to a period consisting of a full twelve months. As a percentage of net sales, research and development expense was 3.2% and 3.4% for the Predecessor 2013 Period and the Predecessor 2012 Period, respectively. The slight decrease was due to higher investments made to support certain strategic projects for the Predecessor 2012 Period that were non-recurring in the Predecessor 2013 Period.

Operating Profit

Operating profit for the Performance Materials segment in the Predecessor 2013 Period decreased by $8.5 million, or 10.4%, as compared to the Predecessor 2012 Period. The decrease in operating profit was primarily attributable to the allocation of approximately $13.0 million of acquisition-related costs as previously discussed in addition to comparing operating results for a ten month period to one consisting of a full twelve months. Partially offsetting these decreases were increases from higher sales of offshore industry products and higher margins on industrial products sold in the United States and electronics industry products sold in Asia.

Operating profit for the Graphic Solutions segment in the Predecessor 2013 Period decreased by $14.8 million, or 45.0%, as compared to the Predecessor 2012 Period. The decrease in operating profit was primarily attributable to the allocation of approximately $13.0 million of acquisition-related costs as previously discussed in addition to comparing operating results for a ten month period to a period consisting of a full twelve months. Partially offsetting these decreases were increases in operating profit from higher net sales in the Americas and Europe, as discussed above, and the continued market share gains related to new and higher margin products.

Restructuring Expense

Restructuring expense increased in the Predecessor 2013 Period by $3.3 million as compared to the Predecessor 2012 Period. The primary driver of the increase was $2.2 million of restructuring charges related to the elimination of certain positions in the Graphic Solutions segment in the Americas and $0.7 million related to the elimination of certain positions in the Performance Materials segment in Europe. MacDermid anticipates that these headcount reductions will have annual cash cost savings of approximately $3.4 million going forward. Actual cash cost savings to be realized depend on the timing of payments and many other factors, some of which are beyond MacDermid’s control, and could differ materially from its estimates. MacDermid anticipates recognizing the estimated cash cost savings once all payments have been finalized related to these restructuring initiatives.

Interest Expense, net

Net interest expense decreased in the Predecessor 2013 Period by $3.2 million, or 6.5%, as compared to the Predecessor 2012 Period. The decrease in interest expense was primarily attributable to comparing operating results for a 10-month period to a period consisting of a full twelve months. Partially offsetting the favorable impact due to the lower number of months of operations included in each period were higher debt balances outstanding in the Predecessor 2013 Period.

Loss on Extinguishment of Debt

In the Predecessor 2013 Period, we recorded a loss of $18.8 million related to the refinancing of tranche B and tranche C term loans and senior subordinated notes. This amount consisted of $12.5 million of call premiums on the senior subordinated notes and $6.3 million of write-offs of deferred financing fees related to the extinguished debt.

Other (Expense) Income, net

The Predecessor 2013 Period included net other expense of $0.6 million compared to net other income of $5.0 million for the Predecessor 2012 Period. The primary components of net other expense in the Predecessor 2013 Period were foreign currency exchange losses of $1.4 million, partially offset by a remeasurement gain of $1.1 million on Euro denominated debt, due to the fluctuation of the Euro compared to the U.S. Dollar. The primary components of net other income for the Predecessor 2012 Period were a remeasurement gain of $8.4 million on foreign currency denominated intercompany loans, partially offset by a remeasurement loss of $2.7 million on Euro denominated debt and foreign exchange losses of $1.1 million.

43

Income Tax Expense

Income tax expense was $13.0 million in the Predecessor 2013 Period compared to $24.7 million for the Predecessor 2012 Period. For the Predecessor 2013 Period and the Predecessor 2012 Period, MacDermid's effective tax rate was 49.0% and 34.8%, respectively. The effective tax rate for the Predecessor 2013 Period was increased by non-deductible transaction related costs of $1.9 million and an increase in the valuation allowance for federal, state and foreign net operating losses and tax credits of $3.6 million. MacDermid is a U.S. based company with a statutory income tax rate of 35%. MacDermid operates in various foreign countries, which have tax rates that are different from the U.S. statutory tax rate. The effective tax rate for the Predecessor 2012 Period was impacted by the imposition of foreign taxes at different tax rates of $11.6 million, an increase in uncertain tax positions of $5.7 million and an increase in the valuation allowance for federal, state and foreign net operating losses and tax credits of $6.9 million.

Liquidity and Capital Resources

Our primary sources of liquidity during the year ended December 31, 2014 were cash raised from the May Private Placement, the October/November Private Placement, the Warrant Exchange Offer, the Public Offering, proceeds from additional borrowings and available cash generated from operations. Our primary uses of cash and cash equivalents are raw material purchases, salary expenses, acquisitions, capital expenditures and debt service obligations. We believe that our cash and cash equivalent balance and cash generated from operations will be sufficient to meet our working capital needs, capital expenditures and other business requirements for at least the next twelve months. Future acquisitions, however, may require utilization of our revolving credit facility as well as future debt and equity offerings. At December 31, 2014 and 2013, we had $397 million and $123 million in cash and cash equivalents, respectively, in addition to availability under our line of credit of $173 million at December 31, 2014.

Of our $397 million and $123 million of cash and cash equivalents at December 31, 2014 and 2013, respectively, $130 million and $41.5 million was held by our foreign subsidiaries. The majority of the cash held by foreign subsidiaries is generally available for the ongoing needs of our operations. The laws of certain countries may limit our ability to utilize cash resources held in those countries for operations in other countries. However, these laws are not likely to impact our liquidity in any material way. The operations of each foreign subsidiary generally fund such subsidiary's capital requirements. In the event that other foreign operations or operations within the United States require additional cash, we may transfer cash between and among subsidiaries as needed so long as such transfers are in accordance with law. As of December 31, 2014 and 2013, we had the ability to repatriate $5.9 million and $10.3 million, respectively, at our discretion from the foreign subsidiaries and branches while the remaining balance of $125 million and $31.2 million, respectively, was held at subsidiaries in which earnings are considered permanently reinvested. Repatriation of some of these funds could be subject to delay and could have potential tax consequences, principally with respect to withholding taxes paid in foreign jurisdictions. If cash is repatriated from jurisdictions in which earnings are considered permanently reinvested we will be required to accrue and pay U.S. income taxes on such repatriations.

On February 13, 2015, we completed the Arysta Acquisition for approximately $3.57 billion, consisting of $2.93 billion in cash, subject to working capital and other adjustments, and $600 million of Platform's Series B Preferred Stock issued to the Seller. The Series B Preferred Stock may be converted into a maximum of 22,107,590 shares of our common stock. To the extent that the aggregate value of such 22,107,590 shares of common stock is less than $600 million (based on a 10-day volume weighted average price), then, such shortfall would be payable in cash by Platform as additional purchase price.

In connection with the Arysta Acquisition, we borrowed $500 million and €83.0 million under the New Tranche B-2 Term Loans and $160 million under our Revolving Credit facility. In addition, on February 2, 2015, we completed the 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. Interest will be payable in cash, semi-annually in arrears, on February 1 and August 1 of each year, beginning on August 1, 2015.

The following is a summary of our cash flows provided by (used in) operating, investing and financing activities during the periods indicated ($ in millions):

(amounts in millions)	Year Ended December 31, 2014 (Successor)	Period from Inception (April 23, 2013) through December 31, 2013 (Successor)	January 1, 2013 through October 31, 2013 (Predecessor)	Year Ended December 31, 2012 (Predecessor)
Cash and cash equivalents, beginning of the period	$ 123.0	$ -	$ 143.4	$ 113.5
Cash provided by operating activities	98.2	7.5	56.0	75.2
Cash used in investing activities	(1,982.7)	(920.3)	(7.8)	(18.3)
Cash provided by (used in) financing activities	2,168.9	1,035.7	(104.3)	(27.2)
Exchange rate impact on cash and cash equivalents	(10.1)	0.1	(0.2)	0.2
Cash and cash equivalents, end of the period	$ 397.3	$ 123.0	$ 87.1	$ 143.4

Year Ended December 31, 2014 Compared to Successor 2013 Period (Inception (April 23, 2013) through December 31, 2013) and Predecessor 2013 Period (January 1, 2013 through October 31, 2013)

Operating Activities

For the year ended December 31, 2014, we generated cash flows from operating activities of $98.2 million, compared to $7.5 million in cash for the Successor 2013 Period and $56.0 million in cash for the Predecessor 2013 Period. The increase in cash flows provided by operations, for the year ended December 31, 2014 is primarily due to an improvement in certain working capital balances (inclusive of accounts receivable, inventory and accounts payable) of $19.1 million and $40.7 million when compared to the Successor and Predecessor 2013 periods, respectively. These changes were mainly due to a reduction in inventory in Latin America from strong sales in the fourth quarter, in addition to increased cash collections mostly in Europe. Additionally, depreciation and amortization were significantly higher than the Successor and Predecessor 2013 Periods, partially offset by a higher deferred income tax benefit. In 2014, a non-cash adjustment to the long-term contingent liability of $29.1 million was also recorded due to the achievement of the share price targets during the year.

The Company's management uses days-sales-outstanding, or DSO, to measure how efficiently it manages the billing and collection of accounts receivable. We calculate DSO by dividing the product of 360 and our accounts receivable balance by our annualized net sales. DSO was 75 days at December 31, 2014 and 73 days at December 31, 2013. The increase in DSO was caused, in part, by the Agriphar and CAS Acquisitions, which increased our accounts receivable balance by $208 million on the acquisition date.

The Company's management also uses days-in-inventory, or DII, to calculate the efficiency at realizing inventories. We calculate DII by dividing the product of 360 and our inventory balance, net of reserves, by our annualized cost of sales, excluding intercompany sales. At December 31, 2014 and 2013, DII was 81 days and 88 days, respectively. The Agriphar and CAS Acquisitions increased our inventory balance by $171 million on the acquisition date. At December 31, 2014, net inventory included a fair value adjustment of $22.0 million, as $35.5

million was recognized in our Consolidated Statement of Operations for the year ended December 31, 2014. As of December 31, 2013, net inventory included a fair value adjustment of $12.0 million, as $23.9 million was recognized in our Consolidated Statement of Operations in connection with the MacDermid Acquisition. Our products generally have shelf lives that exceed one year.

Investing Activities

Net cash flows used in investing activities for the year ended December 31, 2014 was $1.98 billion, compared to $920 million for the Successor 2013 Period and $7.8 million for the Predecessor 2013 Period. During 2014, we used net cash of $1.36 billion to fund acquisitions, compared to net cash of $922 million used during the Successor 2013 Period to fund the MacDermid Acquisition. Additionally, we deposited $600 million of cash into an escrow account restricted to fund the Arysta Acquisition. Capital expenditures totaled $18.5 million (exclusive of $2.4 million of accrued capital expenditures), compared to $2.3 million for the Successor 2013 Period and $8.9 million for the Predecessor 2013 Period. During 2014, we incurred approximately $8.3 million in software consulting and hardware costs for system integration project in connection with the CAS acquisition. Approximately $2.4 million of these costs were not yet paid and included in accounts payable and accrued liabilities at December 31, 2014.

Financing Activities

Net cash flows from financing activities for the year ended December 31, 2014 were $2.17 billion, compared to cash generated of $1.04 billion for the Successor 2013 Period and cash used of $104 million for the Predecessor 2013 Period. During 2014, the cash was generated from net proceeds received from the issuance of share of common stock totaling $1.51 billion and net proceeds from term loans related to our acquisitions totaling $679 million. During the Successor 2013 Period, the cash was generated from proceeds received from the issuance of common stock, preferred shares and warrants. During the Predecessor 2013 Period, borrowings totaled $1.10 billion (net of debt discounts of $5.5 million) which were used primarily to (1) pay off tranche B and tranche C terms loans of approximately $380 million, (2) pay off senior subordinated notes of approximately $355 million (inclusive of a call premium payment), (3) repurchase approximately $270 million of outstanding Series A Preferred Stock, (4) pay accumulated dividends on the Series A Preferred Stock of approximately $230 million and (5) pay $13.6 million of financing costs. Additionally, an advance of $33.3 million was sent by Platform Acquisition Holdings Limited and received by MacDermid prior to the MacDermid Acquisition.

Successor 2013 Period (April 23, 2013 to December 31, 2013)

Operating Activities

During the Successor 2013 Period, we generated $7.5 million in cash from operating activities primarily due to the favorable changes in working capital of approximately $8.1 million.

Investing Activities

During the Successor 2013 Period, we used cash from investing activities of approximately $920 million primarily for the MacDermid Acquisition.

Financing Activities

During the Successor 2013 Period, we generated cash from financing activities of $1.04 billion from proceeds received from the issuance of common and preferred shares and warrants.

Predecessor 2013 Period (January 1, 2013 through October 31, 2013)

Operating Activities

During the Predecessor 2013 Period, we generated cash from operating activities of $56.0 million which was primarily comprised of net income of $13.5 million, adjusted for depreciation and amortization of $32.8 million, and

$18.8 million related to the loss on extinguishment of debt partially offset by unfavorable changes in working capital of $13.6 million.

Investing Activities

During the Predecessor 2013 Period, we used cash from investing activities of $7.8 million primarily for the purchase of capital expenditures of $8.9 million.

Financing Activities

During the Predecessor 2013 Period, we used cash from financing activities of approximately $104 million as borrowings of $1.10 billion (net of debt discounts of $5.5 million) were used primarily to (1) pay off tranche B and tranche C terms loans of approximately $380 million, (2) pay off senior subordinated notes of approximately $355 million (inclusive of a call premium payment), (3) repurchase approximately $270 million of outstanding Series A preferred Stock, (4) pay accumulated dividends on the Series A Preferred Stock of approximately $230 million and (5) pay $13.6 million of financing costs. Additionally, an advance of $33.3 million was sent by Platform Acquisition Holdings Limited and received by MacDermid prior to the MacDermid Acquisition.

Financial Borrowings

Credit Facilities

As of October 30, 2013, we became party to an Amended and Restated Credit Agreement consisting of (i) a $755 million First Lien Credit Facility and (ii) a $50.0 million Revolving Credit Facility. A portion of our revolving credit facility not in excess of $15.0 million is available for the issuance of letters of credit. As of December 31, 2014, we had approximately $744 million of indebtedness outstanding under our First Lien Credit Facility and there were no borrowings under our revolving credit facility, other than stand-by letters of credit issued in the amount of $1.0 million which reduce the borrowings available under our revolving credit facility.

On October 1, 2014, we and MacDermid, as borrowers, MacDermid Holdings, certain subsidiaries of MacDermid Holdings and Platform party thereto, Barclays Bank PLC, as collateral agent and administrative agent, and the incremental lender entered into the Incremental Amendment to the Second Amended and Restated Credit Agreement for an increase in the Term Loan Facility of the Second Amended and Restated Credit Agreement in an aggregate principal amount of $300 million. Except as set forth in the Incremental Amendment, such USD Incremental Loans have identical terms as the existing Tranche B Term Loans and are otherwise subject to the provisions of the Second Amended and Restated Credit Agreement. The proceeds from the Incremental Amendment were used to finance the Agriphar Acquisition.

Upon closing of the CAS Acquisition on November 3, 2014, the Further Amendments became effective pursuant to Amendment No. 2, and the Borrowers (i) borrowed the New Tranche B Term Loans in an aggregate principal amount of $130 million through an increase in Platform's existing tranche B term loan facility, (ii) Platform's existing U.S. Dollar revolving credit facility was increased by $62.5 million to $87.5 million and (iii) Platform's existing multicurrency revolving credit facility was increased by $62.5 million to $87.5 million. On the date of the CAS Acquisition, the Borrowers borrowed $60 million and €55 million pursuant to the U.S. Dollar revolving credit facility and the multi-currency revolving credit facility, respectively, which were settled by December 31, 2014. In addition, new Euro Tranche Term Loans denominated in Euro in an aggregate amount of €205 million were borrowed by MAS Holdings and NAIP, serving as a United States co-borrower. Pursuant to the Further Amendments, MAS Holdings and NAIP were added as borrowers under the Second Amended and Restated Credit Agreement, certain foreign subsidiaries of the Borrowers, MAS Holdings and NAIP became guarantors under the Second Amended and Restated Credit Agreement, and in connection therewith, pledged certain additional collateral to secure the obligations incurred under the Euro Tranche Term Loans and/or other loans incurred under the facility.

Our credit facilities contain various 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 addition, the revolving credit facility requires us to comply with certain financial covenants, including consolidated leverage and interest coverage ratios and limitations on capital expenditures if funding under the revolving credit facility exceeds 25% of the commitments at the end of any fiscal quarter ($43.8 million as of December 31, 2014.) As of December 31, 2014, the Company was in compliance with the debt covenants contained in our credit facilities.

On October 20, 2014, Platform entered into a the Debt Commitment Letter with Barclays Bank PLC, Credit Suisse AG, Credit Suisse Securities (USA) LLC, Nomura Corporate Funding Americas, LLC, Nomura Securities International, LLC, UBS AG, Stamford Branch and UBS Securities LLC for (i) a $1.6 billion Term Facility to be incurred under the Second Amended and Restated Credit Agreement and (ii) senior unsecured bridge loans in an aggregate principal amount of $750 million for the purposes of financing the Arysta Acquisition and the fees and expenses in connection therewith, on the terms and subject to the conditions set forth in the Debt Commitment Letter. The lenders' obligation to provide the Facilities was subject to a number of customary conditions precedents. Furthermore, Platform was under no obligation to borrow under the Facilities and, in connection with the proposed Arysta Acquisition, anticipated seeking a number of alternative financings for the proposed Arysta Acquisition in lieu of such financings, including, but not limited to, equity offerings (including the Proposed Public Offering), debt offerings and other borrowings under the Second Amended and Restated Credit Agreement.

In June 2013, MacDermid had entered into a $360 million second lien facility that was repaid in connection with the MacDermid Acquisition.

Senior Subordinated Notes

On April 12, 2007, MacDermid issued $350.0 million of senior subordinated notes with a fixed interest rate of 9.50% at par. The senior subordinated notes were called and retired in the Predecessor 2013 Period.

Contractual Obligations and Commitments

We own most of our major manufacturing facilities, but we do lease certain office, manufacturing factories and warehouse space and land, as well as other equipment primarily under non-cancelable operating leases.

Summarized in the table below are our obligations and commitments as of December 31, 2014:

	Payment Due by Period						
(amounts in millions)	2015	2016	2017	2018	2019	2020 and Thereafter	Total
Long-term debt (1)	$ 15.1	$ 15.0	$ 14.7	$ 14.6	$ 14.5	$ 1,342.0	$ 1,415.9
Operating leases (2)	9.3	6.3	4.4	3.5	3.4	15.5	42.4
Interest payments (3)	63.6	63.3	62.5	62.3	61.3	29.5	342.5
Long term contingent consideration (4)	-	-	-	-	-	100.0	100.0
Other long term obligations (5)	21.5	21.5	21.5	38.7	-	-	103.2
Total cash contractual obligations	$ 109.5	$ 106.1	$ 103.1	$ 119.1	$ 79.2	$ 1,487.0	$ 2,004.0

(1) Reflects the principal payments on the Credit Facilities.
(2) Amounts are net of sublease income on operating leases.
(3) Amounts are based on currently applicable interest rates in the case of variable interest rate debt.
(4) Reflects the expected payout of 100% of the contingent purchase price relating to the MacDermid Acquisition in December 2021.
(5) Other long term obligations include asset retirement obligations and amounts committed under legally enforceable supply agreements.

To the extent we can reliably determine when payments will occur pertaining to unrecognized tax benefit liabilities, the related amount will be included in the table above. However, due to the high degree of uncertainty regarding the timing of potential future cash flows associated with the $27.7 million of such liabilities at December 31, 2014, we are unable to make a reliable estimate of when (if at all) amounts may be paid to the respective taxing authorities.

Off-Balance Sheet Transactions

We use customary off-balance sheet arrangements, such as operating leases and letters of credit, to finance our business. None of these arrangements has or is reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Significant Accounting Policies and Critical Estimates

Our significant accounting policies are more fully described in Note 1 to the audited consolidated financial statements. As disclosed in Note 1, the preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that impact the reported amounts and accompanying disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions upon which accounting estimates are based. We apply judgment based on our understanding and analysis of the relevant circumstances to reach these decisions. By their nature, these judgments are subject to an inherent degree of uncertainty. Accordingly, actual results could differ significantly from the estimates applied.

Those areas requiring the greatest degree of management judgment or deemed most critical to our financial reporting involve:

Stock-based Compensation

We expense employee stock-based compensation over the requisite service period based on the estimated grant-date fair value of the awards and forfeiture rates, if any. Compensation cost is determined using the Black-Scholes option pricing model to estimate the fair value of the awards at the grant date. A corresponding increase to stockholders' equity is recorded equal to the amount of the compensation expense charge. The assumptions used in calculating the fair value of stock-based awards represent our best estimates and involve inherent uncertainties and the application of judgment. The amount of the compensation expense is based on the estimated fair value of the awards of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Revenue Recognition

The Company recognizes revenue, including freight charged to customers, net of applicable rebates, estimates for sales returns and allowances and discounts, when the earnings process is complete. This occurs when products are shipped to or received by the customer in accordance with the terms of the agreement, title and risk of loss have been transferred, collectability is probable and pricing is fixed or determinable. Shipping terms are customarily "FOB shipping point" and do not include right of inspection or acceptance provisions. Equipment sales arrangements may include right of inspection or acceptance provisions, in which case revenue is deferred until these provisions are satisfied.

Earnings (Loss) per Share

Basic earnings (loss) per share of common stock excludes dilution and is computed by dividing net income (loss) by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings (loss) per ordinary share reflect the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares or resulted in the issuance of ordinary shares that then shared in the earnings of the entity. Since we have only incurred losses, basic and diluted losses per share are the same.

Fair Value Measurement

We record cash equivalents at fair value. ASC Topic 820, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities.

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

Level 3—significant inputs of the valuation model are unobservable and/or reflect our own market assumptions.

We used Level 1 fair value hierarchy assumptions to measure the fair value of all of our cash and cash equivalents as of December 31, 2014.

Goodwill

Goodwill is tested for impairment at the reporting unit level annually, or when events or changes in circumstances indicate that goodwill might be impaired, in accordance with ASC 350-20 "Intangibles—Goodwill and Other". Our reporting units are determined based upon our organizational structure in place at that date of the goodwill impairment test. For goodwill, a two-step impairment test is performed at the reporting unit level. In the first step of impairment testing, the fair value of each reporting unit is compared to its carrying value. The fair value of each reporting unit is determined based on the present value of discounted future cash flows. Excluding certain nonrecurring charges, the discounted cash flows are prepared based upon cash flows at the reporting unit level for the twelve months ended preceding the date of impairment testing. The cash flow model utilized in the goodwill impairment test involves significant judgments related to future growth rates, discount rates and tax rates, among other considerations. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, the second step of the impairment test is performed to determine the implied fair value of the reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recorded equal to the difference. Platform performed its annual goodwill assessment on October 1, and no goodwill impairment charges were recorded for the year ended December 31, 2014.

