



2019 Annual Report

Dear Shareholders,

2019 was a very strong year for Axalta. All of our businesses continued to prosper, despite ongoing headwinds from inflation, foreign exchange, and uneven macroeconomic conditions.

We continued to operate safely and efficiently in 2019, driving solid financial performance that not only met our target margins, but also exceeded our operating earnings and free cash flow expectations. We improved our balance sheet and net leverage as of December 31, 2019, while returning \$105 million to shareholders through stock repurchases. We also successfully increased the average price mix in both our Transportation and Performance Coatings segments to better reflect the value of our products along with the pass-through costs associated with persistent raw material headwinds.

In 2019, Axalta generated \$4.5 billion in net sales, achieved a 5% increase in Adjusted EBIT to \$706 million, saw a 6% rise in Adjusted EPS to \$1.80, and recorded free cash flow of \$475 million, a 31% increase from 2018. Our solid financial performance underscores the resilience of our business model, the breadth and depth of our products and services, and our deep commitment to driving value for shareholders.

Fast Facts

A leading global supplier to light vehicle OEMs

No. 1 global supplier to the refinish sector

No. 1 global supplier to the heavy-duty truck and bus segments

No. 2 global powder coatings supplier

No. 2 industrial wood coatings supplier in North America

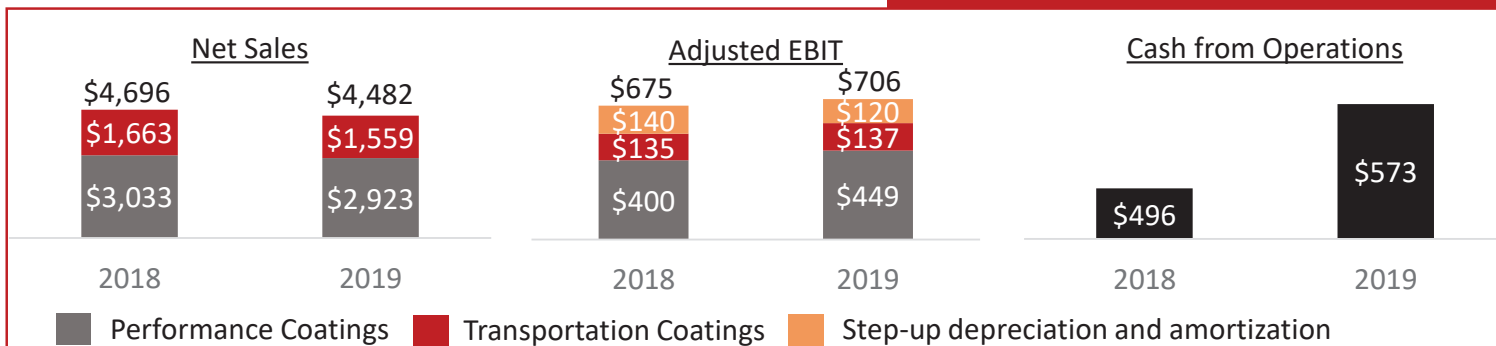
Financial Snapshot

\$4.5 bln in net sales

5% increase in Adjusted EBIT to **\$706 mln**

6% rise in Adjusted EPS to **\$1.80**

Free cash flow of **\$475 mln**, a **31% increase** from 2018



The 2019 Annual Report to Shareholders includes certain non-GAAP financial measures, including adjusted EBIT. These non-GAAP financial measures should be considered only as supplemental to and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Annual Report on Form 10-K included within the 2019 Annual Report to shareholders for a reconciliation of the non-GAAP financial measures included herein to the most directly comparable financial measures prepared in accordance with GAAP. Adjusted EBIT means earnings before interest and taxes, adjusted for non-cash, non-recurring or other items.