However, in performing the first step of the goodwill impairment test for the year ended December 31, 2014, the excess of the fair value of the Offshore and ASF Americas reporting units over their carrying values were 7.6% and 11.1% respectively. Goodwill assigned to the Offshore and ASF Americas reporting units totaled $364 million and $78.3 million, respectively.

We determine the fair value of these reporting units as follows:

- Valuation Techniques - we use discounted cash flow analyses, which require assumptions about short and long-term net cash flows, growth rates, as well as discount rates. Additionally, we consider guideline company and guideline transaction information, where available, to aid in the valuation of the reporting units.

- Growth Assumptions - Multi-year financial forecasts are developed for each reporting unit by considering several key business drivers such as new business initiatives, client service and retention standards, market share changes, historical performance, and industry and economic trends, among other considerations. The annual revenue growth rates used in the initial seven year period range from (0.7%) to 9% for Offshore and 2.3% to 5.9% for ASF Americas. The long-term growth rates used in determining the terminal value of the Offshore and ASF Americas reporting units were estimated at 3.5% and 3.0%, respectively based on management's assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as gross domestic product and inflation.

- Discount Rate Assumptions - Discount rates are estimated based on a Weighted Average Cost of Capital, or WACC. The WACC combines the required return on equity, based on a Modified Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, small stock risk premium and a company specific risk premium, with the cost of debt, based on BBB rated corporate bonds, adjusted using an income tax factor. The calculation resulted in a WACC rate of 10.5% for both offshore and ASF Americas.

- Estimated Fair Value and Sensitivities - The estimated fair value of each reporting unit is derived from the valuation techniques described above. The estimated fair value of each reporting unit is analyzed in relation to numerous market and historical factors, including current economic and market conditions, company-specific growth opportunities, and guideline company information.

The estimated fair value of the reporting unit is highly sensitive to changes in these estimates and assumptions; therefore, in some instances, changes in these assumptions could impact whether the fair value of a reporting unit is greater than its carrying value. We perform sensitivity analyses around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. Based on the sensitivity analysis performed for the Offshore reporting unit, a 1% decrease it the terminal growth rate or a 1% increase in the WACC rate would have resulted in the carrying value of the net assets to exceed their fair value, making it necessary to proceed to the second step of the impairment test. For ASF Americas, a 1% decrease it the terminal growth rate does not result in the carrying value exceeding their fair value, however, a 1% increase in the WACC rate would have resulted in the carrying value of the net assets to exceed their fair value, making it necessary to proceed to the second step of the impairment test. Ultimately, if any of these assumptions do not materialize in a manner consistent with the Company’s expectations, including discounts rates, annual revenue growth rates and terminal growth rates, there is risk of impairment to recorded goodwill.

For the Predecessor, annual impairment testing related to goodwill was performed on April 1, 2013 and 2012, respectively, and no reporting units had lower estimated fair values than carrying values in the first step of goodwill impairment evaluation; therefore, no further testing was performed and no goodwill impairment charges were recorded

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets (including our tradenames) are reviewed for potential impairment on an annual basis when events or circumstances indicate that these indefinite-lived intangible assets may be impaired by comparing the estimated fair value of the indefinite-lived purchased intangible assets to the carrying value. An impairment charge is recognized when the estimated fair value of an indefinite-lived intangible asset is less than the carrying value. We use the “relief from royalty” method to test trade name intangible assets for impairment. The primary assumptions in these calculations are our net sales projections, growth rates and the WACC, that we apply to determine the present value of these cash flows. The WACC combines the required return on equity, based on a Modified Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, small stock risk premium and a company specific risk premium, with the cost of debt, based on BBB rates corporate bonds, adjusted using an income tax factor. We then apply a royalty rate to the projected net sales. The royalty rate is based on market royalty rates and royalties we pay to outside parties. The resulting royalty savings are reduced by income taxes resulting from the annual royalty savings at a market participant corporate income tax rate to arrive at the after-tax royalty savings associated with owning the trade names. Finally, the present value of the estimated annual after-tax royalty savings for each year is used to estimate the fair value of the trade names. Assumptions concerning net sales are impacted by global and local economic conditions in the various markets we serve as well as uncertainties related to sales growth, economic growth, future product development and cost estimates.

Long-Lived Assets Including Finite-Lived Intangible Assets

Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, which currently range from eight to 30 years for customer lists, seven to 14 years for developed technology, one to five years for non-compete agreements and five to 20 years for tradenames. If circumstances require a long-lived asset group to be tested for possible impairment, we first determine whether the estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When an impairment is identified, the carrying amount of the asset is reduced to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, based on comparable market values.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement bases and the tax bases of assets, liabilities, net operating losses and tax credit carry-forwards. A valuation allowance is required to berecognized to reduce the recorded deferred tax asset to the amount that will more likely than not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income by jurisdiction during the periods in which those temporary differences become deductible or when carry-forwards can be utilized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable and tax planning strategies in this assessment. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets resulting in additional income tax expense. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences and loss carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

As a result of the Arysta Acquisition, the foreign tax credit carryover of $27.2 million currently recognized will no longer be realized. It is more likely than not that a valuation allowance of $27.2 million will be raised in the first quarter of 2015.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating its uncertain tax positions and determining its provision for income taxes. The first step in evaluating the tax position for recognition is to determine the amount of evidence that supports a favorable conclusion for the tax position upon audit. In order to recognize the tax position, we must determine whether it is more likely than not that the position is sustainable. The final requirement is to measure the tax benefit as the largest amount that has a more than 50% chance of being realized upon final settlement.

The Company accrues for non-income tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated.

Employee Benefits and Pension Obligations

Amounts recognized in our audited consolidated financial statements related to pension and other postretirement benefits are determined from actuarial valuations. Inherent in such valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled, rates of increase in future compensation levels, mortality rates. These assumptions are updated annually and are disclosed in Note 7 to our audited consolidated financial statements. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated in other comprehensive income and amortized over future periods and, therefore, affect expense recognized.

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate and alternative asset classes. The measurement date used to determine pension and other postretirement benefits is December 31, at which time the minimum contribution level for the following year is determined.

With respect to U.S. plans, our investment policies incorporate an asset allocation strategy that emphasizes the long-term growth of capital and acceptable asset volatility as long as it is consistent with the volatility of the relevant market indexes. The investment policies attempt to achieve a mix of approximately 75% of plan investments for long-term growth and 25% for near-term benefit payments. We believe this strategy is consistent with the long-term nature of plan liabilities and ultimate cash needs of the plans. Plan assets consist primarily of corporate bond mutual funds, limited partnership interests, listed stocks and cash. The corporate bond mutual funds held by the pension plan include primarily corporate bonds from companies from diversified industries located in the U.S. The listed stocks are investments in large-cap and mid-cap companies located in the U.S. The assets from the limited partnership investments primarily include listed stocks located in the U.S. The weighted average asset allocation of the Pension Plan was 25% equity securities and managed equity funds, 58% limited partnership interests, 9% bond mutual fund holdings and 8% cash at December 31, 2014. ROA assumptions are determined annually based on a review of the asset mix as well as individual ROA performances, benchmarked against indexes such as the S&P 500 Index and the Russell 2000 Index. In determining an assumed rate of return on plan assets, we consider past performance and economic forecasts for the types of investments held by the Pension Plan. The asset allocation strategy and ROA assumptions for the non-U.S. plans are determined based on similar set of criteria adapted for local investments, inflation rates and in certain cases specific government requirements.

JOBS Act

As a publicly traded company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of Sarbanes-Oxley, which requires, beginning with this Annual Report, annual management assessments of the effectiveness of our internal control over financial reporting. As we no longer qualify as an "emerging growth company" as defined in the JOBS Act, Section 404 will additionally require, commencing with our annual report on Form 10-K for fiscal year 2015, a report by our independent registered public accounting firm that addresses the effectiveness of our internal control over financial reporting.

Recent Accounting Pronouncements

Income Statement – Extraordinary and Unusual Items (Subtopic 225-20) - In January 2015, the FASB issued ASU No. 2015-01, "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, but entities may apply the guidance retrospectively to all prior periods presented in the financial statements. The Company does not expect this ASU to have a material impact on its financial statements.

Derivatives and Hedging (Topic 815) - In November 2014, the FASB issued ASU No. 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity (a consensus of the FASB Emerging Issues Task Force)." Under current practice, there were predominantly two methods used to evaluate whether the nature of the host contract in a hybrid financial instrument is more akin to debt or equity: one considered all the features including the embedded and the other excluded the embedded derivative in the consideration. This update eliminates the difference in practice by clarify that the evaluation should be based on all the instrument's features, including the embedded derivative, and that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. The guidance is effective for fiscal years and interim periods beginning after December 15, 2015 and is applied in a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of our fiscal year 2016. The Company is in the process of evaluating the impact of this new ASU.

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)," The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2015. The Company does not expect this ASU to have a material impact on its financial statements.

Revenue from Contracts with Customers (Topic 606) - In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which (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 guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2016. The Company is continuing to evaluate the impact of this new ASU.

Information Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of Platform. Platform may from time to time make written or oral statements that are "forward-looking," including statements contained in this Annual Report, other filings with the SEC and in reports to its stockholders. Such forward-looking statements include Platform's adjusted earnings per share, expected or estimated revenue, the outlook for Platform's markets and the demand for its products, estimated sales, segment earnings, net interest expense, income tax provision, restructuring and other charges, cash flows from operations, consistent profitable growth, free cash flow, future revenues and gross operating and adjusted EBITDA margin improvement requirement and expansion, organic net sales growth, bank debt covenants, the success of new product introductions, growth in costs and expenses, the impact of commodities and currencies and Platform's ability to manage its risk in these areas, and the impact of acquisitions, divestitures, restructuring and other unusual items, including Platform's ability to successfully complete as well as integrate and obtain the anticipated results and synergies from its consummated and future acquisitions. These statements are made on the basis of management's views and assumptions as of the time the statements are made and Platform undertakes no obligation to update these statements. There can be no assurance, however, that its expectations will necessarily come to pass. Significant factors affecting these expectations are set forth in Part I, Item 1A.—Risk Factors of this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk

We conduct a significant portion of our business in currencies other than the U.S. Dollar, our financial reporting currency. In 2014, approximately 70% of net sales were denominated in currencies other than the U.S. Dollar. Generally, each of our operations utilizes the local currency of the operation as its functional currency, the currency in which it incurs operating expenses and collects accounts receivable. Our business is exposed to foreign currency risk primarily from changes in the exchange rate between the U.S. Dollar and the following currencies: Euro, British Pound Sterling, Chinese Yuan, Brazilian Real and Hong Kong Dollar. As a result, our operating results could be affected by foreign currency exchange rate volatility relative to the U.S. Dollar.

Except for hedging exchange rate risk related to acquisitions, generally we have not utilized foreign currency hedges to mitigate exchange rate risk between the U.S. Dollar and the foreign currencies of our operations other than with respect to the British Pound Sterling. Approximately 35% of the sales of our Autotype foreign subsidiary, which is based in the United Kingdom and utilizes the British Pound Sterling as its functional currency, are denominated in U.S. Dollars. For that reason, we utilize foreign currency hedges between the British Pound Sterling and the U.S. Dollar to help mitigate the risk of a stronger British Pound Sterling for our Autotype foreign subsidiary. Accordingly, in each of the last three years, we contracted with a financial institution to deliver U.S. Dollars and to receive British Pound Sterling at a fixed exchange rate. As of December 31, 2014, the aggregate U.S. Dollar notional amount of foreign currency forward contracts was $14.0 million. These contracts were all denominated in British Pound Sterling. The fair value of the foreign currency forward contracts at December 31, 2014, was a $0.1 million current liability. Foreign currently exchange losses totaled $3.0 million, $0.6 million and $0.2 million for the year ended December 31, 2014, the Successor 2013 Period and the Predecessor 2013 Period, respectively. As we continue to expand our international presence through acquisitions, we continue to review a full range of options focused on mitigating foreign currency exchange rate risk.

Our policies prohibit us from speculating in financial instruments for profit on exchange rate price fluctuations, from trading in currencies for which there are no underlying exposures, and from entering into trades for any currency to intentionally increase the underlying exposure.

Interest Rate Risk

We are also exposed to interest rate risk associated with our cash and cash equivalents, restricted cash, long-term debt, and other financing commitments. At December 31, 2014, we had cash and cash equivalents of $397 million and total debt of $1.42 billion, including approximately $1.41 billion of variable interest rate debt based on the 1-month LIBOR. Our remaining variable interest rate debt is subject to interest rate risk, because its interest payments will fluctuate as the underlying interest rates change from market changes. A 100 basis point increase in LIBOR rates would result in a higher interest expense of approximately $2.5 million annually.

Counterparty Risk

Outstanding financial derivative instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. The credit exposure related to these financial instruments is represented by the fair value of contracts with an obligation fair value as of December 31, 2014. On a periodic basis, we review the credit ratings of our counterparties and adjust our exposure as deemed appropriate. As of December 31, 2014, we believe that our exposure to counterparty risk is immaterial.

Commodity Price Risk

Some raw materials and supplies are subject to price and supply fluctuations caused by market dynamics. Our strategic sourcing initiatives are focused on mitigating the impact of commodity price risk. Although some of our commercial agreements allow us to pass on certain unusual increases in component and raw material costs to our customers in limited situations, we may not be fully compensated for such increased costs. To a lesser extent, we also are exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas, and freight.

Periodically, we may employ forward metals contracts or other financial instruments to hedge commodity price or other price risks. Such contracts are generally designated as normal purchases and accounted for similar to other inventory purchases as defined in ASC 815. We continue to review a full range of business options focused on strategic risk management for all raw material commodities. Any failure by our suppliers to provide acceptable raw materials or supplies could adversely affect our production schedules and contract profitability. We assess qualification of suppliers and continually monitor them to control risk associated with such supply base reliance.

Item 8. Financial Statements and Supplementary Data

See "Index to Consolidated Financial Statements," in this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our CEO, who is our principal executive officer, and CFO, who is our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this Annual Report, with the supervision and participation of management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures were effective at the reasonable assurance level.

Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of Platform's assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of Platform's financial statements in accordance with U.S. GAAP, and that receipts and expenditures of Platform are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Platform's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of Sarbanes-Oxley, management assessed the effectiveness of Platform's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment and the above criteria, management concluded that Platform maintained effective internal control over financial reporting as of December 31, 2014.

Platform's evaluation of internal controls over financial reporting as of December 31, 2014 did not include the internal control over financial reporting related to Agriphar and CAS because they were acquired by Platform in purchase business combinations consummated during the 4th quarter of 2014. Total assets, excluding goodwill and intangible assets recognized in purchase accounting, and sales for these acquisitions represent approximately 27.0% and 10.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014 (see Note 2 of the Consolidated Financial Statements).

Changes to Internal Control Over Financial Reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this Annual Report that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting. We excluded our subsidiaries resulting from the Agriphar and CAS Acquisitions from our assessment of internal control over financial reporting because our control over operations was acquired in a purchase business combination during 2014.

Platform's evaluation of internal controls over financial reporting as of December 31, 2014 did not include the internal control over financial reporting related to Agriphar and CAS because they were acquired by Platform in purchase business combinations consummated during the 4th quarter of 2014. Total assets, excluding goodwill and intangible assets recognized in purchase accounting, and sales for these acquisitions represent approximately 27.0% and 10.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014 (see Note 2 of the Consolidated Financial Statements).

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

We maintain a Business Conduct and Ethics Policy applicable to all directors and employees of Platform and its subsidiaries. The Policy is located on our website at http://www.platformspecialtyproducts.com under "Investor Relations – Corporate Governance." We intend to provide disclosure of any amendment to or waiver of our Business Conduct and Ethics Policy on our website within four business days following the date of such amendment or waiver.

We also maintain a Code of Ethics for Senior Financial Officers applicable to our CEO, CFO and principal accounting officer. The Code of Ethics is located on our website at http://www.platformspecialtyproducts.com under "Investor Relations – Corporate Governance." We intend to provide disclosure of any amendment to or waiver of our Code of Ethics for Senior Financial Officers on our website within four business days following the date of such amendment or waiver.

The remaining items required by Part III, Item 10 are incorporated herein by reference from Platform's Proxy Statement for its 2015 annual meeting of stockholders. Platform intends to file its Proxy Statement no later than 120 days after December 31, 2014.

Item 11. Executive Compensation

The items required by Part III, Item 11 are incorporated herein by reference from Platform's Proxy Statement for its 2015 annual meeting of stockholders. Platform intends to file its Proxy Statement with the SEC no later than 120 days after December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The Equity Compensation Plan Information table required by Item 201(d) of Regulation S-K and the remaining items required by Part III, Item 12 are incorporated herein by reference from Platform's Proxy Statement for its 2015 annual meeting of stockholders. Platform intends to file its Proxy Statement with the SEC no later than 120 days after December 31, 2014.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The items required by Part III, Item 13 are incorporated herein by reference from Platform's Proxy Statement for its 2015 annual meeting of stockholders. Platform intends to file its Proxy Statement with the SEC no later than 120 days after December 31, 2014.

Item 14. Principal Accounting Fees and Services

The items required by Part III, Item 14 are incorporated herein by reference from Platform's Proxy Statement for its 2015 annual meeting of stockholders. Platform intends to file its Proxy Statement with the SEC no later than 120 days after December 31, 2014.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(A) Exhibits

Exhibit Nb.	Exhibit Description	Incorporated by Reference Form	File Nb.	Exhibit Nb.	Filing Date	Included in this Annual Report
2.1	Business Combination Agreement And Plan Of Merger, dated as of October 10, 2013, by and among Platform Acquisition Holdings Limited, Platform Delaware Holdings, Inc., Platform Merger Sub, LLC, MacDermid Holdings, LLC, MacDermid, Incorporated, Tartan Holdings, LLC, and Court Square Capital Partners II LP Shareholder Services LLC as seller representative for the direct and indirect beneficial owners of the Company	S-4	333-192778	2.1	12/11/13	
2.2	Exchange Agreement, dated as of October 25, 2013, by and between Platform Acquisition Holdings Limited and the MacDermid Incorporated Profit Sharing and Employee Savings Plan	S-4	333-192778	2.2	12/11/13	
2.3	Stock and Asset Purchase Agreement, dated as of April 16, 2014, between Chemtura Corporation and Platform Specialty Products Corporation	8-K	001-36272	2.1	04/17/14	
2.4	Letter agreement dated October 24, 2014 relating to the Stock and Asset Purchase Agreement, dated as of April 16, 2014, between Platform Specialty Products Corporation and Chemtura Corporation	8-K	001-36272	2.1	10/30/14	
2.5	Agreement, dated as of August 4, 2014, among MacDermid Agricultural Solutions Holdings B.V., Platform Specialty Products Corporation, as guarantor, and a representative of Percival S.A.	8-K	001-36272	2.1	08/06/14	
2.6	Share Purchase Agreement, dated October 20, 2014, between Nalozo S.à.r.l. and Platform Specialty Products Corporation	8-K	001-36272	2.1	10/21/14	
2.7	Amendment Agreement, dated December 2, 2014, between Nalozo S.à.r.l. and Platform	8-K	001-36272	2.1	12/04/14	
2.8	Amendment Agreement, dated February 11, 2015, between Nalozo S.à.r.l., Nalozo	8-K	001-36272	2.3	02/17/15	

	L.P. and Platform				
3.1 (a)	Certificate of Incorporation	S-4 POS	333-192778	3.1	01/24/14
3.1 (b)	Certificate of Amendment of Certificate of Incorporation	8-K	001-36272	3.1	06/13/14
3.1 (c)	Certificate of Designation of Series B Convertible Preferred Stock	8-K	001-36272	3.1	02/17/15
3.2	Amended and Restated By-laws	10-K	001-36272	3.2	03/31/14
4.1	Specimen Common Stock certificate	S-4	333-192778	4.1	01/02/14

4.2	Indenture, dated as of February 2, 2015, among Escrow Issuer, the Trustee and the EUR Agent	8-K	001-36272	4.1	02/03/15
4.3	Supplemental Indenture, dated as of February 13, 2015, among Platform, the Initial Guarantors, the Trustee and the EUR Agent	8-K	001-36272	4.2	02/17/15
4.4	Form of 6.50% senior notes due 2022 denominated in U.S. dollars	8-K	001-36272	A-1 to 4.1	02/03/15
4.5	Form of 6.00% senior notes due 2023 denominated in Euro	8-K	001-36272	A-2 to 4.1	02/03/15
10.1	Severance Agreement Letter, dated as of May 23, 2011, between MacDermid, Incorporated and Daniel H. Leever	S-4	333-192778	10.1	01/02/14
10.2	Severance Agreement Letter, dated as of January 7, 2003, between MacDermid, Incorporated and Frank J. Monteiro	S-4	333-192778	10.2	01/02/14
10.3	Severance Agreement Letter, dated as of July 22, 2002, between MacDermid, Incorporated and John L. Cordani	S-4	333-192778	10.3	01/02/14
10.4	Memorandum of Agreement, dated as of July 9, 2001, between MacDermid, Incorporated and John L. Cordani	S-4	333-192778	10.4	01/02/14
10.5	MacDermid, Incorporated Profit Sharing and Employee Savings Plan (as amended and restated generally effective January 1, 2010)	S-4	333-192778	10.5	12/11/13
10.6	MacDermid, Incorporated Employees' Pension Plan (as amended and restated generally effective January 1, 2009)	S-4	333-192778	10.6	12/11/13
10.7	MacDermid, Incorporated Supplemental Executive Retirement Plan, effective April 1, 1994, as amended on February 25, 2005, and as further amended on July 11, 2013	S-4	333-192778	10.7	01/02/14
10.8	Second Amendment to MacDermid, Incorporated Employees' Pension Plan, 2009 Restatement	S-4	333-192778	10.8	01/02/14
10.9	Amendment No. 1 to MacDermid, Incorporated Supplemental Executive Retirement Plan (as Previously Amended and Restated)	S-4	333-192778	10.9	01/02/14
10.10	Platform Specialty Products Corporation Amended and Restated 2013 Incentive Compensation Plan	S-8	333-194012	10.1	02/18/14
10.11	Form of Amended and Restated Restricted Stock Unit Agreement –	10-Q	001-36272	10.5	08/06/14

	Platform Specialty Products Corporation Amended and Restated 2013 Incentive Compensation Plan				
10.12	Form of Director and Officer Indemnification Agreement	S-4	333-192778	10.12	01/02/14
10.13	Amended and Restated Credit Agreement, dated as of October 31, 2013, among, inter alia, Platform Acquisition Holding Limited, MacDermid Holdings, LLC, Matrix Acquisition Corp., MacDermid, Incorporated (as successor to Matrix Acquisition Corp., the borrower), the subsidiaries of the borrower from time to time parties thereto, the lenders from time to time parties thereto and Credit Suisse AG, as administrative agent and as collateral agent	S-4	333-192778	10.13	01/02/14

10.14	Second Amended and Restated Credit Agreement, dated as of August 6, 2014, among, inter alia, the Company, MacDermid Holdings, LLC, MacDermid, Incorporated, the subsidiaries of the borrower from time to time parties thereto, the lenders from time to time parties thereto and Barclays Bank PLC, as administrative agent and collateral agent	8-K	001-36272	10.1	08/08/14
10.15	Amendment No. 2, dated as of August 6, 2014, among, inter alia, the Company, MacDermid Holdings, LLC, MacDermid, Incorporated, the subsidiaries of the borrower from time to time parties thereto, the lenders from time to time parties thereto, and Barclays Bank PLC, as administrative agent and collateral agent	8-K	001-36272	10.2	08/08/14
10.16	Incremental Amendment, dated October 1, 2014, among the Company, MacDermid, Incorporated, MacDermid Holdings, LLC, certain subsidiaries of MacDermid Holdings, LLC and Platform party thereto, Barclays Bank PLC, as collateral agent and administrative agent, and the lenders party thereto	8-K	001-36272	10.1	10/01/14
10.17	Amendment No.3, dated February 13, 2015, among, inter alia, Platform, Holdings, MacDermid, the subsidiaries of the borrower from time to time parties thereto, the lenders from time to time parties thereto, and Barclays Bank PLC, as administrative agent and collateral agent	8-K	001-36272	10.1	02/17/15
10.18	Form of Retaining Holder Securityholders Agreement	S-4	333-192778	10.14	01/02/14
10.19	Advisory Services Agreement, dated October 31, 2013, by and between Platform Specialty Products Corporation and Mariposa Capital, LLC	S-4	333-192778	10.15	01/02/14
10.20	Letter Agreement with respect to Supplemental Executive Retirement Plan payment, dated as of October 29, 2013, between Platform Acquisition Holdings Limited and Daniel H.	S-4	333-192778	10.16	01/02/14

	Leever				
10.21	Security Holder's Agreement dated as of November 7, 2013	S-4	333-192778	10.17	01/02/14
10.22	Placing Agreement, dated May 17, 2013, by and between Platform Acquisition Holdings Limited, certain of its Directors, Berggruen Acquisition Holdings IV Ltd., Mariposa Acquisition, LLC, and Barclays Bank and Citigroup Global Markets Limited as placing banks	S-4	333-192778	10.18	01/02/14
10.23	Form of Option Deeds	S-4	333-192778	10.19	01/02/14
10.24	Form of Interest Notice	S-4	333-192778	10.20	01/15/14
10.25	Third Amendment to Amended and Restated MacDermid, Incorporated Employees' Pension Plan	S-4	333-192778	10.21	01/02/14
10.26	Form of Non-Qualified Stock Option Agreement – Platform Specialty Products Corporation Equity Incentive Plan	S-4	333-192778	10.22	01/02/14
10.27	Form of Incentive Stock Option Agreement – Platform Specialty Products Corporation Equity Incentive Plan	S-4	333-192778	10.23	01/02/14
10.28	Irrevocable Election	S-4	333-192778	10.24	01/17/14

10.29	Amended and Restated Pledge and Security Agreement, amended and restated as of October 31, 2013	10-K	001-36272	10.25	03/31/14	
10.30	Registration Rights Agreement, dated May 20, 2014, between Platform Specialty, the placement agents thereto and the Investors stated therein	8-K	001-36272	10.1	05/21/14	
10.31	Form of registration rights agreement between Platform and the purchasers of the shares in the October/November Private Placement	8-K	001-36272	10.3	10/08/14	
10.32	Registration Rights Agreement, dated February 13, 2015, between Platform and Nalozo L.P.	8-K	001-36272	10.2	02/17/15	
10.33	Form of Support Agreement	DEF14A	001-36272	Annex A	10/17/14	
14.1	Code of Ethics for Senior Financial Officers	10-K	001-36272	14	03/31/14	
21.1	List of subsidiaries					X
23.1	Consent of PricewaterhouseCoopers LLP					X
23.2	Consent of KPMG LLP					X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS*	XBRL Instance Document					X
101.SCH*	XBRL Taxonomy Extension Schema Document					X
101.CAL*	XBRL Extension Calculation Linkbase Document					X
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed furnished and not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under these sections.

(B) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts and Reserves

61

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLATFORM SPECIALTY PRODUCTS CORPORATION

By:	/s/ Robert L. Worshek Name: Robert L. Worshek Title: Vice President and Chief Accounting Officer
Date:	March 30, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Daniel H. Leever Daniel H. Leever	Chief Executive Officer and Vice Chairman (Principal executive officer)	March 30, 2015
/s/ Frank J. Monteiro Frank J. Monteiro	Senior Vice President and Chief Financial Officer (Principal financial officer)	March 30, 2015
/s/ Robert L. Worshek Robert L. Worshek	Vice President and Chief Accounting Officer (Principal accounting officer)	March 30, 2015
/s/ Martin E. Franklin Martin E. Franklin	Chairman of the Board	March 30, 2015
/s/ Wayne M. Hewett Wayne M. Hewett	Director	March 30, 2015
/s/ Ian G.H. Ashken Ian G. H. Ashken	Director	March 30, 2015
/s/ Nicolas Berggruen Nicolas Berggruen	Director	March 30, 2015
/s/ Michael F. Goss Michael F. Goss	Director	March 30, 2015
/s/ Ryan Israel Ryan Israel	Director	March 30, 2015

/s / E. Stanley O'Neal E. Stanley O'Neal	Director	March 30, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Platform Specialty Products Corporation

In our opinion, the accompanying consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity and cash flows for the year ended December 31, 2014 and for the period from inception (April 23, 2013) through December 31, 2013 present fairly, in all material respects, the financial position of Platform Specialty Products Corporation and its subsidiaries (Successor) at December 31, 2014 and 2013, and the results of their operations and their cash flows for the year ended December 31, 2014 and for the period from inception (April 23, 2013) through December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2014 and for the period from inception (April 23, 2013) through December 31, 2013 listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut
March 30, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
MacDermid, Incorporated:

We have audited the accompanying consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows of MacDermid, Incorporated and subsidiaries (the "Company") for the ten-month period ended October 31, 2013 and the year ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as of and for the ten-month period ended October 31, 2013 and as of and for the year ended December 31, 2012. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of MacDermid, Incorporated and subsidiaries for the ten-month period ended October 31, 2013 and the year ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material aspects, the information set forth therein.

/s/ KPMG LLP

Hartford, Connecticut
February 11, 2014

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

(amounts in millions)	Year Ended December 31, 2014 (Successor)	Period from Inception (April 23, 2013) through December 31, 2013 (Successor)	January 1, 2013 through October 31, 2013 (Predecessor)	Year Ended December 31, 2012 (Predecessor)
Net sales	$ 843.2	$ 118.2	$ 627.7	$ 731.2
Cost of sales	446.6	82.5	304.9	376.1
Gross profit	396.6	35.7	322.8	355.1
Operating expenses:				
Selling, technical, general and administrative	357.9	54.5	207.6	214.6
Non-cash charge related to preferred stock dividend rights	-	172.0	-	-
Research and development	26.2	4.0	19.9	25.1
Restructuring	3.0	0.8	3.6	0.3
Total operating expenses	387.1	231.3	231.1	240.0
Operating profit (loss)	9.5	(195.6)	91.7	115.1
Other (expense) income:				
Interest, net	(37.9)	(5.4)	(45.9)	(49.1)
Loss on extinguishment of debt	-	-	(18.8)	61

					1871
Total nonperforming loans	1,083	167	296	1,852	4,377
Other real estate owned					
Investor commercial real estate	4,488	4,488	4,488	4,013	3,401
Residential mortgage	45	—	—	368	265
Total other real estate owned	4,533	4,488	4,488	4,381	3,666
Other nonperforming assets	85	85	82	956	2,253
Total nonperforming assets	$5,701	$4,740	$4,866	$7,189	$10,296

Total nonperforming loans to total loans	0.09 %	0.02 %	0.04 %	0.37 %	1.23 %
Total nonperforming assets to total assets	0.31 %	0.37 %	0.50 %	0.90 %	1.62 %

A loan is designated as impaired, in accordance with the impairment accounting guidance when, based on current information or events, it is probable that the Company will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Payments with delays generally not exceeding 90 days outstanding are not considered impaired. Certain nonaccrual and substantially all delinquent loans more than 90 days past due may be considered to be impaired. Generally, loans are placed on nonaccrual status at 90 days past due and accrued interest is reversed against earnings, unless the loan is well-secured and in the process of collection. The accrual of interest on impaired and nonaccrual loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due.

Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings ("TDRs") where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance, or other actions intended to maximize collection.

Nonperforming loans are comprised of total nonaccrual loans and loans 90 days past due and accruing. Nonperforming assets include nonperforming loans, other real estate owned and other nonperforming assets, which consist of repossessed assets. Nonperforming assets also included investments that were classified as other-than-temporarily impaired as of December 31, 2012.

Troubled Debt Restructurings

(amounts in thousands)	December 31, 2016	2015	2014	2013	2012
Troubled debt restructurings – nonaccrual	$—	$—	$5	$27	$558
Troubled debt restructurings – performing	757	1,115	1,125	1,243	1,412
Total troubled debt restructurings	$757	$1,115	$1,130	$1,270	$1,970

The increase in total nonperforming assets was due primarily to an increase in nonaccrual residential mortgage loans. Total nonperforming loans increased $0.9 million, or 548.5%, to $1.1 million as of December 31, 2016 compared to $0.2 million as of December 31, 2015. As a result of the increase in nonperforming loans, the ratio of nonperforming loans to total loans increased to 0.09% as of December 31, 2016 compared to 0.02% as of December 31, 2015. While total nonperforming assets increased year-over-year, the pace of total asset growth was higher and, as a result, the ratio of nonperforming assets to total assets improved to 0.31% as of December 31, 2016 compared to 0.37% as of December 31, 2015.

As of December 31, 2016 and December 31, 2015, the Company had one commercial property in other real estate owned with a carrying value of $4.5 million. This balance primarily consists of a property with two buildings which are residential units adjacent to a university campus. Improvements to the property have been made in collaboration with the university and the property continues to be occupied. As of December 31, 2016, the Company also had one residential property in other real estate owned with a carrying value of less than $0.1 million.

Allowance for Loan Losses

(amounts in thousands)	December 31, 2016	2015	2014	2013	2012
Balance, beginning of period	$8,351	$5,800	$5,426	$5,833	$5,656
Provision charged to expense	4,330	1,946	349	324	2,852
Losses charged off					
Commercial and industrial	(1,582)	—	(14)	—	—
Owner-occupied commercial real estate	—	—	—	—	—
Investor commercial real estate	—	—	—	(238)	(1,464)
Construction	—	—	—	—	—
Single tenant lease financing	—	—	—	—	—
Residential mortgage	(134)	(185)	(247)	(164)	(406)
Home equity	(33)	—	—	—	(103)
Other consumer	(440)	(451)	(596)	(810)	(1,438)
Total losses charged off	(2,189)	(636)	(857)	(1,212)	(3,411)
Recoveries					
Commercial and industrial	187	—	—	70	75
Owner-occupied commercial real estate	—	—	—	—	—
Investor commercial real estate	—	500	460	—	—
Construction	—	—	—	—	1
Single tenant lease financing	—	—	—	—	—
Residential mortgage	30	407	38	98	43
Home equity	13	1	—	—	104
Other consumer	259	333	384	313	513
Total recoveries	489	1,241	882	481	736
Balance, end of period	$10,981	$8,351	$5,800	$5,426	$5,833

The determination of the allowance for loan losses and the related provision for loan losses are components of our significant accounting policies as discussed within Note 1 to the consolidated financial statements. The adequacy of the ALLL and the provision are based on the review and evaluation of the loan portfolio and reflect management's assessment of the risks and potential losses within the portfolio. This evaluation considers historical loss experience as well as qualitative factors such as economic and business conditions, portfolio growth, concentrations of credit in the portfolio, trends in risk grades and delinquencies within the portfolio and changes in our lending policies and practices.

Management actively monitors asset quality and, when appropriate, charges off loans against the allowance for loan losses. Although management believes it uses the best information available to make determinations with respect to the allowance for loan losses, future adjustments may be necessary if economic conditions differ substantially from the economic conditions in the assumptions used to determine the size of the allowance for loan losses.

The allowance for loan losses was $11.0 million as of December 31, 2016, compared to $8.4 million as of December 31, 2015. The increase of $2.6 million, or 31.5%, was due primarily to the continued growth in commercial loan balances. During the twelve months ended December 31, 2016, the Company recorded net charge offs of $1.7 million, compared to net recoveries of $0.6 million during the twelve months ended December 31, 2015. During the twelve months ended December 31, 2016, the net charge offs were driven primarily by a $1.6 million charge off of a single commercial and industrial loan. The charge offs were partially offset by recoveries of $0.5 million, primarily related to the commercial and industrial loan that was charged off and other consumer loans. During the twelve months ended December 31, 2015, the net recoveries were driven primarily by a $0.5 million recovery of an investor commercial real estate loan that had been previously charged-off and a $0.4 million recovery of a residential mortgage loan, of which $0.3 million related to the recapture of principal previously charged-off. The recoveries were partially offset by charge-offs of $0.6 million in residential mortgage and other consumer loans.

The allowance for loan losses as a percentage of total loans remained stable at 0.88% as of December 31, 2016 compared to December 31, 2015, and decreased as a percentage of nonperforming loans to 1,013.9% as of December 31, 2016, from to 5,000.6% as of December 31, 2015.

Investment Securities

In managing the Company's investment securities portfolio, management focuses on providing an adequate level of liquidity and establishing an interest rate-sensitive position, while earning an adequate level of investment income without taking undue risk. Investment securities that are acquired and held principally for the purpose of selling them in the near term with the objective of generating economic profits on short-term differences in market characteristics are classified as securities held for trading. Securities that we intend to hold until maturity are classified as held-to-maturity securities, and all other investment securities are classified as available-for-sale. The carrying values of available-for-sale investment securities are adjusted for unrealized gains or losses as a valuation allowance and any gain or loss is reported on an after-tax basis as a component of other comprehensive income (loss).

The Company periodically evaluates each security in an unrealized loss position to determine if the impairment is temporary or other-than-temporary. As of December 31, 2016, the unrealized losses in the Company's investment securities portfolio were due primarily to interest rate changes. The Company has the ability and intent to hold all investment securities with identified impairments resulting from interest rate changes to the earlier of the forecasted recovery or the maturity of the underlying investment security. As of December 31, 2016, the Company did not have any investment securities of a single issuer that exceeded 10% of shareholders' equity. The term "issuer" excludes the U.S. Government and its sponsored agencies and corporations.

The following tables present the amortized cost and approximate fair value of the Company's investment securities portfolio by security type as of the end of the last five years.

(amounts in thousands)	December 31,				
Amortized Cost	2016	2015	2014	2013	2012
Securities available-for-sale					
U.S. Government-sponsored agencies	$92,599	$38,093	$13,680	$57,569	$18,666
Municipal securities	97,647	21,091	—	46,126	39,999
Mortgage-backed securities	238,354	113,948	117,134	76,371	78,478
Asset-backed securities	19,470	19,444	4,913	—	—

Corporate securities	20,000	20,000	—	—	—
Other securities	3,000	3,000	2,000	5,025	16,753
Total securities available-for-sale	471,070	215,576	137,727	185,091	153,896
Securities held-to-maturity					
Municipal securities	10,171	—	—	—	—
Corporate securities	6,500	—	—	—	—
Total securities held-to-maturity	16,671	—	—	—	—
Total securities	$487,741	$215,576	$137,727	$185,091	$153,896

Approximate Fair Value	December 31, 2016	2015	2014	2013	2012
Securities available-for-sale					
U.S. Government-sponsored agencies	$91,896	$37,750	$13,552	$56,277	$19,618
Municipal securities	91,886	21,469	—	46,323	42,540
Mortgage-backed securities	231,641	113,052	117,048	75,173	79,942
Asset-backed securities	19,534	19,361	4,912	—	—
Corporate securities	18,811	19,087	—	—	—
Other securities	2,932	2,979	2,006	3,636	14,593
Total securities available-for-sale	456,700	213,698	137,518	181,409	156,693
Securities held-to-maturity					
Municipal securities	9,673	—	—	—	—
Corporate securities	6,524	—	—	—	—
Total securities held-to-maturity	16,197	—	—	—	—
Total securities	$472,897	$213,698	$137,518	$181,409	$156,693

The approximate fair value of investment securities available-for-sale increased $243.0 million, or 113.7%, to $456.7 million as of December 31, 2016 compared to $213.7 million as of December 31, 2015. The increase was due primarily to increases of $118.6 million in mortgage-backed securities, $70.4 million in municipal securities, $54.1 million in U.S. Government-sponsored agencies and $0.2 million in asset-backed securities, partially offset by a decrease of $0.3 million in corporate securities. The increases were primarily a result of investment purchases during the twelve months ended December 31, 2016, as the Company deployed funds generated through deposit growth to further diversify the securities portfolio and enhance net interest income, while supporting liquidity and interest rate risk management. As of December 31, 2016, the Company had securities with an amortized cost basis of $16.7 million designated as held-to-maturity, reflecting additional investment purchases made during 2016.

Investment Maturities

The following table summarizes the contractual maturity schedule of the Company’s investment securities at their amortized cost and their weighted average yields at December 31, 2016.

	1 year or less		More than 1 year to 5 years		More than 5 years to 10 years		More than 10 years		Total	
(dollars in thousands)	Amortized Cost	Wtd. Avg. Yield	Amortized Cost	Wtd. Avg. Yield	Amortized Cost	Wtd. Avg. Yield	Amortized Cost	Wtd. Avg. Yield	Amortized Cost	Wtd. Avg. Yield
Securities:										
U.S. Government-sponsored agencies	$ —	0.00 %	$1,067	(0.40)%	$21,131	2.22 %	$70,401	1.87 %	$92,599	1.92 %
Municipal securities	—	0.00 %	—	0.00 %	10,071	2.30 %	97,747	2.92 %	107,818	2.86 %
Mortgage-backed securities	—	0.00 %	—	0.00 %	1,004	2.43 %	237,350	2.33 %	238,354	2.33 %
Asset-backed securities	—	0.00 %	—	0.00 %	19,470	3.07 %	—	0.00 %	19,470	3.07 %
Corporate securities	—	0.00 %	—	0.00 %	16,500	4.34 %	10,000	4.00 %	26,500	4.21 %
Total securities [1]	$ —	0.00 %	$1,067	(0.40)%	$68,176	2.99 %	$415,498	2.43 %	$484,741	2.51 %

[1] A $3.0 million investment security has been excluded from this table because the security does not have a maturity date.

35

Deposits

The following table presents the composition of the Company's deposit base as of the end of the last five years.

(dollars in thousands)	December 31, 2016		2015		2014		2013		2012	
Noninterest-bearing deposits	$31,166	2.1 %	$23,700	2.5 %	$21,790	2.9 %	$19,386	2.9 %	$13,187	2.5 %
Interest-bearing demand deposits	93,074	6.4 %	84,241	8.8 %	74,238	9.8 %	73,748	11.0 %	73,660	13.9 %
Regular savings accounts	27,955	1.9 %	22,808	2.4 %	20,776	2.7 %	14,330	2.1 %	11,583	2.2 %
Money market accounts	340,240	23.3 %	341,732	35.7 %	267,046	35.2 %	255,169	37.9 %	202,388	38.1 %
Certificates of deposits	964,819	65.9 %	470,736	49.2 %	361,202	47.6 %	292,685	43.5 %	211,542	39.9 %
Brokered deposits	5,613	0.4 %	12,837	1.4 %	13,546	1.8 %	17,777	2.6 %	18,311	3.4 %
Total	$1,462,867	100.0%	$956,054	100.0%	$758,598	100.0%	$673,095	100.0%	$530,671	100.0%

Total deposits increased $506.8 million, or 53.0%, to $1.5 billion as of December 31, 2016 as compared to $956.1 million as of December 31, 2015. During 2016, the Company determined to enhance both balance sheet liquidity and asset sensitivity through strategies to increase term deposit funding, resulting in growth in certificates of deposit of $494.1 million, or 105.0%. The increase in total deposits was also supplemented by growth in interest-bearing demand deposits, noninterest-bearing deposits and savings accounts.

The following tables present contractual interest rates paid on time deposits, their scheduled maturities, and the scheduled maturities for time deposits $100,000 or greater.

Time Deposits

(dollars in thousands)	December 31, 2016
Interest Rate:	
<1.00%	$38,165
1.00% – 1.99%	762,383
2.00% – 2.99%	164,271
3.00% – 3.99%	3,084
4.00% – 4.99%	2,529
Total	$970,432

Time Deposit Maturities at December 31, 2016

(dollars in thousands)	Period to Maturity Less than 1 year	> 1 year to 2 years	> 2 years to 3 years	More than 3 years	Total	Percentage of Total Certificate Accounts
Interest Rate:						
<1.00%	$38,165	$—	$—	$—	$38,165	3.9 %
1.00% – 1.99%	346,365	212,378	26,385	177,255	762,383	78.6 %
2.00% – 2.99%	95	—	4,028	160,148	164,271	16.9 %

3.00% – 3.99%	3,084	—	—	—	3,084	0.3	%
4.00% – 4.99%	—	2,529	—	—	2,529	0.3	%
Total	$387,709	$214,907	$30,413	$337,403	$970,432	100.0	%

Time Deposit Maturities of $100,000 or Greater

(dollars in thousands)	December 31, 2016
Maturity Period:	
3 months or less	$ 95,692
Over 3 through 6 months	79,632
Over 6 through 12 months	357,772
Over 12 months	313,677
Total	$ 846,773

Federal Home Loan Bank Advances

Although deposits are the primary source of funds for our lending and investment activities and for general business purposes, we may use short term advances from the FHLB to manage liquidity needs and longer term advances to supplement balance sheet growth and manage interest rate risk. The following table is a summary of FHLB borrowings for the periods indicated.