All of these statements are based on management's expectations as well as estimates and assumptions prepared by management that, although they believe to be reasonable are inherently uncertain. These statements involve risks and uncertainties. Including, but not limited to, economic, competitive, governmental and technological factors outside of Axalta's control that may cause its business, industry, strategy, financing activities or actual results to differ materially. Axalta undertakes no obligation to update or revise any of the forward looking statements contained herein, whether as a result of new information, future events or otherwise.

Throughout 2019, we continued to execute on the second phase of Axalta Way, a multi-year cost savings initiative designed to leverage innovation to create value for our customers, generate significant free cash flow and achieve the highest return possible on our asset base. Our previously-announced goal of \$200 million in savings by the end of 2021 is on track to be realized. In order to achieve phase two objectives in 2019, we invested in new systems to improve our internal processes, streamline operations and enable greater productivity and profitability throughout our global organization. Capitalizing on the growth and efficiencies achieved in 2019, we are confident that we can deliver more value in the future.

We are proud to maintain our position as a market leader, having retained the No. 1 or 2 share position in the majority of the markets we serve. Specifically, we have upheld the leading position in both the refinish end-market and heavy-duty truck and bus segments, and the No. 2 position in the light vehicle original equipment manufacturer (OEM) space, the global powder coatings market, and the North American industrial wood coatings market.

In mid-2019, we announced that our Board of Directors initiated a comprehensive review of strategic alternatives to maximize shareholder value. At this time, the strategic review is ongoing and our Board and Management are keenly focused on the process to ensure the best result for our Company and our shareholders.

Safety at Axalta

Safety is a top priority at Axalta. Our safety program is structured on the foundation that every employee is engaged and committed to improving safe operating practices and eliminating injuries. When health and safety incidents do occur, we strive to determine the causes and eliminate the potential for future similar incidents. In 2019, Axalta's injury and illness performance resulted in a 0.27 OSHA Recordable Incident Rate (number of Incidents x 200,000 / total number of hours worked in a year). This was a notable improvement compared to an incident rate of 0.45 in 2017 and 0.38 in 2018, and significantly lower than the U.S. paint and coatings industry average of 1.9. Honing in on the importance of this, we reinforced our commitment to employee safety by introducing a new global safety campaign called "Driving Perfect Performance." Our employees have rallied around this slogan, evidenced by our improved safety results year over year.

Innovation Drives Growth

Since our entry into the coatings industry over 150 years ago, we have endeavored to remain at the forefront of coatings technology innovation. In 2019, we introduced more than 250 new products that help keep our customers products more durable, sustainable, and looking great.

Key new product introductions in each business segment include:



Refinish

We launched a new ultra-high productivity non-sanding primer in Europe, the Middle East and Africa (EMEA) regions, and a new waterborne basecoat performance additive in our Cromax[®] product suite. These products, which deliver a smoother and superior topcoat appearance, perform well even in challenging climates like low humidity. We also launched our Spies Hecker[®] 2K sealer, which reduces sealer application time by up to 75%.



Industrial

New product introductions addressed the prefinished commercial siding market and the successful extension of our Durapon[®] coil and extrusion product line to the China markets. We also introduced Voltatex[®] 4224, a high-thermal conductivity impregnating resin, which reduces the operating temperature of the motor by up to 30° Celsius, enabling higher motor efficiency and smaller, lighter electrical devices.



Transportation,

We expanded the introduction of our Lumeera 1K and 2K products globally. These high-performance clearcoats leverage our latest resin technology for improved appearance and enhanced scratch resistance, while reducing cost for our OEM customers. We also continued to focus on Harmonized Coating Technologies[™] and completed the first commercial launch of a direct-to-plastic low-bake basecoat/clearcoat system, which significantly reduces overall cycle times for customers.

Focused on Growth in Emerging Markets

In 2019, we continued to expand our presence in Asia Pacific, the Middle East and Africa. China remains a large opportunity for Axalta and was once again a key growth focus geography in 2019. Last year brought many important developments in China, including the launch of Axalta's Refinish Standox® Xtreme System, a fast-cure and patented technology that offers faster drying times and lower energy consumption – up to 70% – for our customers.