	At or for the Twelve Months Ended December 31,		
(dollars in thousands)	2016	2015	2014
Balance outstanding at end of period	$ 189,981	$ 190,957	$ 106,897
Average amount outstanding during period	164,606	134,689	42,597
Maximum outstanding at any month end during period	197,980	190,957	106,897
Weighted average interest rate at end of period	1.21 %	0.81 %	1.58 %
Weighted average interest rate during period	1.20 %	1.09 %	2.23 %

Liquidity and Capital Resources

While the Company believes it has sufficient liquidity and capital resources to meet its cash and capital expenditure requirements for at least the next twelve months, including any cash dividends it may pay, the Company intends to continue pursuing its growth strategy, which may require additional capital. If the Company is unable to secure such capital at favorable terms, its ability to execute its growth strategy could be adversely affected.

Liquidity management is the process used by the Company to manage the continuing flow of funds necessary to meet its financial commitments on a timely basis and at a reasonable cost while also maintaining safe and sound operations. Liquidity, represented by cash and investment securities, is a product of the Company's operating, investing and financing activities. The primary sources of funds are deposits, principal and interest payments on loans and investment securities, maturing loans and investment securities, access to wholesale funding sources and collateralized borrowings. While scheduled payments and maturities of loans and investment securities are relatively predictable sources of funds, deposit flows are greatly influenced by interest rates, general economic conditions and competition. Therefore, the Company supplements deposit growth and enhances interest rate risk management through borrowings, which are generally advances from the FHLB.

The Company maintains cash and investment securities that qualify as liquid assets to maintain adequate liquidity to ensure safe and sound operations and meet its financial commitments. At December 31, 2016, on a consolidated basis, the Company had $496.4 million in cash and cash equivalents, interest-bearing time deposits and investment securities available-for-sale and $27.1 million in loans held-for-sale that were generally available for its cash needs. The Company can also generate funds from wholesale funding sources and collateralized borrowings. At December 31, 2016, the Bank had the ability to borrow an additional $273.6 million in advances from the FHLB and correspondent bank Fed Funds lines of credit.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its common shareholders and interest and principal on outstanding debt. The Company’s primary sources of funds are cash maintained at the holding company level and dividends from the Bank, the payment of which is subject to regulatory limits. At December 31, 2016, the Company, on an unconsolidated basis, had $29.4 million in cash generally available for its cash needs.

The Company uses its sources of funds primarily to meet ongoing financial commitments, including withdrawals by depositors, credit commitments to borrowers, operating expenses and capital expenditures. At December 31, 2016, approved outstanding loan commitments, including unused lines of credit, amounted to $132.5 million. Certificates of deposit scheduled to mature in one year or less at December 31, 2016 totaled $387.7 million. Generally, the Company believes that a majority of maturing deposits will remain with the Bank.

In March 2013, the Company borrowed $4.0 million from the Bank for the purchase of the Company's principal executive offices. The original scheduled maturity date of the loan was March 6, 2014. Effective March 6, 2014, the Company entered into an Acknowledgment, Confirmation and Amendment that, among other things, extended the maturity of the loan to March 6, 2015. Effective March 6, 2015, the Company entered into a Second Acknowledgment, Confirmation and Amendment that extended the maturity of the loan to March 6, 2016. Effective February 26, 2016, the Company entered into a Third Acknowledgment, Confirmation and Amendment that extended the maturity of the loan to March 6, 2017. Effective February 21, 2017, the Company entered into a Fourth Acknowledgment, Confirmation and Amendment that, among other things, replaced the principal amount of the loan with $3.6 million and extended the maturity of the loan to March 6, 2020. The loan bears interest during the term at a variable rate equal to the then applicable prime rate (as determined by the Bank with reference to the "Prime Rate" published in The Wall Street Journal) plus 1.00% per annum. The loan agreement contains customary warranties and representations, affirmative covenants and events of default. The loan agreement provides that the loan is to be secured by a first priority mortgage and lien on the acquired property and requires that the Company, at all times, maintain collateral securing the loan with an "as is" market value of not less than 1.3 times the principal balance of the loan.

Reconciliation of Non-GAAP Financial Measures

This annual report on Form 10-K contains financial information determined by methods other than in accordance with U.S. generally accepted accounting principles ("GAAP"). Non-GAAP financial measures, specifically tangible common equity, tangible assets, average tangible common equity, tangible book value per common share, return on average tangible common equity and the ratio of tangible common equity to tangible assets are used by management to measure the strength of its capital and its ability to generate earnings on tangible capital invested by its shareholders. Although the Company believes these non-GAAP measures provide a greater understanding of its business, they should not be considered a substitute for financial measures determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the following table.

(dollars in thousands, except share and per share data)	At or for the Twelve Months Ended December 31, 2016	2015	2014	2013	2012
Total equity - GAAP	$153,942	$104,330	$96,785	$90,908	$61,350
Adjustments:					
Goodwill	(4,687)	(4,687)	(4,687)	(4,687)	(4,687)
Tangible common equity	$149,255	$99,643	$92,098	$86,221	$56,663
Total assets - GAAP	$1,854,335	$1,269,870	$970,503	$802,342	$636,367
Adjustments:					
Goodwill	(4,687)	(4,687)	(4,687)	(4,687)	(4,687)
Tangible assets	$1,849,648	$1,265,183	$965,816	$797,655	$631,680
Total common shares outstanding	6,478,050	4,481,347	4,439,575	4,448,326	2,815,094
Book value per common share	$23.76	$23.28	$21.80	$20.44	$21.79
Effect of goodwill	(0.72)	(1.04)	(1.06)	(1.06)	(1.66)
Tangible book value per common share	$23.04	$22.24	$20.74	$19.38	$20.13
Total shareholders' equity to assets ratio	8.30 %	8.22 %	9.97 %	11.33 %	9.64 %
Effect of goodwill	(0.23)%	(0.34)%	(0.43)%	(0.52)%	(0.67)%
Tangible common equity to tangible assets ratio	8.07 %	7.88 %	9.54 %	10.81 %	8.97 %
Total average equity - GAAP	$124,023	$100,428	$93,796	$64,704	$58,934
Adjustments:					
Average goodwill	(4,687)	(4,687)	(4,687)	(4,687)	(4,687)
Average tangible common equity	$119,336	$95,741	$89,109	$60,017	$54,247
Return on average shareholders' equity	9.74 %	8.89 %	4.61 %	7.10 %	9.51 %
Effect of goodwill	0.38 %	0.44 %	0.24 %	0.55 %	0.82 %
Return on average tangible common equity	10.12 %	9.33 %	4.85 %	7.65 %	10.33 %

Critical Accounting Policies and Estimates

Allowance for Loan Losses. We believe the allowance for loan losses is the critical accounting policy that requires the most significant judgments and assumptions used in the preparation of our consolidated financial statements. An estimate of potential losses inherent in the loan portfolio is determined and an allowance for those losses is established by considering factors including historical loss rates, expected cash flows, and estimated collateral values. The allowance for loan losses represents management's best estimate of losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. Management evaluates the allowance for loan losses quarterly. If the underlying assumptions later prove to be inaccurate based on subsequent loss evaluations, the allowance for loan losses is adjusted.

Management estimates the appropriate level of allowance for loan losses by separately evaluating impaired and non-impaired loans. A specific allowance is assigned to an impaired loan when expected cash flows or collateral do not justify the carrying amount of the loan. The methodology used to assign an allowance to a non-impaired loan is more subjective. Generally, the allowance assigned to non-impaired loans is determined by applying historical loss rates to existing loans with similar risk characteristics, adjusted for qualitative factors including changes in economic conditions, changes in underwriting standards, and changes in concentrations of credit risk, and changes in industry conditions. Because the economic and business climate in any given industry or market, and its impact on any given borrower, can change rapidly, the risk profile of the loan portfolio is periodically assessed and adjusted when appropriate. Notwithstanding these procedures, there still exists the possibility that the assessment could prove to be significantly incorrect and that an immediate adjustment to the allowance for loan losses would be required.

Investments in Debt and Equity Securities. We classify investments in debt and equity securities as available-for-sale in accordance with Accounting Standards Codification, or ASC, Topic 320, “Accounting for Certain Investments in Debt and Equity Securities.” Securities classified as held-to-maturity would be recorded at cost or amortized cost. Available-for-sale securities are carried at fair value. Fair value calculations are based on quoted market prices, when such prices are available. If quoted market prices are not available, estimates of fair value are computed using a variety of pricing sources, including Reuters/EJV, Interactive Data and Standard & Poors. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting our financial position, results of operations and cash flows. If the estimated value of investments is less than the cost or amortized cost, management evaluates whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. If such an event or change has occurred and management determines that the impairment is other-than-temporary, a further determination is made as to the portion of impairment that is related to credit loss. The impairment of the investment that is related to the credit loss is expensed in the period in which the event or change occurred. The remainder of the impairment is recorded in other comprehensive income (loss).

Other Real Estate Owned (“OREO”). OREO acquired through loan foreclosure is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for loan losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the OREO or foreclosed asset could differ from the original estimate. If it is determined that fair value declines subsequent to foreclosure, a valuation adjustment is recorded through noninterest expense. Net operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of OREO and foreclosed assets are netted and posted through noninterest income.

Impairment of Goodwill. As a result of the Company’s previous acquisition of Landmark Financial Corporation, goodwill, an intangible asset with an indefinite life, is reflected on the balance sheet. Goodwill is evaluated for impairment annually, unless there are factors present that indicate a potential impairment, in which case, the goodwill impairment test is performed more frequently.

Deferred Income Tax Assets/Liabilities. Our net deferred income tax asset arises from differences in the dates that items of income and expense enter into our reported income and taxable income. Deferred tax assets and liabilities are established for these items as they arise. From an accounting standpoint, deferred tax assets are reviewed to determine if they are realizable based on the historical level of taxable income, estimates of future taxable income and the reversals of deferred tax liabilities. In most cases, the realization of the deferred tax asset is based on future profitability. If we were to experience net operating losses for tax purposes in a future period, the realization of deferred tax assets would be evaluated for a potential valuation reserve.

Recent Accounting Pronouncements

Refer to Note 21 to the Company’s consolidated financial statements.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company enters into financial transactions to extend credit and forms of commitments that may be considered off-balance sheet arrangements. We enter into forward contracts relating to our mortgage banking business to hedge the exposures we have from commitments to extend new residential mortgage loans to our customers and from our mortgage loans held-for-sale. At December 31, 2016 and December 31, 2015, we had commitments to sell residential real estate loans of $61.0 million and $42.7 million, respectively. These contracts mature in less than one year.

Contractual Obligations

The following table presents significant fixed and determinable contractual obligations and significant commitments as of December 31, 2016. Further discussion of each obligation or commitment is included in the referenced note to the consolidated financial statements.

		Payments Due In				
(dollars in thousands)	Note Reference	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Deposits without stated maturity[1]	7	$492,435	$—	$—	$—	$492,435
Certificates of deposits and brokered deposits[1]	7	387,709	245,320	337,403	—	970,432
FHLB advances[1]	8	42,000	33,000	90,000	25,000	190,000
Subordinated debt[1]	9	—	—	3,000	33,578	36,578
Operating lease commitments	14	720	1,480	1,075	344	3,619
Total contractual obligations		$922,864	$279,800	$431,478	$58,922	$1,693,064

[1] Amounts do not include associated interest payments.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, foreign exchange rates and equity prices. The primary source of market risk for the Company is interest rate risk. Interest rate risk is the risk to earnings and the value of the Company’s equity resulting from changes in market interest rates and arises in the normal course of business to the extent that there are timing and volume differences between the amount of interest-earning assets and the amount of interest-bearing liabilities that are prepaid, withdrawn, re-priced or mature in specified periods. The Company seeks to achieve consistent growth in net interest income and equity while managing volatility arising from shifts in market interest rates.

The Company monitors its interest rate risk position using income simulation models and economic value of equity (“EVE”) sensitivity analysis that capture both short-term and long-term interest rate risk exposure. Income simulation involves forecasting net interest income (“NII”) under a variety of interest rate scenarios. The Company uses EVE sensitivity analysis to understand the impact of changes in interest rates on long-term cash flows, income and capital. EVE is calculated by discounting the cash flows for all balance sheet instruments under different interest-rate scenarios. Modeling the sensitivity of NII and EVE to changes in market interest rates is highly dependent on the assumptions incorporated into the modeling process. The Company continually reviews and refines the assumptions used in its interest rate risk modeling.

Presented below is the estimated impact on the Company's NII and EVE position as of December 31, 2016, assuming parallel shifts in interest rates:

	% Change from Base Case for Parallel Changes in Rates		
	-100 Basis Points [1]	+100 Basis Points	+200 Basis Points
NII - next twelve months	0.68%	0.50 %	1.31 %
EVE	2.16%	(7.26)%	(14.99)%

[1] Because certain current interest rates are at or below 1.00%, the 100 basis point downward shock assumes that certain corresponding interest rates approach an implied floor that, in effect, reflects a decrease of less than the full

100 basis point downward shock.

The Company’s objective is to manage the balance sheet with a bias toward asset sensitivity while simultaneously balancing the potential earnings impact of this strategy. A “risk-neutral” position refers to the absence of a strong bias toward either asset or liability sensitivity. An “asset sensitive” position refers to when the characteristics of the balance sheet are expected to generate higher net interest income when interest rates, primarily short-term rates, increase as rates earned on interest-earning assets would reprice upward more quickly or in greater quantities than rates paid on interest-bearing liabilities would reprice. A “liability sensitive” position refers to when the characteristics of the balance sheet are expected to generate lower net interest income when short-term interest rates increase as rates paid on interest-bearing liabilities would reprice upward more quickly or in greater quantities than rates earned on interest-earning assets.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and notes thereto required pursuant to this Item begin on page F-1 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information the Company is required to disclose in reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time period specified in SEC rules and forms. These controls and procedures are also designed to ensure that such information is accumulated and communicated to management, including our principal executive and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, the Company has recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Management is required to apply judgment in evaluating its controls and procedures.

The Company performed an evaluation under the supervision and with the participation of management, including the Company's principal executive officer and principal financial officer, to assess the effectiveness of the design and operation of our disclosure controls and procedures under the Exchange Act. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of December 31, 2016.

Report of Management's Assessment of Internal Control Over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, including accounting and other internal control systems that, in the opinion of management, provide reasonable assurance that (1) transactions are properly authorized, (2) the assets are properly safeguarded, and (3) transactions are properly recorded and reported to permit the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States. The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on that assessment, management concluded that, as of December 31, 2016, the Company's internal control over financial reporting is effective based on those criteria. The Company's internal control over financial reporting as of December 31, 2016 has been audited by BKD, LLP, an independent registered public accounting firm, as stated in its report appearing on page F-2.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2016, that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Certain information required by Part III is incorporated by reference from our definitive Proxy Statement for our 2017 Annual Meeting of Shareholders (the "Proxy Statement"), which we intend to file with the SEC pursuant to Regulation 14A within 120 days after December 31, 2016. Except for those portions specifically incorporated by reference from our Proxy Statement, no other portions of the Proxy Statement are deemed to be filed as part of this report.

Item 10. Directors, Executive Officers and Corporate Governance

Directors

Incorporated into this Item by reference is the information set forth under the caption "Proposal No. 1 – Election of Directors" in the Proxy Statement.

Executive Officers

Our executive officers are as follows:

Name	Age	Position
David B. Becker	63	Chairman, President, Chief Executive Officer and Director
Kenneth J. Lovik	47	Executive Vice President and Chief Financial Officer
Nicole S. Lorch	42	Executive Vice President and Chief Operating Officer
C. Charles Perfetti	72	Executive Vice President and Secretary

David B. Becker has served as our Chairman of the Board since 2006 and as our President and Chief Executive Officer since 2007. Mr. Becker is the founder of the Bank, and has served as an officer and director of the Bank since 1998.

Kenneth J. Lovik has served as Executive Vice President and Chief Financial Officer of the Company since January 2017. Mr. Lovik joined the Company in August 2014 as Senior Vice President and Chief Financial Officer. Previously, he served as Senior Vice President, Investor Relations and Corporate Development, at First Financial Bancorp, a publicly traded bank holding company headquartered in Cincinnati, Ohio, from February 2013 to May 2014. Prior to that, he served as its Vice President, Investor Relations and Corporate Development, from 2010 to February 2013. Before First Financial Bancorp, he served as Vice President – Investment Banking at Milestone Advisors, LLC from October 2008 to September 2009 and in the same position at Howe Barnes Hoefer & Arnett, Inc. from 2004 to 2008.

Nicole S. Lorch has served as Executive Vice President and Chief Operating Officer since January 2017. Ms. Lorch joined the Company as Director of Marketing in 1999 and served as Vice President, Marketing & Technology from 2003 to 2011 and Senior Vice President, Retail Banking from 2011 to January 2017. She previously served as Director of Marketing at Virtual Financial Services, an online banking services provider, from 1996 to 1999.

C. Charles Perfetti has served as Executive Vice President since January 2017 and Secretary since May 2014. He previously served as Senior Vice President from 2012 until January 2017. Mr. Perfetti joined First Internet Bancorp in 2007 upon our acquisition of Landmark Financial Corporation, where he had served as President from 1989 to 2007. He previously conducted independent real estate and government consulting and served as the Chief Investment Manager of the State of Indiana from 1979 to 1986.

Executive officers are elected annually by our Board of Directors and serve a one-year period or until their successors are elected. None of the above-identified executive officers are related to each other or to any of our directors.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our directors and officers and other employees, including our principal executive officer and principal financial officer. This code is publicly available through the Corporate Governance section of our website at www.firstinternetbancorp.com. To the extent permissible under applicable law, the rules of the SEC or NASDAQ listing standards, we intend to post on our website any amendment to the code of business conduct and ethics, or any grant of a waiver from a provision of the code of business conduct and ethics, that requires disclosure under applicable law, the rules of the SEC or NASDAQ listing standards.

Audit Committee

Incorporated into this Item by reference is the information relating to our audit committee set forth in the Proxy Statement under the caption “Corporate Governance.”

Section 16(a) Beneficial Ownership Reporting Compliance

Incorporated into this Item by reference is the information relating to reports filed under Section 16(a) of the Exchange Act set forth in the Proxy Statement under the caption “Corporate Governance.”

Corporate Governance

Incorporated into this Item by reference is the information relating to the procedures by which shareholders may recommend nominees to the board of directors set forth in the Proxy Statement under the caption “Corporate Governance.”

Item 11. Executive Compensation

Incorporated into this Item by reference is the information in the Proxy Statement regarding the compensation of our named executive officers appearing under the heading “Executive Compensation,” the information regarding compensation committee interlocks and insider participation under the heading “Corporate Governance” and the information regarding compensation of non-employee directors under the heading “Director Compensation.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated into this Item by reference is the information in the Proxy Statement appearing under the headings “Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated into this Item by reference is the information in the Proxy Statement regarding director independence and related person transactions under the heading “Corporate Governance.”

Item 14. Principal Accounting Fees and Services

Incorporated into this Item by reference is the information in the Proxy Statement under the heading “Audit-Related Matters.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)Documents Filed as Part of this annual report on Form 10-K:

1. See our financial statements beginning on page F-1.

(b)Exhibits:

Unless otherwise indicated, all documents incorporated into this annual report on Form 10-K by reference to a document filed with the SEC pursuant to the Exchange Act are located under SEC file number 1-35750.

Exhibit No.	Description
3.1	Articles of Incorporation of First Internet Bancorp (incorporated by reference to Exhibit 3.1 to registration statement filed on Form 10 filed November 30, 2012)
3.2	Amended and Restated Bylaws of First Internet Bancorp as amended March 18, 2013 (incorporated by reference to Exhibit 3.2 to annual report on Form 10-K for the year ended December 31, 2012)
4.1	Warrant to purchase common stock dated June 28, 2013 (incorporated by reference to Exhibit 4.1 to current report on Form 8-K filed July 5, 2013)
4.2	Form of Senior Indenture (incorporated by reference to Exhibit 4.6 to registration statement on Form S-3 (Registration No. 333-208748) filed December 23, 2015)
4.3	Form of Subordinated Indenture (incorporated by reference to Exhibit 4.7 to registration statement on Form S-3 (Registration No. 333-208748) filed December 23, 2015)
4.4	Subordinated Indenture, dated as of September 30, 2016, between First Internet Bancorp and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to current report on Form 8-K filed on September 30, 2016)
4.5	First Supplemental Indenture, dated as of September 30, 2016, between First Internet Bancorp and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to current report on Form 8-K filed on September 30, 2016)
4.6	Form of Global Note representing 6.0% Subordinated Notes due 2026 (incorporated by reference to Exhibit A included in Exhibit 4.2 to current report on Form 8-K filed on September 30, 2016)
10.1	First Internet Bancorp 2013 Equity Incentive Plan (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed April 9, 2013)*
10.2	Form of Restricted Stock Agreement under 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to current report on Form 8-K filed July 26, 2013)*
10.3	First Internet Bancorp 2011 Directors' Deferred Stock Plan (incorporated by reference to Exhibit 10.2 to registration statement on Form 10 filed November 30, 2012)*
10.4	Amended and Restated Employment Agreement among First Internet Bank of Indiana, First Internet Bancorp and David B. Becker dated March 28, 2013 (incorporated by reference to Exhibit 10.4 to annual report on Form 10-K for the year ended December 31, 2012)*
10.5	Lease dated as of March 6, 2013, by and between First Internet Bancorp and First Internet Bank of Indiana (incorporated by reference to Exhibit 10.2 to current report on Form 8-K filed March 11, 2013)
10.6	First Amendment to Office Lease dated as of July 1, 2015, by and between First Internet Bancorp and First Internet Bank of Indiana (incorporated by reference to Exhibit 10.1 to quarterly report on Form 10-Q filed August 5, 2015)
10.7	Second Amendment to Office Lease dated as of July 1, 2016, by and between First Internet Bancorp and First Internet Bank of Indiana (incorporated by reference to Exhibit 10.2 to quarterly report on Form 10-Q filed August 2, 2016)

10.8	Subordinated Debenture Purchase Agreement with Community BanCapital, L.P., dated June 28, 2013 (incorporated by reference to Exhibit 10.1 to current report on Form 8-K filed July 5, 2013)
10.9	Subordinated Debenture dated June 28, 2013 (incorporated by reference to Exhibit 10.2 to current report on Form 8-K filed July 5, 2013)
10.10	2016 Senior Executive Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to quarterly report on Form 10-Q filed May 4, 2016)*

Exhibit No.	Description
10.11	Form of Director Restricted Stock Units under 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to quarterly report on Form 10-Q filed May 4, 2016)*
10.12	Loan Agreement dated as of March 6, 2013, by and between the Company and the Bank (incorporated by reference to Exhibit 10.1 to current report on Form 8-K filed March 11, 2013)
10.13	First, Second and Third Acknowledgment, Confirmation and Amendment between First Internet Bank of Indiana and First Internet Bancorp executed March 6, 2014, March 6, 2015 and February 26, 2016, respectively (incorporated by reference to Exhibit 10.15 to current report on Form 10-K filed March 10, 2016)
10.14	Fourth Acknowledgment, Confirmation and Amendment between First Internet Bank of Indiana and First Internet Bancorp executed February 21, 2017
10.15	Sales Agency Agreement, dated as of May 6, 2016, among First Internet Bancorp, First Internet Bank of Indiana and Sandler O'Neill & Partners, L.P. (incorporated by reference to Exhibit 1.1 to current report on Form 8-K filed May 6, 2016)
21.1	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Powers of Attorney
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

*Management contract, compensatory plan or arrangement required to be filed as an exhibit.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 14, 2017.

FIRST INTERNET BANCORP

By: /s/ David B. Becker
David B. Becker,
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 14, 2017.

/s/ David B. Becker David B. Becker, Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	/s/ Kenneth J. Lovik Kenneth J. Lovik, Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
* John K. Keach, Jr., Director	* David R. Lovejoy, Director
* Ann D. Murtlow, Director	* Ralph R. Whitney, Jr., Director
* Jerry Williams, Director	* Jean L. Wojtowicz, Director

* David B. Becker, by signing his name hereto, does hereby sign this document on behalf of each of the above-named directors of the Registrant pursuant to powers of attorney duly executed by such persons.

By: /s/ David B. Becker
David B. Becker,
Attorney-in-Fact

47

Reports of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Shareholders
First Internet Bancorp
Fishers, Indiana

We have audited the accompanying consolidated balance sheets of First Internet Bancorp (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States).
Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Internet Bancorp as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), First Internet Bancorp's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2017, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ BKD, LLP

Indianapolis, Indiana
March 14, 2017

Reports of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Shareholders
First Internet Bancorp
Fishers, Indiana

We have audited First Internet Bancorp's (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Internet Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of First Internet Bancorp and our report dated March 14, 2017, expressed an unqualified opinion thereon.

/s/ BKD, LLP

Indianapolis, Indiana
March 14, 2017

First Internet Bancorp
Consolidated Balance Sheets
(Amounts in thousands except share data)

	December 31, 2016	December 31, 2015
Assets		
Cash and due from banks	$2,282	$1,063
Interest-bearing demand deposits	37,170	24,089
Total cash and cash equivalents	39,452	25,152
Interest-bearing time deposits	250	1,000
Securities available-for-sale - at fair value (amortized cost of $471,070 in 2016 and $215,576 in 2015)	456,700	213,698
Securities held-to-maturity - at amortized cost (fair value of $16,197 in 2016 and $0 in 2015)	16,671	—
Loans held-for-sale (includes $27,101 in 2016 and $24,065 in 2015 at fair value)	27,101	36,518
Loans	1,250,789	953,859
Allowance for loan losses	(10,981)	(8,351)
Net loans	1,239,808	945,508
Accrued interest receivable	6,708	4,105
Federal Home Loan Bank of Indianapolis stock	8,910	8,595
Cash surrender value of bank-owned life insurance	24,195	12,727
Premises and equipment, net	10,044	8,521
Goodwill	4,687	4,687
Other real estate owned	4,533	4,488
Accrued income and other assets	15,276	4,871
Total assets	$1,854,335	$1,269,870
Liabilities and shareholders’ equity		
Liabilities		
Noninterest-bearing deposits	$31,166	$23,700
Interest-bearing deposits	1,431,701	932,354
Total deposits	1,462,867	956,054
Advances from Federal Home Loan Bank	189,981	190,957
Subordinated debt, net of unamortized discounts and debt issuance costs of $1,422 in 2016 and $276 in 2015	36,578	12,724
Accrued interest payable	112	117
Accrued expenses and other liabilities	10,855	5,688
Total liabilities	1,700,393	1,165,540
Commitments and Contingencies		
Shareholders’ equity		
Preferred stock, no par value; 4,913,779 shares authorized; issued and outstanding - none	—	—
Voting common stock, no par value; 45,000,000 shares authorized; 6,478,050 in 2016 and 4,481,347 in 2015 shares issued and outstanding	119,506	72,559
Nonvoting common stock, no par value; 86,221 shares authorized; issued and outstanding - none	—	—
Retained earnings	43,704	32,980
Accumulated other comprehensive loss	(9,268)	(1,209)
Total shareholders’ equity	153,942	104,330
Total liabilities and shareholders’ equity	$1,854,335	$1,269,870

See Notes to Consolidated Financial Statements

First Internet Bancorp
Consolidated Statements of Income
(Amounts in thousands except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
Interest income			
Loans	$49,054	$37,049	$27,875
Securities – taxable	7,326	3,728	3,036
Securities – non-taxable	1,856	312	58
Other earning assets	663	358	246
Total interest income	58,899	41,447	31,215
Interest expense			
Deposits	15,853	8,755	7,653
Other borrowed funds	3,357	1,939	1,275
Total interest expense	19,210	10,694	8,928
Net interest income	39,689	30,753	22,287
Provision for loan losses	4,330	1,946	349
Net interest income after provision for loan losses	35,359	28,807	21,938
Noninterest income			
Service charges and fees	818	764	707
Mortgage banking activities	12,398	9,000	5,609
Gain on sale of securities	177	—	538
Loss on asset disposals	(63)	(34)	(78)
Other	747	411	398
Total noninterest income	14,077	10,141	7,174
Noninterest expense			
Salaries and employee benefits	17,387	14,271	12,348
Marketing, advertising and promotion	1,823	1,756	1,455
Consulting and professional fees	3,143	2,374	1,902
Data processing	1,127	1,016	995
Loan expenses	891	631	626
Premises and equipment	3,699	2,768	2,937
Deposit insurance premium	1,159	643	591
Other	2,222	1,824	1,808
Total noninterest expense	31,451	25,283	22,662
Income before income taxes	17,985	13,665	6,450
Income tax provision	5,911	4,736	2,126
Net income	$12,074	$8,929	$4,324
Income per share of common stock			
Basic	$2.32	$1.97	$0.96
Diluted	2.30	1.96	0.96
Weighted-average number of common shares outstanding			
Basic	5,211,209	4,528,528	4,497,007
Diluted	5,239,082	4,554,219	4,507,995
Dividends declared per share	$0.24	$0.24	$0.24

See Notes to Consolidated Financial Statements

First Internet Bancorp
Consolidated Statements of Comprehensive Income
(Amounts in thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income	$12,074	$8,929	$4,324
Other comprehensive income (loss)			
Net unrealized holding gains (losses) on securities available-for-sale	(12,315)	(1,669)	3,260
Reclassification adjustment for gains realized	(177)	—	(538)
Net unrealized holding gains on securities available-for-sale for which an other-than-temporary impairment has been recognized in income	—	—	751
Other comprehensive income (loss) before tax	(12,492)	(1,669)	3,473
Income tax provision (benefit)	(4,433)	(595)	1,236
Other comprehensive income (loss) - net of tax	(8,059)	(1,074)	2,237
Comprehensive income	$4,015	$7,855	$6,561

See Notes to Consolidated Financial Statements

First Internet Bancorp
Consolidated Statements of Shareholders' Equity
(Amounts in thousands except per share data)

	Voting and Nonvoting Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, January 1, 2014	$71,378	$21,902	$ (2,372)	$ 90,908
Net income	—	4,324	—	4,324
Other comprehensive income	—	—	2,237	2,237
Dividends declared ($0.24 per share)	—	(1,080)	—	(1,080)
Recognition of the fair value of share-based compensation	507	—	—	507
Common stock redeemed for the net settlement of share-based awards	(71)	—	—	(71)
Other	(40)			(40)
Balance, December 31, 2014	$71,774	$25,146	$ (135)	$ 96,785
Net income	—	8,929	—	8,929
Other comprehensive loss	—	—	(1,074)	(1,074)
Dividends declared ($0.24 per share)	—	(1,095)	—	(1,095)
Recognition of the fair value of share-based compensation	762	—	—	762
Deferred stock rights and restricted stock units issued in lieu of cash dividends payable on outstanding deferred stock rights and restricted stock units	25	—	—	25
Excess tax benefit on share-based compensation	36			36
Common stock redeemed for the net settlement of share-based awards	(38)	—	—	(38)
Balance, December 31, 2015	$72,559	$32,980	$ (1,209)	$ 104,330
Net income	—	12,074	—	12,074
Other comprehensive loss	—	—	(8,059)	(8,059)
Dividends declared ($0.24 per share)	—	(1,350)	—	(1,350)
Net cash proceeds from common stock issuance	46,223	—	—	46,223
Recognition of the fair value of share-based compensation	736	—	—	736
Deferred stock rights and restricted stock units issued in lieu of cash dividends payable on outstanding deferred stock rights and restricted stock units	30	—	—	30
Excess tax benefit on share-based compensation	49	—	—	49
Common stock redeemed for the net settlement of share-based awards	(91)	—	—	(91)
Balance, December 31, 2016	$119,506	$43,704	$ (9,268)	$ 153,942

See Notes to Consolidated Financial Statements

First Internet Bancorp
Consolidated Statements of Cash Flows
(Amounts in thousands)

	Year Ended December 31,		
	2016	2015	2014
Operating activities			
Net income	$12,074	$8,929	$4,324
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,799	1,942	1,904
Increase in cash surrender value of bank-owned life insurance	(468)	(402)	(390)
Provision for loan losses	4,330	1,946	349
Share-based compensation expense	736	762	507
Gain from sale of available-for-sale securities	(177)	—	(538)
Loans originated for sale	(598,439)	(502,716)	(409,715)
Proceeds from sale of loans	619,818	509,373	409,453
Gain on loans sold	(12,462)	(8,845)	(5,048)
Decrease (increase) in fair value of loans held-for-sale	500	341	(751)
(Gain) loss on derivatives	(436)	(496)	190
Deferred income tax	3,544	443	(1,529)
Net change in other assets	(7,390)	(1,227)	2,035
Net change in other liabilities	1,041	858	1,189
Net cash provided by operating activities	26,470	10,908	1,980
Investing activities			
Net loan activity, excluding purchases	(247,957)	(220,828)	(124,696)
Net change in interest-bearing deposits	750	1,000	500
Bank owned life insurance purchased	(11,000)	—	—
Proceeds from liquidation of other real estate owned	—	—	235
Maturities of securities available-for-sale	42,616	21,759	21,254
Proceeds from sale of securities available-for-sale	49,430	—	137,816
Purchase of securities available-for-sale	(349,683)	(100,335)	(112,000)
Purchase of securities held-to-maturity	(16,672)	—	—
Purchase of Federal Home Loan Bank of Indianapolis stock	(315)	(3,245)	(2,407)
Purchase of premises and equipment	(3,173)	(2,543)	(915)
Loans purchased	(50,718)	—	(106,480)
Net cash used in investing activities	(586,722)	(304,192)	(186,693)
Financing activities			
Net increase in deposits	506,813	197,456	85,503
Cash dividends paid	(1,199)	(1,093)	(1,080)
Net proceeds from issuance of subordinated debt	23,757	9,761	—
Net proceeds from common stock issuance	46,223	—	—
Proceeds from advances from Federal Home Loan Bank	157,000	300,000	170,000
Repayment of advances from Federal Home Loan Bank	(158,000)	(216,000)	(95,000)
Other, net	(42)	23	(111)
Net cash provided by financing activities	574,552	290,147	159,312
Net increase (decrease) in cash and cash equivalents	14,300	(3,137)	(25,401)
Cash and cash equivalents, beginning of year	25,152	28,289	53,690
Cash and cash equivalents, end of year	$39,452	$25,152	$28,289
Supplemental disclosures of cash flows information			
Cash paid during the year for interest	$19,215	$10,674	$8,933
Cash paid during the year for taxes	5,894	3,793	2,346

Loans transferred to other real estate owned	45	—	—
Cash dividends declared, not paid	388	267	265
Capital committed to Small Business Investment Company fund, not contributed	4,000	—	—

See Notes to Consolidated Financial Statements

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

The accounting policies of First Internet Bancorp and its subsidiaries (the “Company”) conform to accounting principles generally accepted in the United States of America (“GAAP”). A summary of the Company’s significant accounting policies follows:

Description of Business

The Company was incorporated on September 15, 2005, and consummated a plan of exchange on March 21, 2006, by which the Company became a bank holding company and 100% owner of First Internet Bank of Indiana (the “Bank”).

The Bank provides commercial and retail banking services, with operations conducted on the Internet at www.firstib.com and primarily through its corporate office located in Fishers, Indiana as well as a loan production office in Tempe, Arizona. The majority of the Bank’s income is derived from commercial lending, retail lending, and mortgage banking activities. The Bank is subject to competition from other financial institutions. The Bank is regulated by certain state and federal agencies and undergoes periodic examinations by those regulatory authorities.

JKH Realty Services, LLC was established August 20, 2012 as a single member LLC wholly-owned by the Bank to manage other real estate owned properties as needed.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company’s business activities are currently limited to one reporting unit and reportable segment, which is commercial banking.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company utilizes processes that involve the use of significant estimates and the judgment of management in determining the amount of the Company’s allowance for loan losses and income taxes and valuation and impairments of investment securities and goodwill, as well as fair value measurements of derivatives and loans held-for-sale. Actual results could differ from those estimates.

Securities

The Company classifies its securities in one of three categories and accounts for the investments as follows:

- Securities that the Company has the positive intent and ability to hold to maturity are classified as “held-to-maturity” and reported at amortized cost.

-

Securities that are acquired and held principally for the purpose of selling them in the near term with the objective of generating economic profits on short-term differences in market characteristics are classified as “trading securities” and reported at fair value, with unrealized gains and losses included in earnings. The Company had no securities classified as “trading securities” at December 31, 2016 or 2015.

Securities not classified as either “held-to-maturity” or “trading securities” are classified as “securities available-for-sale” and reported at fair value, with unrealized gains and losses, after applicable taxes, excluded from earnings and reported in a separate component of shareholders’ equity. Declines in the value of debt securities and marketable equity securities that are considered to be other-than-temporary are recorded as an other-than-temporary impairment of securities available-for-sale with other-than-temporary impairment losses recorded in the consolidated statements of income.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Interest and dividend income, adjusted by amortization of premium or discount, is included in earnings using the effective interest rate method. Purchases and sales of securities are recorded in the consolidated balance sheets on the trade date. Gains and losses from security sales or disposals are recognized as of the trade date in the consolidated statements of income for the period in which securities are sold or otherwise disposed of. Gains and losses on sales of securities are determined using the specific-identification method.

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market under best-efforts pricing agreements are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income.

Loans originated and intended for sale in the secondary market under mandatory pricing agreements are carried at fair value to facilitate hedging of the loans. Gains and losses resulting from changes in fair value are included in noninterest income.

Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Revenue Recognition

Interest income on loans is accrued as earned using the interest method based on unpaid principal balances except for interest on loans in nonaccrual status. Interest on loans in nonaccrual status is recorded as a reduction of loan principal when received.

Premiums and discounts are amortized using the effective interest rate method.

Loan fees, net of certain direct origination costs, primarily salaries and wages, are deferred and amortized to interest income as a yield adjustment over the life of the loan.

Loans

Loans that management intends to hold until maturity are reported at their outstanding principal balance adjusted for unearned income, charge-offs, the allowance for loan losses (“ALLL”), any unamortized deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans.

For loans recorded at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

Allowance for Loan Losses Methodology

Company policy is designed to maintain an adequate ALLL. Primary responsibility for ensuring that the Company has processes in place to consistently assess the adequacy of the ALLL rests with the Board of Directors (the “Board”). The

Board has charged management with responsibility for establishing the methodology to be used and to assess the adequacy of the ALLL. The Board reviews recommendations from management on a quarterly basis to adjust the allowance as appropriate.

The methodology employed by management for each portfolio segment, at a minimum, contains the following:

1. Loans are segmented by type of loan.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

2. The required ALLL for types of performing homogeneous loans which do not have a specific reserve is determined by applying a factor based on historical losses averaged over the past sixteen quarters. In those instances where the Company's historical experience is not available, management develops factors based on industry experience and best practices.

3. All criticized, classified and impaired loans are tested for impairment by applying one of three methodologies:

a. Present value of future cash flows;

b. Fair value of collateral less costs to sell; or

c. The loan's observable market price

4. All troubled debt restructurings ("TDR") are considered impaired loans.

5. Loans tested for impairment are removed from other pools to prevent layering (double-counting).

6. The required ALLL for each group of loans are added together to determine the total required ALLL for the Company. The required ALLL is compared to the existing ALLL to determine the provision required to increase the ALLL or credit to decrease the ALLL.

The historical loss experience is determined by portfolio segment and considers two weighted average net charge-off trends: 1) the Company's average loss history over the previous sixteen quarters; and 2) average loss history over the previous sixteen quarters for a peer group. Management believes the historical loss experience methodology is appropriate in the current economic environment, as it captures loss rates that are comparable to the current period being analyzed.

The Company also factors in the following qualitative considerations:

1. Changes in policies and procedures;

2. Changes in national, regional, and local economic and business conditions;

3. Changes in the composition and size of the portfolio and in the terms of loans;

4. Changes in the experience, ability, and depth of lending management and other relevant staff;

5. Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;

6. Changes in the quality of the Company's loan review system;

7. Changes in the value of underlying collateral for collateral-dependent loans;

8. The existence and effect of any concentration of credit and changes in the level of such concentrations; and

9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Provision for Loan Losses

A provision for estimated losses on loans is charged to income based upon management's evaluation of the potential losses. Such an evaluation, which includes a review of all loans for which full repayment may not be reasonably assured, considers, among other matters, the estimated net realizable value of the underlying collateral, as applicable, economic conditions, loan loss experience, and other factors that are particularly susceptible to changes that could result in a material adjustment in the near term. While management attempts to use the best information available in making its evaluations, future allowance adjustments may be necessary if economic conditions change substantially from the assumptions used in making the evaluations.

Nonaccrual Loans

Any loan which becomes 90 days delinquent or for which the full collection of principal and interest may be in doubt will be considered for nonaccrual status. At the time a loan is placed on nonaccrual status, all accrued but unpaid interest will be reversed from interest income. Placing the loan on nonaccrual status does not relieve the borrower of the obligation to repay interest. A loan placed on nonaccrual status may be restored to accrual status when all delinquent principal and interest has been brought current, and the Company expects full payment of the remaining contractual principal and interest.

Impaired Loans

A loan is designated as impaired, in accordance with the impairment accounting guidance when, based on current information or events, it is probable that the Company will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Payments with delays generally not exceeding 90 days outstanding are not considered impaired. Certain nonaccrual and substantially all delinquent loans more than 90 days past due may be considered to be impaired. Generally, loans are placed on nonaccrual status at 90 days past due and accrued interest is reversed against earnings, unless the loan is well-secured and in the process of collection. The accrual of interest on impaired and nonaccrual loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due.

Impaired loans include nonperforming loans but also include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance, or other actions intended to maximize collection.

Accounting Standards Codification ("ASC") Topic 310, Receivables, requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loans' effective interest rates or the fair value of the underlying collateral, less costs to sell, and allows existing methods for recognizing interest income.

Troubled Debt Restructurings ("TDR")

The loan portfolio includes certain loans that have been modified in a TDR, where economic concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from loss mitigation efforts and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally not less than six months.

When loans are modified in a TDR, any possible impairment similar to other impaired loans is evaluated based on either the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or the current fair value of the collateral, less selling costs for collateral dependent loans. If it is determined that the value of the modified loan is less than the recorded balance of the loan, impairment is recognized through a specific ALLL or charge-off to the ALLL. In periods subsequent to modification, all TDRs, including those that have payment defaults, are evaluated for possible impairment, and impairment is recognized through the ALLL.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Policy for Charging Off Loans

The Company's policy is to charge off a loan at any point in time when it no longer can be considered a bankable asset, meaning collectible within the parameters of policy. A secured loan is generally charged down to the estimated fair value of the collateral, less costs to sell, no later than when it is 120 days past due as to principal or interest. An unsecured loan generally is charged off no later than when it is 180 days past due as to principal or interest. A home improvement loan generally is charged off no later than when it is 90 days past due as to principal or interest.

Federal Home Loan Bank ("FHLB") of Indianapolis Stock

Federal law requires a member institution of the FHLB system to hold common stock of its district FHLB according to a predetermined formula. This investment is stated at cost, which represents redemption value, and may be pledged as collateral for FHLB advances.

Premises and Equipment

Premises and equipment is stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives, which range from three to five years for software and equipment, ten years for land improvements, and 39 years for buildings.

Other Real Estate Owned

Other real estate owned represents real estate acquired through foreclosure or deed in lieu of foreclosure and is recorded at its fair value less estimated costs to sell. When property is acquired, it is recorded at its fair value at the date of acquisition with any resulting write-down charged against the ALLL. Any subsequent deterioration of the property is charged directly to operating expense. Costs relating to the development and improvement of other real estate owned are capitalized, whereas costs relating to holding and maintaining the property are charged to expense as incurred.

Derivative Financial Instruments

The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into forward contracts for the future delivery of mortgage loans to third party investors and enters into interest rate lock commitments with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. The forward contracts are entered into in order to economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans.

Each of these items are considered derivatives, but are not designated as accounting hedges, and are recorded at fair value with changes in fair value reflected in noninterest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets.

Fair Value Measurements

The Company records or discloses certain assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are classified within one of three levels in a valuation hierarchy. ASC Topic 820 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

There were no transfers that occurred and, therefore, recognized, between any of the fair value hierarchy levels at December 31, 2016 or December 31, 2015.

Income Taxes

Deferred income tax assets and liabilities reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and the basis of such assets and liabilities as measured by tax laws and regulations. Deferred income tax expense or benefit is based upon the change in deferred tax assets and liabilities from period to period, subject to an ongoing assessment of realization of deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company files income tax returns in the U.S. federal, Indiana, and other state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2013.

ASC Topic 740-10, Accounting for Uncertainty in Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company did not identify any uncertain tax positions that it believes should be recognized in the consolidated financial statements.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Earnings Per Share

Earnings per share of common stock is based on the weighted-average number of basic shares and dilutive shares outstanding during the year.