We also made two acquisitions in emerging markets in 2019. We acquired Capital Paints in the United Arab Emirates as well as a powder manufacturing facility in Turkey. Both transactions helped us to secure a stronger presence in countries where we see long-term growth opportunities.



Standox® Xtreme System



Capital Paints Acquisition

Driving New Operational Efficiencies for Greater Productivity

Axalta continued its drive toward organizational optimization in 2019. We lowered our cost structure and increased efficiencies on a global scale. In addition to executing on our Axalta Way objectives for 2019, we also launched a multi-year transformational project designed to align our IT systems around the world. We anticipate this project will result in a more agile, efficient and competitive coatings company.

Capital Allocation to Drive Shareholder Value

Axalta generated strong free cash flow in 2019, which is being used, in part, to invest in our long-term strategic growth through mergers and acquisitions as well as share repurchases. Last year, we repurchased \$105 million of our common stock. For the first time in our operating history, we ended the year with more than \$1 billion of total cash on our balance sheet. We plan to continue to strategically deploy capital to enable growth, while creating additional opportunities for customers and maximizing value for shareholders.

Commitment to Sustainability and our Communities

In 2019, there was an uptick in demand for products that enhance environmental sustainability while maintaining reliability. As we continue to enhance our sustainability efforts, we are focused particularly on environmental protection, social performance, and good governance. We have collaborated with our customers, suppliers, and industry groups to advance responsible sourcing practices throughout the supply chain, with a particular focus on addressing human rights concerns. We remain engaged and committed to finding innovative ways to help our customers save energy, reduce waste, and increase productivity through their operations, as we strive to do the same through ours.

We leveraged global partnerships with organizations that promote environmental stewardship, as well as science, technology, engineering and math (STEM) education in 2019 through our Axalta Bright Futures program. In collaboration with our partners, our environmental protection efforts restored wetlands and wildlife habitats across North America, planted trees in China and provided clean water infrastructure in India, to name a few highlights. We also celebrated the fifth year of our Axalta All-Pro Teachers program in the Philadelphia region, honoring middle and high school STEM teachers for their outstanding dedication to students, schools, and communities.



Bright Futures



Mother River Protection program in China



Axalta All-Pro Teachers program in Philadelphia

Recognition for our Achievements

Axalta received several awards in 2019, solidifying our position as an industry leader as well as our commitment to quality, safety, and sustainability. For example:

- Axalta was named a Top 50 Best Environmental, Social and Corporate Governance Company by *Investor's Business Daily*.
- Our Voltatex® 4224 product won the R&D 100 Award. This prestigious award celebrates the top 100 revolutionary technologies of the past year and highlights leading products, technologies, and services.
- Our Acquire® Quantum EFX and Voltaprem 5000 products each won an Edison Award for revolutionary innovations demonstrating excellence in technological innovation, new product and service development, marketing, and human-centered design.

Looking to the Future

As we enter a new decade, Axalta is well positioned to drive profitable growth and increase shareholder value by continuing to execute our strategy, which is focused on:

- Driving organic and inorganic growth
- Innovating for growth and introducing new products that are durable, sustainable, beautiful, and add value for our customers
- Capturing price and driving margins
- Strengthening our business through disciplined and strategic capital allocation, including internal productivity investments, incremental acquisitions, and opportunistic share repurchases.

Axalta has made great progress in recent years despite challenging macro headwinds, and our commitment to innovation and creating value remains as strong as ever. We are excited about our strategic plan, and we look forward to building on our progress. Our valued relationship with our shareholders will be a driving factor as we execute on our strategy.

I am incredibly proud of our achievements in 2019 and am confident that our unified, global team of more than 14,000 people will continue to deliver value for our customers and shareholders.