The following is a reconciliation of the weighted-average common shares for the basic and diluted earnings per share computations.

	Year Ended December 31,		
	2016	2015	2014
Basic earnings per share			
Net income available to common shareholders	$12,074	$ 8,929	$ 4,324
Weighted-average common shares	5,211,209	4,528,528	4,497,007
Basic earnings per common share	$2.32	$ 1.97	$ 0.96
Diluted earnings per share			
Net income available to common shareholders	$12,074	$ 8,929	$ 4,324
Weighted-average common shares	5,211,209	4,528,528	4,497,007
Dilutive effect of warrants	11,026	10,665	2,895
Dilutive effect of equity compensation	16,847	15,026	8,093
Weighted-average common and incremental shares	5,239,082	4,554,219	4,507,995
Diluted earnings per common share	$2.30	$ 1.96	$ 0.96
Number of warrants excluded from the calculation of diluted earnings per share as the exercise prices were greater than the average market price of the Company’s common stock during the year	—	—	—

Share-based Compensation

The Company has a share-based compensation plan using the fair value recognition provisions of ASC Topic 718, Compensation - Stock Compensation. The plan is described more fully in Note 10.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale.

Reclassification adjustments have been determined for all components of other comprehensive income or loss reported in the consolidated statements of changes in shareholders’ equity.

Statements of Cash Flows

Cash and cash equivalents are defined to include cash on-hand, noninterest and interest-bearing amounts due from other banks and federal funds sold. Generally, federal funds are sold for one-day periods. The Company reports net cash flows for customer loan transactions and deposit transactions.

Bank-Owned Life Insurance

Bank-owned life insurance policies are carried at their cash surrender value. The Company recognizes tax-free income from the periodic increases in the cash surrender value of these policies and from death benefits.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Goodwill

Goodwill is tested at least annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2015 and 2014 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on net income.

Note 2: Cash and Cash Equivalents

At December 31, 2016, the Company's interest-bearing cash accounts at other institutions did not exceed the limits for full FDIC insurance coverage. However, approximately $0.6 million and $36.6 million of cash was held by the FHLB of Indianapolis and Federal Reserve Bank of Chicago, respectively, which are not federally insured.

The Company is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2016 was $0.6 million.

Note 3: Securities

The following tables summarize securities available-for-sale and securities held-to-maturity as of December 31, 2016 and 2015. There were no securities held-to-maturity as of December 31, 2015.

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
U.S. Government-sponsored agencies	$92,599	$167	$(870)	$91,896
Municipal securities	97,647	85	(5,846)	91,886
Mortgage-backed securities	238,354	—	(6,713)	231,641
Asset-backed securities	19,470	65	(1)	19,534
Corporate securities	20,000	—	(1,189)	18,811
Other securities	3,000	—	(68)	2,932
Total available-for-sale	$471,070	$317	$(14,687)	$456,700

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities held-to-maturity				
Municipal securities	$10,171	$—	$(498)	$9,673
Corporate securities	6,500	24	—	6,524
Total held-to-maturity	$16,671	$24	$(498)	16,197

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
U.S. Government-sponsored agencies	$38,093	$139	$(482)	$37,750
Municipals	21,091	385	(7)	21,469
Mortgage-backed securities	113,948	110	(1,006)	113,052
Asset-backed securities	19,444	—	(83)	19,361
Corporate securities	20,000	—	(913)	19,087
Other securities	3,000	—	(21)	2,979
Total available-for-sale	$215,576	$634	$(2,512)	$213,698

The carrying value of securities at December 31, 2016 is shown below by their contractual maturity date. Actual maturities will differ because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value
Within one year	$—	$—
One to five years	1,067	1,035
Five to ten years	38,336	37,401
After ten years	170,843	164,157
	210,246	202,593
Mortgage-backed securities	238,354	231,641
Asset-backed securities	19,470	19,534
Other securities	3,000	2,932
Total	$471,070	$456,700

	Held-to-Maturity	
	Amortized Cost	Fair Value
Five to ten years	$9,366	$9,259
After ten years	7,305	6,938
Total	$16,671	$16,197

Gross realized gains of $0.2 million, $0.0 million, and $2.7 million and gross realized losses of $0.0 million, $0.0 million, and $2.2 million resulting from sales of available-for-sale securities were recognized during the twelve months ended December 31, 2016, 2015, and 2014, respectively.

As of December 31, 2016, the fair value of available-for-sale investment securities pledged as collateral was $342.3 million. The Company pledged the securities for various types of transactions, including FHLB advances and derivative financial instruments.

F-16

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2016 and 2015 was $422.9 million and $166.1 million, which is approximately 89% and 78%, respectively, of the Company's available-for-sale and held-to-maturity securities portfolio. These declines primarily resulted from fluctuations in market interest rates after purchase. Management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced with the resulting loss recognized in net income in the period the other-than-temporary impairment ("OTTI") is identified.

U.S. Government-Sponsored Agencies, Municipal Securities, and Corporate Securities

The unrealized losses on the Company's investments in securities issued by U.S. Government-sponsored agencies, municipal organizations and corporate entities were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2016.

Mortgage-Backed and Asset-Backed Securities

The unrealized losses on the Company's investments in mortgage-backed and asset-backed securities were caused by interest rate changes. The Company expects to recover the amortized cost bases over the term of the securities. Because the Company does not intend to sell the investments and it is not likely that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2016.

Other Securities

The unrealized losses on the Company's investments in other securities were caused by the investment in the Community Reinvestment Act Qualified Fund. Because the Company does not intend to sell the investment and it is not likely that the Company will be required to sell the investment before recovery of its amortized cost basis, the Company does not consider this investment to be other-than-temporarily impaired at December 31, 2016.

The following tables show the securities portfolio's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2016 and 2015:

	December 31, 2016					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale						
U.S. Government-sponsored agencies	$68,625	$(840)	$260	$(30)	$68,885	$(870)

Municipal securities	86,424	(5,846)	—	—	86,424	(5,846)
Mortgage-backed securities	231,641	(6,713)	—	—	231,641	(6,713)
Asset-backed securities	—	—	4,520	(1)	4,520	(1)
Corporate securities	—	—	18,811	(1,189)	18,811	(1,189)
Other securities	2,932	(68)	—	—	2,932	(68)
Total	$389,622	$(13,467)	$23,591	$(1,220)	$413,213	$(14,687)

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

	December 31, 2016					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities held-to-maturity						
Municipal securities	$9,673	$ (498)	$ —	$ —	$9,673	$ (498)
Total	$9,673	$ (498)	$ —	$ —	$9,673	$ (498)

	December 31, 2015					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale						
U.S. Government-sponsored agencies	$18,289	$ (237)	$ 8,537	$ (245)	$26,826	$ (482)
Municipals	1,026	(7)	—	—	1,026	(7)
Mortgage-backed securities	74,198	(562)	22,655	(444)	96,853	(1,006)
Asset-backed securities	19,361	(83)	—	—	19,361	(83)
Corporate securities	19,087	(913)	—	—	19,087	(913)
Other securities	2,979	(21)	—	—	2,979	(21)
Total	$134,940	$ (1,823)	$ 31,192	$ (689)	$166,132	$ (2,512)

Credit Losses Recognized on Investments

Certain debt securities have experienced fair value deterioration due to credit losses and other market factors, but are not considered other-than-temporarily impaired.

The following table provides information about debt securities for which only a credit loss was recognized in income and other losses are recorded in accumulated other comprehensive loss. The Company did not own any securities categorized as OTTI securities during the years ended December 31, 2016 and 2015.

	Accumulated Credit Losses
Credit losses on debt securities held	
January 1, 2014	$ 1,183
Realized losses related to OTTI	(1,139)
Recoveries related to OTTI	(44)
December 31, 2014	—

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Amounts reclassified from accumulated other comprehensive loss and the affected line items in the consolidated statements of income during the years ended December 31, 2016, 2015 and 2014 were as follows:

Details About Accumulated Other Comprehensive Loss Components	Amounts Reclassified from Accumulated Other Comprehensive Loss for the Year Ended December 31, 2016	2015	2014	Affected Line Item in the Statements of Income
Unrealized gains and losses on securities available-for-sale				
Gain realized in earnings	$ 177	$ —	$ 538	Gain on sale of securities
Total reclassified amount before tax	177	—	538	Income before income taxes
Tax expense	63	—	191	Income tax provision
Total reclassifications out of accumulated other comprehensive loss	$ 114	$ —	$ 347	Net Income

Note 4: Loans

Categories of loans include:

	December 31, 2016	2015
Commercial loans		
Commercial and industrial	$ 102,437	$ 102,000
Owner-occupied commercial real estate	57,668	44,462
Investor commercial real estate	13,181	16,184
Construction	53,291	45,898
Single tenant lease financing	606,568	374,344
Total commercial loans	833,145	582,888
Consumer loans		
Residential mortgage	205,554	214,559
Home equity	35,036	43,279
Other consumer	173,449	108,312
Total consumer loans	414,039	366,150
Total commercial and consumer loans	1,247,184	949,038
Net deferred loan origination costs and premiums and discounts on purchased loans	3,605	4,821
Total loans	1,250,789	953,859
Allowance for loan losses	(10,981)	(8,351)
Net loans	$ 1,239,808	$ 945,508

The risk characteristics of each loan portfolio segment are as follows:

Commercial and Industrial: Commercial and industrial loans' sources of repayment are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Loans are made for working capital, equipment purchases, or other purposes. Most commercial and industrial loans are secured by the assets being financed and may incorporate a personal guarantee.

Owner-Occupied Commercial Real Estate: The primary source of repayment is the cash flow from the ongoing operations and activities conducted by the borrower, or an affiliate of the borrower, who owns the property. This portfolio segment is generally concentrated in the Central Indiana and greater Phoenix, Arizona markets and its loans often times are secured by manufacturing and service facilities, as well as office buildings.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Investor Commercial Real Estate: These loans are underwritten primarily based on the cash flow expected to be generated from the property and are secondarily supported by the value of the real estate. These loans typically incorporate a personal guarantee. This portfolio segment generally involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Investor commercial real estate loans may be more adversely affected by conditions in the real estate markets, changing industry dynamics, or the overall health of the general economy. The properties securing the Company’s investor commercial real estate portfolio tend to be diverse in terms of property type and are typically located in the state of Indiana and markets adjacent to Indiana. Management monitors and evaluates commercial real estate loans based on property financial performance, collateral value, guarantor strength, and other risk grade criteria. As a general rule, the Company avoids financing special use projects or properties outside of its designated market areas unless other underwriting factors are present to mitigate these additional risks.

Construction: Construction loans are secured by real estate and improvements and are made to assist in the construction of new structures, which may include commercial (retail, industrial, office, multi-family) properties or single family residential properties offered for sale by the builder. These loans generally finance a variety of project costs, including land, site preparation, construction, closing and soft costs and interim financing needs. The cash flows of builders, while initially predictable, may fluctuate with market conditions, and the value of the collateral securing these loans may be subject to fluctuations based on general economic changes.

Single Tenant Lease Financing: These loans are made to property owners of real estate subject to long term lease arrangements with single tenant operators. The real estate is typically operated by regionally, nationally or globally branded businesses. The loans are underwritten based on the financial strength of the borrower, characteristics of the real estate, cash flows generated from the lease arrangements and the financial strength of the tenant. Similar to the other loan portfolio segments, management monitors and evaluates these loans based on borrower and tenant financial performance, collateral value, industry trends and other risk grade criteria.

Residential Mortgage: With respect to residential loans that are secured by 1-4 family residences and are generally owner occupied, the Company typically establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the financial circumstances of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in residential property values. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers in geographically diverse locations throughout the country.

Home Equity: Home equity loans and lines of credit are typically secured by a subordinate interest in 1-4 family residences. The properties securing the Company's home equity portfolio segment are generally geographically diverse as the Company offers these products on a nationwide basis. Repayment of home equity loans and lines of credit may be impacted by changes in property values on residential properties and unemployment levels, among other economic conditions and financial circumstances in the market.

Other Consumer: These loans primarily consist of consumer loans and credit cards. Consumer loans may be secured by consumer assets such as horse trailers or recreational vehicles. Some consumer loans are unsecured, such as small installment loans, home improvement loans and certain lines of credit. Repayment of consumer loans is primarily dependent upon the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers in geographically diverse locations throughout the country.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The following tables present changes in the balance of the allowance for loan losses during the twelve months ended December 31, 2016, 2015, and 2014.

	Twelve Months Ended December 31, 2016								
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Residential mortgage	Home equity	Other consumer	Total
Allowance for loan losses:									
Balance, beginning of period	$1,367	$ 476	$ 212	$ 500	$ 3,931	$ 896	$125	$844	$8,351
Provision (credit) charged to expense	1,380	106	(44)	44	2,317	(38)	(3)	568	4,330
Losses charged off	(1,582)	—	—	—	—	(134)	(33)	(440)	(2,189)
Recoveries	187	—	—	—	—	30	13	259	489
Balance, end of period	$1,352	$ 582	$ 168	$ 544	$ 6,248	$ 754	$102	$ 1,231	$10,981

	Twelve Months Ended December 31, 2015								
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Residential mortgage	Home equity	Other consumer	Total
Allowance for loan losses:									
Balance, beginning of period	$920	$ 345	$ 261	$ 330	$ 2,061	$ 985	$207	$ 691	$5,800
Provision (credit) charged to expense	447	131	(549)	170	1,870	(311)	(83)	271	1,946
Losses charged off	—	—	—	—	—	(185)	—	(451)	(636)
Recoveries	—	—	500	—	—	407	1	333	1,241
Balance, end of period	$1,367	$ 476	$ 212	$ 500	$ 3,931	$ 896	$125	$ 844	$8,351

	Twelve Months Ended December 31, 2014								
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Residential mortgage	Home equity	Other consumer	Total
Allowance for loan losses:									
Balance, beginning of period	$819	$ 290	$ 219	$ 277	$ 1,731	$ 1,008	$211	$ 871	$5,426
Provision (credit) charged to expense	115	55	(418)	53	330	186	(4)	32	349
Losses charged off	(14)	—	—	—	—	(247)	—	(596)	(857)
Recoveries	—	—	460	—	—	38	—	384	882
Balance, end of period	$920	$ 345	$ 261	$ 330	$ 2,061	$985	$207	$ 691	$5,800

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2016 and 2015.

	December 31, 2016								
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Residential mortgage	Home equity	Other consumer	Total
Loans:									
Ending balance: collectively evaluated for impairment	$102,437	$ 57,668	$ 13,181	$ 53,291	$606,568	$203,842	$35,036	$173,321	$1,245,344
Ending balance: individually evaluated for impairment	—	—	—	—	—	1,712	—	128	1,840
Ending balance	$102,437	$ 57,668	$ 13,181	$ 53,291	$606,568	$205,554	$35,036	$173,449	$1,247,184
Allowance for loan losses:									
Ending balance: collectively evaluated for impairment	$1,352	$ 582	$ 168	$ 544	$6,248	$754	$102	$1,231	$10,981
Ending balance: individually evaluated for impairment	—	—	—	—	—	—	—	—	—
Ending balance	$1,352	$ 582	$ 168	$ 544	$6,248	$754	$102	$1,231	$10,981

	December 31, 2015								
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Residential mortgage	Home equity	Other consumer	Total
Loans:									
Ending balance: collectively evaluated for impairment	$102,000	$ 44,462	$ 16,184	$ 45,898	$374,344	$213,426	$43,279	$108,163	$947,756
Ending balance: individually evaluated for impairment	—	—	—	—	—	1,133	—	149	1,282
Ending balance	$102,000	$ 44,462	$ 16,184	$ 45,898	$374,344	$214,559	$43,279	$108,312	$949,038

Allowance for loan losses:									
Ending balance: collectively evaluated for impairment	$1,367	$ 476	$ 212	$ 500	$3,931	$896	$125	$844	$8,351
Ending balance: individually evaluated for impairment	—	—	—	—	—	—	—	—	—
Ending balance	$1,367	$ 476	$ 212	$ 500	$3,931	$896	$125	$844	$8,351

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial loans. In the third quarter 2016, the Company updated its risk grading matrix to improve precision within the “Pass” risk grades. Commercial loans are now graded on a scale of 1 to 10, whereas commercial loans were previously graded on a scale of 1 to 9. This update to the risk grading matrix did not have an impact on the ALLL. The following table illustrates the risk ratings utilized as of December 31, 2016 and December 31, 2015.

Rating	December 31, 2016	December 31, 2015
Pass	Grade 1-6	Grade 1-5
Special Mention	Grade 7	Grade 6
Substandard	Grade 8	Grade 7
Doubtful	Grade 9	Grade 8
Loss	Grade 10	Grade 9

A description of the general characteristics of the ten risk grades is as follows:

- “Pass” - Higher quality loans that do not fit any of the other categories described below.
- “Special Mention” - Loans that possess some credit deficiency or potential weakness which deserve close attention.
- “Substandard” - Loans that possess a defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any.
- “Doubtful” - Such loans have been placed on nonaccrual status and may be heavily dependent upon collateral possessing a value that is difficult to determine or based upon some near-term event which lacks clear certainty. These loans have all of the weaknesses of those classified as Substandard; however, based on existing conditions, these weaknesses make full collection of the principal balance highly improbable.
- “Loss” - Loans that are considered uncollectible and of such little value that continuing to carry them as assets is not warranted.

The following tables present the credit risk profile of the Company’s commercial loan portfolio based on rating category and payment activity as of December 31, 2016 and 2015.

	December 31, 2016					
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Total
Rating:						
1-6 Pass	$99,200	$ 57,657	$ 13,181	$ 53,291	$605,190	$828,519
7 Special Mention	2,746	—	—	—	1,378	4,124
8 Substandard	491	11	—	—	—	502
Total	$102,437	$ 57,668	$ 13,181	$ 53,291	$606,568	$833,145

December 31, 2016

	Residential mortgage	Home equity	Other consumer	Total
Performing	$204,530	$35,036	$173,390	$412,956
Nonaccrual	1,024	—	59	1,083
Total	$205,554	$35,036	$173,449	$414,039

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

	December 31, 2015					
	Commercial and industrial	Owner-occupied commercial real estate	Investor commercial real estate	Construction	Single tenant lease financing	Total
Rating:						
1-5 Pass	$95,589	$ 43,913	$ 14,746	$ 45,599	$374,344	$574,191
6 Special Mention	2,006	535	—	299	—	2,840
7 Substandard	4,405	14	1,438	—	—	5,857
Total	$102,000	$ 44,462	$ 16,184	$ 45,898	$374,344	$582,888

	December 31, 2015			
	Residential mortgage	Home equity	Other consumer	Total
Performing	$214,456	$43,279	$108,248	$365,983
Nonaccrual	103	—	64	167
Total	$214,559	$43,279	$108,312	$366,150

The following tables present the Company’s loan portfolio delinquency analysis as of December 31, 2016 and 2015.

	December 31, 2016							
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total commercial and consumer loans	Nonaccrual Loans	Total Loans 90 Days or More Past Due and Accruing
Commercial and industrial	$27	$ —	$ —	$ 27	$102,410	$102,437	$ —	$ —
Owner-occupied commercial real estate	—	—	—	—	57,668	57,668	—	—
Investor commercial real estate	—	—	—	—	13,181	13,181	—	—
Construction	—	—	—	—	53,291	53,291	—	—
Single tenant lease financing	—	—	—	—	606,568	606,568	—	—
Residential mortgage	—	347	991	1,338	204,216	205,554	1,024	—
Home equity	—	—	—	—	35,036	35,036	—	—
Other consumer	173	91	25	289	173,160	173,449	59	—
Total	$200	$ 438	$ 1,016	$ 1,654	$1,245,530	$1,247,184	$ 1,083	$ —

	December 31, 2015							
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total commercial and consumer loans	Nonaccrual Loans	Total Loans 90 Days or More Past Due and Accruing
Commercial and industrial	$29	$ —	$ —	$ 29	$101,971	$ 102,000	$ —	$ —
Owner-occupied commercial real estate	—	—	—	—	44,462	44,462	—	—
Investor commercial real estate	—	—	—	—	16,184	16,184	—	—

Construction	—	—	—	—	45,898	45,898	—	—
Single tenant lease financing	—	—	—	—	374,344	374,344	—	—
Residential mortgage	300	23	45	368	214,191	214,559	103	—
Home equity	20	—	—	20	43,259	43,279	—	—
Other consumer	116	12	—	128	108,184	108,312	64	—
Total	$465	$ 35	$ 45	$ 545	$948,493	$ 949,038	$ 167	$ —

F-24

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The following tables present the Company's impaired loans as of December 31, 2016 and 2015. There were no impaired loans with a specific valuation allowance as of December 31, 2016 and 2015.

	December 31, 2016			December 31, 2015		
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Recorded Balance	Unpaid Principal Balance	Specific Allowance
Loans without a specific valuation allowance						
Residential mortgage	$1,712	$ 1,824	$ —	$1,133	$ 1,154	$ —
Other consumer	128	184	—	149	178	—
Total impaired loans	$1,840	$ 2,008	$ —	$1,282	$ 1,332	$ —

The table below presents average balances and interest income recognized for impaired loans during the twelve months ended December 31, 2016, 2015, and 2014.

	Twelve Months Ended					
	December 31, 2016		December 31, 2015		December 31, 2014	
	Average Balance	Interest Income	Average Balance	Interest Income	Average Balance	Interest Income
Loans without a specific valuation allowance						
Investor commercial real estate	$—	$ —	$21	$ 2	$666	$ 5
Residential mortgage	1,595	8	1,112	8	1,266	32
Other consumer	149	5	193	16	380	37
Total	1,744	13	1,326	26	2,312	74
Loans with a specific valuation allowance						
Commercial and industrial	1,084	—	—	—	—	—
Residential mortgage	—	—	15	—	—	—
Other consumer	—	—	13	1	40	4
Total	1,084	—	28	1	40	4
Total impaired loans	$2,828	$ 13	$1,354	$ 27	$2,352	$ 78

As of December 31, 2016 and December 31, 2015, the Company had less than $0.1 million and $0.0 million, respectively, in residential mortgage other real estate owned. There were $1.0 million and less than $0.1 million of loans at December 31, 2016 and December 31, 2015, respectively, in the process of foreclosure.

Note 5: Premises and Equipment

The following table summarizes premises and equipment at December 31, 2016 and 2015.

	December 31,	
	2016	2015
Land	$2,500	$2,500
Building and improvements	5,441	4,636
Furniture and equipment	7,079	6,164
Less: accumulated depreciation	(4,976)	(4,779)

$10,044	$8,521

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 6: Goodwill

As of December 31, 2016 and 2015, the carrying amount of goodwill was $4.7 million. There have been no changes in the carrying amount of goodwill for the three years ended December 31, 2016, 2015, and 2014. Goodwill is tested for impairment on an annual basis as of August 31, or whenever events or changes in circumstances indicate the carrying amount of goodwill exceeds its implied fair value. No events or changes in circumstances have occurred since the August 31, 2016 annual impairment test that would suggest it was more likely than not goodwill impairment existed.

Note 7: Deposits

The following table presents the composition of the Company's deposit base as of December 31, 2016 and 2015.

	December 31,	
	2016	2015
Noninterest-bearing demand deposit accounts	$31,166	$23,700
Interest-bearing demand deposit accounts	93,074	84,241
Regular savings accounts	27,955	22,808
Money market accounts	340,240	341,732
Certificates of deposits	964,819	470,736
Brokered deposits	5,613	12,837
Total deposits	$1,462,867	$956,054
Certificates of deposit and brokered deposits in the amount of $250 or more	$301,191	$117,335

The following table presents scheduled certificates of deposits and brokered deposits maturities by year as of December 31, 2016.

2017	$387,709
2018	214,907
2019	30,413
2020	57,229
2021	280,174
Thereafter	—
	$970,432

Note 8: FHLB Advances

The Company had outstanding FHLB advances of $190.0 million and $191.0 million as of December 31, 2016 and 2015, respectively. As of December 31, 2016, the interest rates on the Company's outstanding FHLB advances ranged from 0.74% to 4.22%, with a weighted average interest rate of 1.21%. All advances are collateralized by mortgage loans pledged and held by the Company and investment securities pledged by the Company and held in safekeeping with the FHLB. Mortgage loans pledged were approximately $166.4 million and $186.4 million as of December 31, 2016 and 2015, respectively, and the fair value of investment securities pledged to the FHLB was approximately $340.6 million and $148.7 million as of December 31, 2016 and 2015, respectively.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The Company’s FHLB advances are scheduled to mature according to the following schedule:

	Amount
2017	$42,000
2018	3,000
2019	30,000
2020	50,000
2021	40,000
Thereafter	25,000
	190,000
Deferred prepayment penalties on advance restructure	(19)
	$189,981

As of December 31, 2016 and 2015, the Company had a $50.0 million option-embedded advance that is scheduled to mature on April 17, 2020. The advance converted from a variable rate of 3-month LIBOR minus 0.75% to a fixed rate equal to 1.0525% on April 18, 2016. The FHLB has the option to put the advance prior to its scheduled maturity date. If the advance is put by the FHLB, the Company has the option to request to convert the advance to an adjustable rate advance of predetermined index for the remaining term to maturity, at the FHLB’s discretion. Subsequent to December 31, 2016, the FHLB elected to exercise the option to put the advance back to the Company. As a result, the Company refinanced the advance with another borrowing with the FHLB.

As of December 31, 2016 and 2015, the Company had a $40.0 million symmetrical fixed rate bullet advance that is scheduled to mature on January 19, 2021. The terms of the advance allow the Company to terminate the advance prior to its scheduled maturity date. If the Company elects to terminate the advance prior to its scheduled maturity date and the interest rate for the advance is above market rates relative to an advance with a similar remaining term, the Company will be required to pay a prepayment fee based on the mark-to-market adjustment of the advance. If the Company elects to terminate the advance prior to its scheduled maturity date and the interest rate for the advance is below market rates relative to an advance with a similar remaining term, the Company would be eligible for a prepayment credit and could realize a gain.

As of December 31, 2016 and 2015, the Company had a $15.0 million fixed rate advance that is scheduled to mature on September 2, 2025. The FHLB has a one-time option to put the advance on September 2, 2020. If the FHLB exercises its option to put the advance, the advance will be prepayable without a fee at the Company’s option on the exercise date. If the Company requests to convert the advance to an adjustable rate after the FHLB has put the advance, the Company may prepay the advance without a fee on any subsequent quarterly reset date.

As of December 31, 2016, the Company had a $10.0 million fixed rate advance that is scheduled to mature on February 19, 2026. The FHLB has a one-time option to put the advance on February 19, 2021. If the FHLB exercises its option to put the advance, the advance will be prepayable without a fee at the Company’s option on the exercise date. If the Company requests to convert the advance to an adjustable rate after the FHLB has put the advance, the Company may prepay the advance without a fee on any subsequent quarterly reset date.

Note 9: Subordinated Debt

In June 2013, the Company issued a subordinated debenture (the “2021 Debenture”) in the principal amount of $3.0 million. The 2021 Debenture bears a fixed interest rate of 8.00% per year, payable quarterly, and is scheduled to mature on June 28, 2021. The 2021 Debenture may be repaid, without penalty, at any time after June 28, 2016. The 2021 Debenture is intended to qualify as Tier 2 capital under regulatory guidelines.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

In connection with the 2021 Debenture, the Company also issued a warrant to purchase up to 48,750 shares of common stock at an initial per share exercise price equal to $19.33. The warrant became exercisable on June 28, 2014 and, unless previously exercised, will expire on June 28, 2021. The Company has the right to force an exercise of the warrant after the 2021 Debenture has been repaid in full if the 20-day volume-weighted average price of a share of its common stock exceeds $30.00.

The Company used the Black-Scholes option pricing model to assign a fair value of $0.3 million to the warrant as of June 28, 2013. The following assumptions were used to value the warrant: a risk-free interest rate of 0.66% per the U.S. Treasury yield curve in effect at the date of issuance; an expected dividend yield of 1.19% calculated using the dividend rate and stock price at the date of the issuance; and an expected volatility of 34% based on the estimated volatility of the Company’s stock over the expected term of the warrant, which is estimated to be three years.

In October 2015, the Company entered into a term loan in the principal amount of $10.0 million, evidenced by a term note due 2025 (the “2025 Note”). The 2025 Note bears a fixed interest rate of 6.4375% per year, payable quarterly, and is scheduled to mature on October 1, 2025. The 2025 Note is an unsecured subordinated obligation of the Company and may be repaid, without penalty, on any interest payment date on or after October 15, 2020. The 2025 Note is intended to qualify as Tier 2 capital under regulatory guidelines.

In September 2016, the Company issued $25.0 million aggregate principal amount of 6.0% Fixed-to-Floating Rate Subordinated Notes due 2026 (the “2026 Notes”) in a public offering. The 2026 Notes initially bear a fixed interest rate of 6.00% per year to, but excluding September 30, 2021, and thereafter a floating rate equal to the then-current three-month LIBOR rate plus 485 basis points. All interest on the 2026 Notes is payable quarterly. The 2026 Notes are scheduled to mature on September 30, 2026. The 2026 Notes are unsecured subordinated obligations of the Company and may be repaid, without penalty, on any interest payment date on or after September 30, 2021. The 2026 Notes are intended to qualify as Tier 2 capital under regulatory guidelines.

The following table presents the principal balance and unamortized discount and debt issuance costs for the 2021 Debenture, the 2025 Note and the 2026 Notes as of December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
	Principal	Unamortized Discount and Debt Issuance Costs	Principal	Unamortized Discount and Debt Issuance Costs
2021 Debenture	$3,000	—	3,000	(42)
2025 Note	10,000	(210)	10,000	(234)
2026 Notes	25,000	(1,212)	—	—
Total	$38,000	(1,422)	13,000	(276)

Note 10: Benefit Plans

401(k) Plan

The Company has a 401(k) plan established for substantially all full-time employees, as defined in the plan. Employee contributions are limited to the maximum established by the Internal Revenue Service on an annual basis. The Company has elected to match contributions equal to 100% of the first 1% of employee deferrals and then 50% on deferrals over 1% up to a maximum of 6% of an individual’s total eligible salary, as defined in the plan. Employer-matching contributions begin vesting after one year at a rate of 50% per year of employment and are fully vested after the completion of two years of employment. Contributions totaled approximately $0.4 million in the twelve months ended December 31, 2016 and $0.3 million in each of the twelve months ended December 31, 2015, and 2014.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Employment Agreement

The Company has entered into an employment agreement with its Chief Executive Officer that provides for the continuation of salary and certain benefits for a specified period of time under certain conditions. Under the terms of the agreement, these payments could occur in the event of a change in control of the Company, as defined in the agreement, along with other specific conditions.

2013 Equity Incentive Plan

The 2013 Equity Incentive Plan ("2013 Plan") authorizes the issuance of up to 750,000 shares of the Company's common stock in the form of equity-based awards to employees, directors, and other eligible persons. Under the terms of the 2013 Plan, the pool of shares available for issuance may be used for available types of equity awards under the 2013 Plan, which includes stock options, stock appreciation rights, restricted stock awards, stock unit awards, and other share-based awards. All employees, consultants, and advisors of the Company or any subsidiary, as well as all non-employee directors of the Company, are eligible to receive awards under the 2013 Plan.

The Company recorded \$0.7 million, \$0.8 million, and \$0.5 million of share-based compensation expense for the years ended December 31, 2016, 2015, and 2014, respectively, related to awards made under the 2013 Plan.

The following table summarizes the status of the 2013 Plan awards as of December 31, 2016, and activity for the year ended December 31, 2016:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share	Restricted Stock Awards	Weighted-Average Grant Date Fair Value Per Share	Deferred Stock Units	Weighted-Average Grant Date Fair Value Per Unit
Nonvested at January 1, 2016	28,302	$ 18.90	27,529	$ 18.17	—	$ —
Granted	30,949	25.62	10,232	24.44	10	24.20
Vested	(9,470)	18.92	(21,431)	20.49	(10)	24.20
Forfeited	—	—	—	—	—	—
Nonvested at December 31, 2016	49,781	$ 23.07	16,330	$ 19.06	—	$ —

As of December 31, 2016, the total unrecognized compensation cost related to nonvested awards was \$0.8 million, with a weighted-average expense recognition period of 1.8 years.

Directors Deferred Stock Plan

Until January 1, 2014, the Company had a stock compensation plan for non-employee members of the Board of Directors ("Directors Deferred Stock Plan"). The Company reserved 180,000 shares of common stock that could have been issued pursuant to the Directors Deferred Stock Plan. The plan provided directors the option to elect to receive up to 100% of their annual retainer in either common stock or deferred stock rights. Deferred stock rights were to be settled in common stock following the end of the deferral period payable on the basis of one share of common stock for each deferred stock right.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The following table summarizes the status of deferred stock rights related to the Directors Deferred Stock Plan for the year ended December 31, 2016.

	Deferred Rights
Outstanding, beginning of year	81,693
Granted	684
Exercised	—
Outstanding, end of year	82,377

All deferred stock rights granted during the 2016 period were additional rights issued in lieu of cash dividends payable on outstanding deferred stock rights.

Note 11: Income Taxes

The provision (benefit) for income taxes consists of the following:

	December 31,		
	2016	2015	2014
Current	$2,367	$4,293	$3,655
Deferred	3,544	443	(1,529)
Total	$5,911	$4,736	$2,126

Income tax provision (benefit) is reconciled to the 34% statutory rate applied to pre-tax income as follows:

	December 31,		
	2016	2015	2014
Statutory rate times pre-tax income	$6,115	$4,646	$2,193
Add (subtract) the tax effect of:			
Income from tax-exempt securities and loans	(635)	(132)	(31)
State income tax, net of federal tax effect	567	154	63
Bank-owned life insurance	(159)	(137)	(132)
Other differences	23	205	33
Total income taxes	$5,911	$4,736	$2,126

The net deferred tax asset at December 31 consists of the following:

	December 31,	
	2016	2015
Deferred tax assets (liabilities)		
Allowance for loan losses	$4,269	$2,980
Unrealized loss on available-for-sale securities	5,112	670
Fair value adjustments	(5,994)	(925)
Depreciation	(525)	(573)
Deferred compensation and accrued payroll	1,234	959
Loan origination costs	(955)	(704)
Prepaid assets	(276)	(247)
Other	397	204

Total deferred tax assets, net	$3,262	$2,364

F-30

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 12: Related Party Transactions

In the normal course of business, the Company may enter into transactions with various related parties. In management's opinion, such loans, other extensions of credit, and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Management evaluated related party loans and extensions of credit at December 31, 2016 and 2015, and deemed the balances immaterial. Deposits from related parties held by the Company at December 31, 2016 and 2015 totaled $21.9 million and $9.8 million, respectively.

Note 13: Regulatory Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Basel III Capital Rules became effective for the Company and the Bank on January 1, 2015, subject to a phase-in period for certain provisions. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of Common Equity Tier 1 capital, Tier 1 capital and Total capital, as defined in the regulations, to risk-weighted assets, and of Tier 1 capital to adjusted quarterly average assets ("Leverage Ratio").

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Bank to maintain: 1) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 7.0% upon full implementation); 2) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation); 3) a minimum ratio of Total capital to risk-weighted assets of 8.0%, plus the capital conservation buffer (resulting in a minimum Total capital ratio of 10.5% upon full implementation); and 4) a minimum Leverage Ratio of 4.0%.

The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four-year period increasing by increments of that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Failure to maintain the minimum Common Equity Tier 1 ratio plus the capital conservation buffer will result in potential restrictions on a banking institution's ability to pay dividends, repurchase stock and/or pay discretionary compensation to its employees.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The following table presents actual and required capital ratios as of December 31, 2016 and 2015 for the Company and the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels as of December 31, 2016 and 2015 based on the phase-in provisions of the Basel III Capital Rules and the minimum required capital levels as of January 1, 2019 when the Basel III Capital Rules have been fully phased-in. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Minimum Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
As of December 31, 2016:								
Common equity tier 1 capital to risk-weighted assets								
Consolidated	$158,479	11.54%	$70,366	5.13%	$96,110	7.00 %	N/A	N/A
Bank	162,617	11.88%	70,145	5.13%	95,807	7.00 %	88,964	6.50 %
Tier 1 capital to risk-weighted assets								
Consolidated	158,479	11.54%	90,961	6.63%	116,705	8.50 %	N/A	N/A
Bank	162,617	11.88%	90,675	6.63%	116,337	8.50 %	109,494	8.00 %
Total capital to risk-weighted assets								
Consolidated	206,038	15.01%	118,421	8.63%	144,165	10.50%	N/A	N/A
Bank	173,598	12.68%	118,048	8.63%	143,711	10.50%	136,868	10.00%
Leverage ratio								
Consolidated	158,479	8.65 %	73,311	4.00%	73,311	4.00 %	N/A	N/A
Bank	162,617	8.89 %	73,186	4.00%	73,186	4.00 %	91,483	5.00 %

	Actual		Minimum Capital Required - Basel III Phase-In Schedule		Minimum Capital Required - Basel III Fully Phased-In		Minimum Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
As of December 31, 2015:								
Common equity tier 1 capital to risk-weighted assets								
Consolidated	$100,839	10.11%	$44,881	4.50%	$69,815	7.00 %	N/A	N/A
Bank	104,434	10.50%	44,768	4.50%	69,639	7.00 %	64,664	6.50 %
Tier 1 capital to risk-weighted assets								
Consolidated	100,839	10.11%	59,842	6.00%	84,776	8.50 %	N/A	N/A

Bank	104,434	10.50 %	59,690	6.00 %	84,561	8.50 %	79,587	8.00 %
Total capital to risk-weighted assets								
Consolidated	122,190	12.25 %	79,789	8.00 %	104,723	10.50 %	N/A	N/A
Bank	112,785	11.34 %	79,587	8.00 %	104,458	10.50 %	99,484	10.00 %
Leverage ratio								
Consolidated	100,839	8.28 %	48,713	4.00 %	48,713	4.00 %	N/A	N/A
Bank	104,434	8.59 %	48,636	4.00 %	48,636	4.00 %	60,796	5.00 %

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 14: Commitments and Credit Risk

In the normal course of business, the Company makes various commitments to extend credit which are not reflected in the accompanying consolidated financial statements. At December 31, 2016 and 2015, the Company had outstanding loan commitments totaling approximately $132.5 million and $131.9 million, respectively.

As of December 31, 2016, the Company leased office facilities under various operating leases. The leases may be subject to additional payments based on building operating costs and property taxes in excess of specified amounts. The Company recorded rental expense for all operating leases of $0.6 million, $0.5 million, and $0.5 million for the years ended December 31, 2016, 2015, and 2014 respectively. Future minimum cash lease payments are as follows:

	Amount
2017	$ 720
2018	733
2019	747
2020	760
2021	315
Thereafter	344
Total minimum payments required [1]	$ 3,619

[1] Minimum payments have not been reduced by minimum sublease rentals of $2.0 million due in the future under noncancelable subleases.

In addition, the Company is a limited partner in a Small Business Investment Company fund (the “SBIC Fund”). As of December 31, 2016, the Company has committed to contribute up to $4.0 million of capital to the SBIC Fund. The Company did not have any commitments to contribute capital to the SBIC Fund as of December 31, 2015.

Note 15: Fair Value of Financial Instruments

ASC Topic 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASU Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Level 2 securities include U.S. Government-sponsored agencies, municipal securities, mortgage and asset-backed securities and certain corporate securities. Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but also on the investment securities' relationship to other benchmark quoted investment securities.

In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Fair values are calculated using discounted cash flows. Discounted cash flows are calculated based off of the anticipated future cash flows updated to incorporate loss severities. Rating agency and industry research reports as well as default and deferral activity are reviewed and incorporated into the calculation. The Company did not own any securities classified within Level 3 of the hierarchy as of December 31, 2016 or 2015.

Loans Held-for-Sale (mandatory pricing agreements)

The fair value of loans held-for-sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan (Level 2).

Forward Contracts

The fair values of forward contracts on to-be-announced securities are determined using quoted prices in active markets, or benchmarked thereto (Level 1).

Interest Rate Lock Commitments

The fair value of interest rate lock commitments ("IRLCs") are determined using the projected sale price of individual loans based on changes in market interest rates, projected pull-through rates (the probability that an IRLC will ultimately result in an originated loan), the reduction in the value of the applicant's option due to the passage of time, and the remaining origination costs to be incurred based on management's estimate of market costs (Level 3).

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015.

		December 31, 2016 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

U.S. Government-sponsored agencies	$91,896	$—	$ 91,896	$ —
Municipal securities	91,886	—	91,886	—
Mortgage-backed securities	231,641	—	231,641	—
Asset-backed securities	19,534	—	19,534	—
Corporate securities	18,811	—	18,811	—
Other securities	2,932	2,932	—	—
Total available-for-sale securities	$456,700	$2,932	$ 453,768	$ —
Loans held-for-sale (mandatory pricing agreements)	27,101	—	27,101	—
Forward contracts	438	438	—	—
IRLCs	610	—	—	610

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

	December 31, 2015 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government-sponsored agencies	$37,750	$—	$ 37,750	$ —
Municipals	21,469	—	21,469	—
Mortgage-backed securities	113,052	—	113,052	—
Asset-backed securities	19,361	—	19,361	—
Corporate securities	19,087		19,087	
Other securities	2,979	2,979	—	—
Total available-for-sale securities	$213,698	$2,979	$ 210,719	$ —
Loans held-for-sale (mandatory pricing agreements)	24,065	—	24,065	—
Forward contracts	30	30	—	—
IRLCs	582	—	—	582

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs.

	Securities Available-for-Sale	Interest Rate Lock Commitments
Balance as of January 1, 2014	$ 1,673	$ 79
Total realized gains (losses)		
Included in net income	(259)	442
Included in other comprehensive income	1,333	—
Sales	(2,747)	—
Balance, December 31, 2014	—	521
Total realized gains		
Included in net income	—	61
Balance, December 31, 2015	—	582
Total realized gains		
Included in net income	—	28
Balance, December 31, 2016	$ —	$ 610

The following describes the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy.

Impaired Loans (Collateral Dependent)

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment. The amount of the impairment may be determined based on the fair value of the underlying collateral, less costs to sell, the estimated present value of future cash flows or the loan’s observable market price.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

If the impaired loan is identified as collateral dependent, the fair value of the underlying collateral, less costs to sell, is used to measure impairment. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. If the impaired loan is not collateral dependent, the Company utilizes a discounted cash flow analysis to measure impairment.

Impaired loans with a specific valuation allowance based on the value of the underlying collateral or a discounted cash flow analysis are classified as Level 3 assets.

There were no impaired loans that were measured at fair value on a nonrecurring basis at December 31, 2016 or 2015.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value at December 31, 2016	Valuation Technique	Unobservable Inputs	Range
IRLCs	$ 610	Discounted cash flow	Loan closing rates	43% - 99%

	Fair Value at December 31, 2015	Valuation Technique	Unobservable Inputs	Range
IRLCs	$ 582	Discounted cash flow	Loan closing rates	43% - 100%

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value:

Cash and Cash Equivalents

For these instruments, the carrying amount is a reasonable estimate of fair value.

Interest-Bearing Time Deposits

The fair value of these financial instruments approximates carrying value.

Held-to-Maturity Securities

Fair values are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, and interest rate spreads on relevant benchmark securities.

Loans Held-For-Sale (best efforts pricing agreements)

The fair value of these loans approximates carrying value.

Loans

The fair value of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities.

Accrued Interest Receivable

The fair value of these financial instruments approximates carrying value.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Federal Home Loan Bank of Indianapolis Stock

The fair value approximates carrying value.

Deposits

The fair value of noninterest-bearing and interest-bearing demand deposits, savings and money market accounts approximates carrying value. The fair value of fixed maturity certificates of deposit and brokered deposits are estimated using rates currently offered for deposits of similar remaining maturities.

Advances from Federal Home Loan Bank

The fair value of fixed rate advances is estimated using rates currently offered for similar remaining maturities. The carrying value of variable rate advances approximates fair value.

Subordinated Debt

The fair value of the Company's publicly traded subordinated debt is obtained from quoted market prices. The fair value of the Company's remaining subordinated debt is estimated using discounted cash flow analysis, based on current borrowing rates for similar types of debt instruments.

Accrued Interest Payable

The fair value of these financial instruments approximates carrying value.