Robert W. Bryant

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019

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: 001-36733

AXALTA COATING SYSTEMS LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

2851
(Primary Standard Industrial
Classification Code Number)
Two Commerce Square
2001 Market Street
Suite 3600
Philadelphia, Pennsylvania 19103
(855) 547-1461

98-1073028
(I.R.S. Employer
Identification No.)

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

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

Common Shares, \$1.00 par value

(title of class)

AXTA

(Trading symbol)

New York Stock Exchange

(Exchange on which registered)

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

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

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Non-accelerated filer Accelerated filer Small reporting company Emerging growth company

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

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

As of June 30, 2019, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$6,928.7 million (based on the closing sale price of the common stock on that date on the New York Stock Exchange).

As of February 12, 2020, there were 235,058,521 shares of the registrant's common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the registrant's Proxy Statement for the 2020 Annual Meeting of the Shareholders. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the close of the registrant's fiscal year ended December 31, 2019.

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PART I

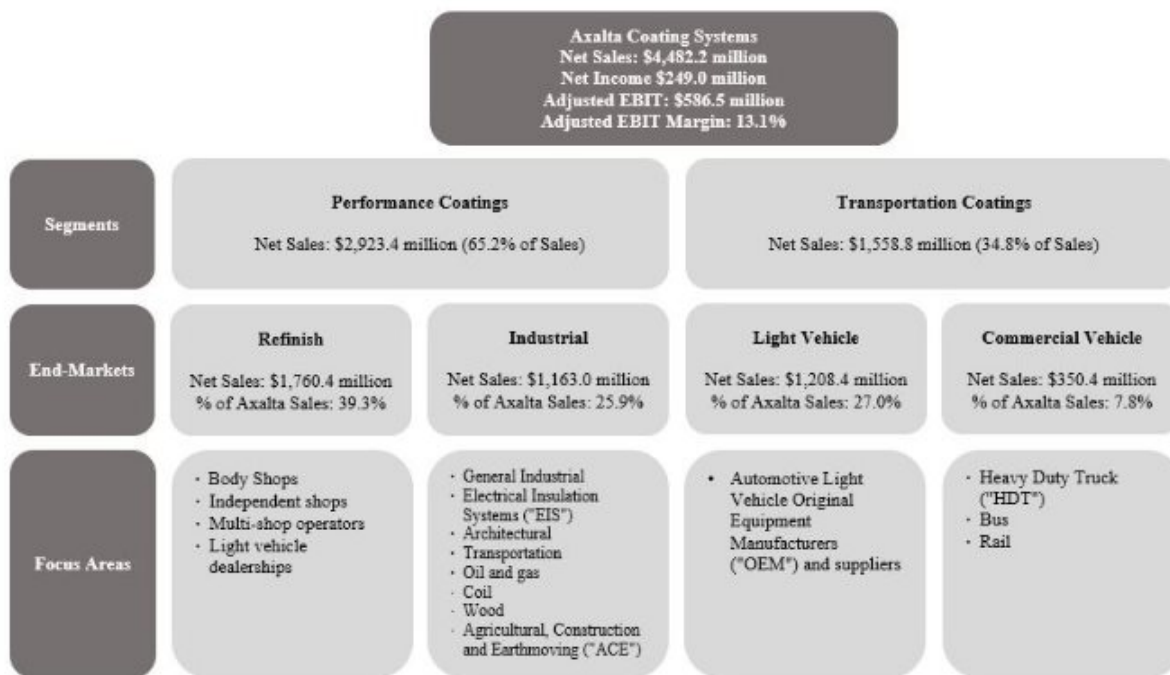
ITEM 1. BUSINESS

Axalta Coating Systems Ltd. ("Axalta," the "Company," "we," "our" and "us"), is a leading global manufacturer, marketer and distributor of high performance coatings systems. We have over a 150-year heritage in the coatings industry and are known for manufacturing high-quality products with well-recognized brands supported by market-leading technology and customer service. Over the course of our history we have remained at the forefront of our industry by continually developing innovative coatings technologies designed to enhance the performance and appearance of our customers' products, while improving their productivity and profitability.