Commitments

The fair value of commitments to extend credit are based on fees currently charged to enter into similar agreements with similar maturities and interest rates. The Company determined that the fair value of commitments was zero based on the contractual value of outstanding commitments at December 31, 2016 and 2015.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

The following tables summarize the carrying value and estimated fair value of all financial assets and liabilities at December 31, 2016 and 2015:

	December 31, 2016 Fair Value Measurements Using				
	Carrying Amount	Fair Value	Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$39,452	$ 39,452	$39,452	$ —	$ —
Interest-bearing time deposits	250	250	250	—	—
Held-to-maturity securities	16,671	16,197	—	16,197	—
Loans	1,250,789	1,244,918	—	—	1,244,918
Accrued interest receivable	6,708	6,708	6,708	—	—
Federal Home Loan Bank of Indianapolis stock	8,910	8,910	—	8,910	—
Deposits	1,462,867	1,441,794	492,435	—	949,359
Advances from Federal Home Loan Bank	189,981	186,258	—	186,258	—
Subordinated debt	36,578	38,425	24,900	13,525	—
Accrued interest payable	112	112	112	—	—

	December 31, 2015 Fair Value Measurements Using				
	Carrying Amount	Fair Value	Quoted Prices In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$25,152	$25,152	$25,152	$ —	$ —
Interest-bearing time deposits	1,000	1,000	1,000	—	—
Loans held-for-sale (best efforts pricing agreements)	12,453	12,453	—	12,453	—
Loans	953,859	967,303	—	—	967,303
Accrued interest receivable	4,105	4,105	4,105	—	—
Federal Home Loan Bank of Indianapolis stock	8,595	8,595	—	8,595	—
Deposits	956,054	950,841	472,481	—	478,360

Advances from Federal Home Loan Bank	190,957	188,126	—	188,126	—
Subordinated debt	12,724	13,212	—	13,212	—
Accrued interest payable	117	117	117	—	—

Note 16: Mortgage Banking Activities

The Company's residential real estate lending business originates mortgage loans for customers and sells a majority of the originated loans into the secondary market. The Company hedges its mortgage banking pipeline by entering into forward contracts for the future delivery of mortgage loans to third party investors and entering into interest rate lock commitments with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. To facilitate the hedging of the loans, the Company has elected the fair value option for loans originated and intended for sale in the secondary market under mandatory pricing agreements. Changes in the fair value of loans held-for-sale, interest rate lock commitments and forward contracts are recorded in the mortgage banking activities line item within noninterest income. Refer to Note 17 for further information on derivative financial instruments.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

During the years ended December 31, 2016, 2015, and 2014, the Company originated mortgage loans held-for-sale of $598.4 million, $502.7 million, and $409.7 million, respectively, and received $619.8 million, $509.4 million, and $409.5 million from the sale of mortgage loans, respectively, into the secondary market.

The following table provides the components of income from mortgage banking activities for the years ended December 31, 2016, 2015, and 2014.

	Year Ended December 31,		
	2016	2015	2014
Gain on loans sold	$12,462	$8,845	$5,048
Gain (loss) resulting from the change in fair value of loans held-for-sale	(500)	(341)	751
Gain (loss) resulting from the change in fair value of derivatives	436	496	(190)
Net revenue from mortgage banking activities	$12,398	$9,000	$5,609

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 17: Derivative Financial Instruments

The Company uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Company enters into forward contracts for the future delivery of mortgage loans to third party investors and enters into IRLCs with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. The forward contracts are entered into in order to economically hedge the effect of changes in interest rates resulting from the Company's commitment to fund the loans.

Each of these items are considered derivatives, but are not designated as accounting hedges, and are recorded at fair value with changes in fair value reflected in noninterest income on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in accrued income and other assets in the consolidated balance sheets while derivative instruments with a negative fair value are reported in accrued expenses and other liabilities in the consolidated balance sheets.

The following table presents the notional amount and fair value of IRLCs and forward contracts utilized by the Company at December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Asset Derivatives				
Derivatives not designated as hedging instruments				
IRLCs	$36,311	$610	$28,444	$582
Forward contracts	61,000	438	42,743	30

Fair values of derivative financial instruments were estimated using changes in mortgage interest rates from the date the Company entered into the IRLC and the balance sheet date. The following table summarizes the periodic changes in the fair value of the derivative financial instruments on the consolidated statements of income for the twelve months ended December 31, 2016, 2015, and 2014.

	Amount of gain / (loss) recognized in the twelve months ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Asset Derivatives			
Derivatives not designated as hedging instruments			
IRLCs	$28	$ 61	$ 442
Forward contracts	408	435	—
Liability Derivatives			
Derivatives not designated as hedging instruments			
Forward contracts	$—	$ —	$ (632)

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 18: Shareholders' Equity

In May 2016, the Company and the Bank entered into a Sales Agency Agreement with Sandler O'Neill & Partners, L.P. ("Sandler") to sell shares (the "ATM Shares") of the Company's common stock having an aggregate gross sales price of up to $25.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). The sales, if any, of the ATM Shares, may be made in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on or through The NASDAQ Stock Market, or another market for the Company's common stock, sales made to or through a market maker other than on an exchange or otherwise, in negotiated transactions at market prices prevailing at the time of sale or at negotiated prices, or as otherwise agreed with Sandler. Subject to the terms and conditions of the Sales Agency Agreement, upon its acceptance of written instructions from the Company, Sandler will use its commercially reasonable efforts to sell on the Company's behalf all of the designated ATM Shares. The Sales Agency Agreement provides for the Company to pay Sandler a commission of up to 3.0% of the gross sales price per share sold through it as sales agent under the Sales Agency Agreement. The Company may also sell ATM Shares under the Sales Agency Agreement to Sandler, as principal for its own account, at a price per share agreed upon at the time of sale. Actual sales will depend on a variety of factors to be determined by the Company from time to time. The Company has no obligation to sell any of the ATM Shares under the Sales Agency Agreement, and may at any time suspend solicitation and offers under the Sales Agency Agreement. In addition, the Company has agreed to indemnify Sandler against certain liabilities on customary terms. The Company has sold a total of 139,811 ATM Shares through the ATM Program for gross proceeds of approximately $3.4 million.

As of December 31, 2016, approximately $21.6 million remained available for sale under the ATM Program.

In May 2016, the Company and the Bank separately entered into an Underwriting Agreement with Sandler, pursuant to which the Company sold an additional 895,955 shares of common stock at $24.00 per share, resulting in gross proceeds to the Company of $21.5 million.

In December 2016, the Company and the Bank also entered into an Underwriting Agreement with Keefe, Bruyette & Woods, a Stifel Company, pursuant to which the Company sold 945,000 shares of common stock at $26.50 per share, resulting in gross proceeds to the Company of $25.0 million.

The net proceeds to the Company from the above offerings after deducting underwriting discounts and commissions and offering expenses was $46.2 million.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 19: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations, and cash flows of the Company on a non-consolidated basis:

Condensed Balance Sheets

	Year Ended December 31,	
	2016	2015
Assets		
Cash and cash equivalents	$29,365	$6,860
Investment in common stock of subsidiaries	158,080	107,925
Premises and equipment, net	6,852	5,793
Accrued income and other assets	1,488	750
Total assets	$195,785	$121,328
Liabilities and shareholders' equity		
Subordinated debt, net of unamortized discounts and debt issuance costs of $1,422 in 2016 and $276 in 2015	$36,578	$12,724
Note payable to the Bank	4,000	4,000
Accrued expenses and other liabilities	1,265	274
Total liabilities	41,843	16,998
Shareholders' equity	153,942	104,330
Total liabilities and shareholders' equity	$195,785	$121,328

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Condensed Statements of Income

	Year Ended December 31,		
	2016	2015	2014
Income			
Dividends from subsidiaries	$—	$—	$—
Total income	—	—	—
Expenses			
Interest on borrowings	1,557	643	498
Salaries and employee benefits	344	425	298
Consulting and professional fees	871	930	777
Premises and equipment	291	200	239
Other	235	174	206
Total expenses	3,298	2,372	2,018
Loss before income tax and equity in undistributed net income of subsidiaries	(3,298)	(2,372)	(2,018)
Income tax benefit	(1,224)	(813)	(756)
Loss before equity in undistributed net income of subsidiaries	(2,074)	(1,559)	(1,262)
Equity in undistributed net income of subsidiaries	14,148	10,488	5,586
Net income	$12,074	$8,929	$4,324

Condensed Statements of Comprehensive Income

	Year Ended December 31,		
	2016	2015	2014
Net income	$12,074	$8,929	$4,324
Other comprehensive income (loss)			
Net unrealized holding gains (losses) on securities available-for-sale	(12,315)	(1,669)	3,260
Reclassification adjustment for gains realized	(177)	—	(538)
Net unrealized holding gains on securities available-for-sale for which an other-than-temporary impairment has been recognized in income	—	—	751
Reclassification adjustment for other-than-temporary impairment loss recognized in income	—	—	—
Other comprehensive income (loss) before tax	(12,492)	(1,669)	3,473
Income tax provision (benefit)	(4,433)	(595)	1,236
Other comprehensive income (loss) - net of tax	(8,059)	(1,074)	2,237
Comprehensive income	$4,015	$7,855	$6,561

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2016	2015	2014
Operating activities			
Net income	$12,074	$8,929	$4,324
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries	(14,148)	(10,488)	(5,586)
Depreciation and amortization	461	246	226
Share-based compensation expense	128	150	120
Net change in other assets	(696)	958	(641)
Net change in other liabilities	870	(275)	(19)
Net cash used in operating activities	(1,311)	(480)	(1,576)
Investing activities			
Capital contribution to the Bank	(43,500)	(10,000)	(5,000)
Purchase of premises and equipment	(1,423)	(1,407)	(160)
Net cash used in investing activities	(44,923)	(11,407)	(5,160)
Financing activities			
Cash dividends paid	(1,199)	(1,093)	(1,080)
Net proceeds from issuance of subordinated debt	23,757	9,761	—
Net proceeds from common stock issuance	46,223	—	—
Other, net	(42)	23	(111)
Net cash provided by (used in) financing activities	68,739	8,691	(1,191)
Net increase (decrease) in cash and cash equivalents	22,505	(3,196)	(7,927)
Cash and cash equivalents at beginning of year	6,860	10,056	17,983
Cash and cash equivalents at end of year	$29,365	$6,860	$10,056

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 20: Quarterly Financial Data (unaudited)

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Income Statement Data:				
Interest income	$16,764	$ 15,471	$ 13,971	$ 12,693
Interest expense	5,860	5,133	4,665	3,552
Net interest income	10,904	10,338	9,306	9,141
Provision for loan losses	256	2,204	924	946
Net interest income after provision for loan losses	10,648	8,134	8,382	8,195
Noninterest income	2,891	4,898	3,748	2,540
Noninterest expense	8,158	8,413	7,875	7,005
Income before income taxes	5,381	4,619	4,255	3,730
Income tax provision	1,671	1,521	1,421	1,298
Net income	$3,710	$ 3,098	$ 2,834	$ 2,432
Per Share Data:				
Net income				
Basic	$0.65	$ 0.55	$ 0.57	$ 0.54
Diluted	$0.64	$ 0.55	$ 0.57	$ 0.53
Weighted average common shares outstanding				
Basic	5,722,615	5,597,867	4,972,759	4,541,728
Diluted	5,761,931	5,622,181	4,992,025	4,575,555

	Three Months Ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Income Statement Data:				
Interest income	$11,594	$ 10,536	$ 10,130	$ 9,187
Interest expense	3,026	2,697	2,558	2,413
Net interest income	8,568	7,839	7,572	6,774
Provision for loan losses	746	454	304	442
Net interest income after provision for loan losses	7,822	7,385	7,268	6,332
Noninterest income	2,143	2,374	2,476	3,148
Noninterest expense	6,492	6,207	6,327	6,257
Income before income taxes	3,473	3,552	3,417	3,223
Income tax provision	1,195	1,229	1,152	1,160
Net income	$2,278	$ 2,323	$ 2,265	$ 2,063
Per Share Data:				
Net income				
Basic	$0.50	$ 0.51	$ 0.50	$ 0.46
Diluted	$0.50	$ 0.51	$ 0.50	$ 0.46
Weighted average common shares outstanding				

Basic	4,534,910	4,532,360	4,529,823	4,516,776
Diluted	4,580,353	4,574,455	4,550,034	4,523,246

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Note 21: Recent Accounting Pronouncements

Accounting Standards Update ("Update") 2014-09, Revenue from Contracts with Customers (Topic 606) (May 2014)

The amendments in this Update clarify the principals for recognizing revenue and develop a common revenue standard among industries. 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 guidance provides steps to follow to achieve the core principle. An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The entity should apply the amendments using one of two retrospective methods described in the amendment. Accounting Standard Update 2015-14, Revenue from Contracts with Customers (Topic 606) delayed the effective date for public entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Several subsequent amendments have been issued that provide clarifying guidance and are effective with the adoption of the original Update. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is in its preliminary stages of evaluating the impact of these amendments and currently cannot reasonably quantify the impact of the adoption of the amendments as a result of the complexity and extensive changes from the amendments. The Company is expecting to begin developing processes and procedures during 2017 to ensure it is fully compliant with the amendments at adoption date.

Accounting Standards Update 2016-02, Leases (Topic 842) (February 2016)

In February 2016, the Financial Accounting Standards Board amended its standards with respect to the accounting for leases. The amended standard serves to replace all current GAAP guidance on this topic and requires that an operating lease be recognized by the lessee on the balance sheet as a "right-of-use" asset along with a corresponding liability representing the rent obligation. Key aspects of current lessor accounting remain unchanged from existing guidance. This standard is expected to result in an increase to assets and liabilities recognized and, therefore, increase risk-weighted assets for regulatory capital purposes. The amended standard requires the use of the modified retrospective transition approach for existing leases that have not expired before the date of initial application and will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Earlier application of the amended standard is permitted. The Company does not expect to early adopt and is currently in the process of fully evaluating the amendments on the consolidated financial statements and will subsequently implement updated processes and accounting policies as deemed necessary. The overall impact of the new standard on financial condition, results of operations and regulatory capital cannot yet be determined.

Accounting Standards Update 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (March 2016)

The amendments in this Update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this Update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The amendments in this Update clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and should be implemented using a modified retrospective method. Adoption of this Update is not expected to have a significant effect on the Company’s consolidated financial statements.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Accounting Standards Update 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting (March 2016)

The amendments in this Update eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required.

The amendments in this Update require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method.

For all business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and should be implemented using the prospective method. Adoption of this Update is not expected to have a significant effect on the Company's consolidated financial statements.

Accounting Standards Update 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (March 2016)

This Update is part of an initiative to reduce complexity in accounting standards (the "Simplification Initiative") implemented by the Financial Accounting Standards Board. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Below is a summary of simplifications for the current GAAP areas contained in this Update.

•Accounting for Income Taxes: All excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period.

•Classification of Excess Tax Benefits on the Statement of Cash Flows: Excess tax benefits should be classified along with other income tax cash flows as an operating activity.

•Forfeitures: An entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur.

•Minimum Statutory Tax Withholding Requirements: The threshold to qualify for equity classification permits withholding up to the maximum statutory tax rates in the applicable jurisdictions.

•Classification of Employee Taxes Paid on the Statement of Cash Flows When an Employer Withholds Shares for Tax-Withholding Purposes: Cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements and forfeitures should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. Adoption of this Update is not expected to have a significant effect on the Company’s consolidated financial statements.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (June 2016)

The main objective of this Update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The amendments affect entities holding financial assets that are not accounted for at fair value through net income. The amendments affect loans, debt securities, off-balance-sheet credit exposures, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this Update affect an entity to varying degrees depending on the credit quality of the assets held by the entity, their duration, and how the entity applies current GAAP. There is diversity in practice in applying the incurred loss methodology, which means that before transition some entities may be more aligned, under current GAAP, than others to the new measure of expected credit losses. The following describes the main provisions of this Update.

•Assets Measured at Amortized Cost: The amendments in this Update require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances.

•Available-for-Sale Debt Securities: Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. Available-for-sale accounting recognizes that value may be realized either through collection of contractual cash flows or through sale of the security. Therefore, the amendments limit the amount of the allowance for credit losses to the amount by which fair value is below amortized cost because the classification as available-for-sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

For public business entities that are U.S. Securities and Exchange Commission filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this Update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this Update.

The Company does not expect to early adopt and is currently evaluating the impact of the amendments on the Company's consolidated financial statements and cannot determine or reasonably quantify the impact of the adoption of the amendments due to the complexity and extensive changes. The Company is expecting to begin developing processes and procedures during the next two years to ensure it is fully compliant with the amendments at adoption date.

Accounting Standards Update 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (August 2016)

Stakeholders indicated that there is diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. This Update addresses specific cash flow issues with the objective of reducing the existing diversity in practice.

The amendments in this Update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The amendments in this Update provide guidance on the following specific cash flow issues:

•Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows from financing activities.

•Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing: At the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, the issuer should classify the portion of the cash payment attributable to the accreted interest related to the debt discount as cash outflows from operating activities, and the portion of the cash payment attributable to the principal as cash outflows for financing activities.

•Proceeds from the Settlement of Insurance Claims: Cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage (that is, the nature of the loss). For insurance proceeds that are received in a lump sum settlement, an entity should determine the classification on the basis of the nature of each loss included in the settlement.

•Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies: Cash proceeds received from the settlement of corporate-owned life insurance policies should be classified as cash inflows from investing activities. The cash payments for premiums on corporate-owned policies may be classified as cash outflows from investing activities, operating activities, or a combination of investing and operating activities.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

•Separately Identifiable Cash Flows and Application of the Predominance Principle: The classification of cash receipts and payments that have aspects of more than one class of cash flows should be determined first by applying specific guidance in GAAP. In the absence of specific guidance, an entity should determine each separately identifiable source or use within the cash receipts and cash payments on the basis of the nature of the underlying cash flows. An entity should then classify each separately identifiable source or use within the cash receipts and payments on the basis of their nature in financing, investing, or operating activities. In situations in which cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use, the appropriate classification should depend on the activity that is likely to be the predominant source or use of cash flows for the item.

For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company is currently evaluating the impact of adopting this Update on the consolidated financial statements, but it is not expected to have a significant effect.

Accounting Standards Update 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (October 2016)

The FASB decided that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this Update eliminate the exception for an intra-entity transfer of an asset other than inventory. The amendments in this Update do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The amendments in this Update align the recognition of income tax consequences for intra-entity transfers of assets other than inventory with International Financial Reporting Standards.

For public business entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. That is, earlier adoption should be in the first interim period if an entity issues interim financial statements. The amendments in this Update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of adopting this Update on the consolidated financial statements, but it is not expected to have a significant effect.

Accounting Standards Update 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (January 2017)

The amendments in this Update relate to disclosure of the impact of recently issued accounting standards. It is the SEC staff's view that a registrant should evaluate ASC updates that have not yet been adopted to determine the appropriate financial disclosures about the potential material effects of the updates on the financial statements when adopted. If a registrant does not know or cannot reasonably estimate the impact of an update, then in addition to making a statement to that effect, the registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact. The staff expects the additional qualitative disclosures to include a description of the effect of the accounting policies expected to be applied compared to current account policies. Also, the registrant should describe the status of its process to implement the new standards and the significant implementation matters yet to be addressed. The Company adopted the amendments in this Update and appropriate disclosures have been included in this Note.

First Internet Bancorp
Notes to Consolidated Financial Statements
(Tabular dollar amounts in thousands except per share data)

Accounting Standards Update 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (January 2017)

The amendments in this Update are required for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill.

To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The Board also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this Update. A public business entity that is a U.S. SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. During the current year, the Company performed its impairment assessment and determined that goodwill was not considered impaired. Although the Company cannot anticipate future goodwill impairment assessments, based on the most recent assessment, it is unlikely that an impairment amount would need to be calculated and, therefore, does not anticipate the adoption of this Update to have a significant effect on the consolidated financial statements.

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
3.1	Articles of Incorporation of First Internet Bancorp	Incorporated by Reference
3.2	Amended and Restated Bylaws of First Internet Bancorp as amended March 18, 2013	Incorporated by Reference
4.1	Warrant to purchase common stock dated June 28, 2013	Incorporated by Reference
4.2	Form of Senior Indenture	Incorporated by Reference
4.3	Form of Subordinated Indenture	Incorporated by Reference
4.4	Subordinated Indenture, dated as of September 30, 2016, between First Internet Bancorp and U.S. Bank National Association, as trustee	Incorporated by Reference
4.5	First Supplemental Indenture, dated as of September 30, 2016, between First Internet Bancorp and U.S. Bank National Association, as trustee	Incorporated by Reference
4.6	Form of Global Note representing 6.0% Subordinated Notes due 2026	Incorporated by Reference
10.1	First Internet Bancorp 2013 Equity Incentive Plan	Incorporated by Reference
10.2	Form of Restricted Stock Agreement under 2013 Equity Incentive Plan	Incorporated by Reference
10.3	First Internet Bancorp 2011 Directors' Deferred Stock Plan	Incorporated by Reference
10.4	Amended and Restated Employment Agreement among First Internet Bank of Indiana, First Internet Bancorp and David B. Becker dated March 28, 2013	Incorporated by Reference
10.5	Lease dated as of March 6, 2013, by and between First Internet Bancorp and First Internet Bank of Indiana	Incorporated by Reference
10.6	First Amendment to Office Lease dated as of July 1, 2015, by and between First Internet Bancorp and First Internet Bank of Indiana	Incorporated by Reference
10.7	Second Amendment to Office Lease dated as of July 1, 2016, by and between First Internet Bancorp and First Internet Bank of Indiana	Incorporated by Reference
10.8	Subordinated Debenture Purchase Agreement with Community BanCapital, L.P., dated June 28, 2013	Incorporated by Reference
10.9	Subordinated Debenture dated June 28, 2013	Incorporated by Reference
10.10	2016 Senior Executive Cash Incentive Plan	Incorporated by Reference
10.11	Form of Director Restricted Stock Units under 2013 Equity Incentive Plan	Incorporated by Reference
10.12	Loan Agreement dated as of March 6, 2013, by and between the Company and the Bank	Incorporated by Reference
10.13	First, Second and Third Acknowledgment, Confirmation and Amendment between First Internet Bank of Indiana and First Internet Bancorp executed March 6, 2014, March 6, 2015 and February 26, 2016, respectively	Incorporated by Reference
10.14	Fourth Acknowledgment, Confirmation and Amendment between First Internet Bank of Indiana and First Internet Bancorp executed February 21, 2017	Filed Electronically

10.15	Sales Agency Agreement, dated as of May 6, 2016, among First Internet Bancorp, First Internet Bank of Indiana and Sandler O'Neill & Partners, L.P.	Incorporated by Reference
21.1	List of Subsidiaries	Filed Electronically
23.1	Consent of Independent Registered Public Accounting Firm	Filed Electronically
24.1	Powers of Attorney	Filed Electronically
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed Electronically
32.1	Section 1350 Certifications	Filed Electronically
101.INS	XBRL Instance Document	Filed Electronically
101.SCH	XBRL Taxonomy Extension Schema	Filed Electronically
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed Electronically
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed Electronically
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed Electronically
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed Electronically