Axalta is a Bermuda exempted company incorporated at the direction of an affiliate of The Carlyle Group L.P. ("Carlyle") on August 24, 2012 for the purpose of consummating the acquisition of DuPont Performance Coatings ("DPC"), a business formerly owned by E. I. du Pont de Nemours and Company ("DuPont"), including certain assets of DPC and all of the capital stock and other equity interests of certain entities engaged in the DPC business (the "Acquisition"). Axalta, through its wholly-owned indirect subsidiaries, acquired DPC on February 1, 2013.

Axalta is a holding company with no business operations or assets other than primarily cash and cash equivalents. Our global operations are conducted by indirect wholly-owned subsidiaries and indirect majority-owned subsidiaries.

Our diverse global footprint of 48 manufacturing facilities, 4 technology centers, 54 customer training centers and approximately 14,000 people allows us to meet the needs of customers in over 130 countries. We serve our customer base through an extensive sales force and technical support organization, as well as through approximately 4,000 independent, locally-based distributors. Our scale and strong local presence are critical to our success, allowing us to leverage our technology portfolio and customer relationships globally while meeting customer demands locally. We operate our business in two operating segments, Performance Coatings and Transportation Coatings, serving four end-markets globally as highlighted below.



The table above reflects numbers for the year ended December 31, 2019. Adjusted EBIT Margin is calculated as Adjusted EBIT divided by Net sales. See the discussion and reconciliation of Adjusted EBIT to the closest U.S. GAAP numbers in Item 7 and Note 20 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Net sales for our four end-markets and four regions for the year ended December 31, 2019 are highlighted below:



Note: Latin America includes Mexico. EMEA represents Europe, Middle East and Africa.

SEGMENT OVERVIEW

Performance Coatings

Through our Performance Coatings segment, we provide high-quality liquid and powder coatings solutions to a fragmented and local customer base, as well as a number of regional and global customers. We are one of only a few suppliers with the technology to provide precise color matching and highly durable coatings systems. The end-markets within this segment are refinish and industrial.



Performance Coatings End-Markets

Refinish

Sales in the refinish end-market are driven by the number of vehicle collisions, owners' propensity to repair their vehicles, the number of miles vehicle owners drive and the size of the car parc. Although refinish coatings typically represent only a small portion of the overall vehicle repair cost, they are critical to the vehicle owner's satisfaction given their impact on appearance. As a result, body shop operators are most focused on coatings brands with a strong track record of performance and reliability. Body shops look for suppliers and brands with productivity enhancements, regulatory compliance, consistent quality, the presence of ongoing technical support and exact color match technologies. Color matching is a critical component of coatings supplier selection, since inexact matching adversely impacts vehicle appearance, and if repainting is required due to a poor match, it can significantly impact the speed and volume of repairs at a given shop.

We develop, market and supply a complete portfolio of innovative coatings systems and color matching technologies to facilitate faster automotive collision repairs relative to competing technologies. Our color matching technology provides Axalta-specific formulations that enable body shops to accurately match thousands of vehicle colors, regardless of vehicle brand, color, age or supplier of the original paint during production. It would be time consuming and costly for a new entrant to create such an extensive color inventory.

Industrial

The industrial end-market is comprised of liquid and powder coatings used in a broad array of end-market applications. Within the industrial end-market, we focus on the following:

- *General Industrial*: coatings for a wide and diverse array of applications, including HVAC, shelving, appliances and electrical storage components, metal furniture, industrial components, sports equipment and playground equipment as well as ACE, fencing, valves and specialized coatings used for coating the interior of metal drums and packaging and coatings for the exterior of glass bottles.
- *Electrical Insulation Systems*: coatings to insulate copper wire used in motors and transformers and coatings to insulate sheets forming magnetic circuits of motors and transformers, computer elements and other electrical components.
- *Architectural*: exterior powder and liquid coatings typically used in the construction of extrusions for commercial structures, residential windows, doors and cladding.
- *Transportation*: liquid and powder coatings for vehicle components, chassis and wheels to protect against corrosion, provide increased durability and impart appropriate aesthetics.
- *Oil & Gas*: liquid and powder products to coat tanks, pipelines, valves and fittings protecting against chemicals, corrosion and extreme temperatures in the oil & gas industry.
- *Coil*: coatings utilized in various applications such as metal building roof and wall panels, residential and commercial steel roofing, gutters, appliances, lighting, garage and entry doors, HVAC, office furniture and truck trailers.
- *Wood*: coatings utilized in OEM and aftermarket industrial wood markets, including building products, cabinets, flooring and furniture.

Demand in this end-market is driven by a wide variety of macroeconomic factors, such as growth in GDP, new residential and commercial construction, automotive production, and industrial production. There has also been an increase in demand for products that enhance environmental sustainability, corrosion resistance, productivity, and color aesthetics. These global trends are affected by regional and industry specific trends. Customers select industrial coatings based on protection, durability and appearance.

Performance Coatings Products and Brands

We offer a comprehensive range of specially-formulated waterborne and solventborne products and systems used by the global automotive refinish industry to repair damaged vehicles. Our refinish products and systems include a range of coatings layers required to match the vehicle's color and appearance, producing a repair surface indistinguishable from the adjacent surface.

We provide systems that enable body shops to match more than 200,000 color variations, using a database with more than four million formulations, in the global market. Our color technology is manifested in the pigment and dispersion technology that are utilized in our tints, one of the most technologically advanced parts of the refinish coatings system, which makes up most of our products in a body shop. We have a large color library and several well-known, long-standing premium brands, including Cromax[®], Stadox[®], Spies Hecker[®], and our newest mainstream product, Syrox[™], as well as other regional and local brands.

Our color matching and retrieval systems allow customers to quickly match any color, preventing body shop technicians from having to repeat the color matching process, saving time and materials. The color matching process begins with a technician scanning a damaged vehicle with one of our advanced color matching tools, such as our Acquire Plus EFX[™] hand-held spectrophotometer. The Acquire Plus EFX reads the vehicle color, evaluating both the unique flake and color characteristics of the specific vehicle. These characteristics may vary significantly, even for vehicles of the same make, model and original color, due to a variety of factors, including a vehicle's age, plant at which it was assembled, weather conditions and operating history. The Acquire Plus EFX electronically connects with our ColorNet[®] database and generates for the body shop technician the precise mix of tints and colors needed to recreate that specific color for the part being repaired. In addition to the Acquire Plus EFX, we offer customers several other color matching tools, including our VINdicator[®] database, which identifies vehicle color based on its vehicle identification number, and traditional color matching fan decks.

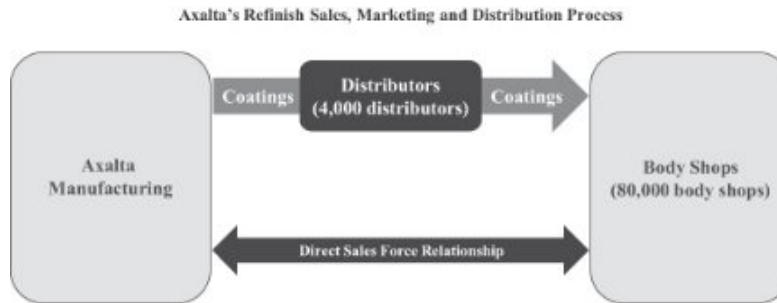
We are also a leading global developer, manufacturer and supplier of functional and decorative liquid and powder coatings for a large number of diversified applications in the industrial end-market. We provide a full portfolio of products for applications including architectural cladding and fittings, automotive components, general industrial, job coaters, electrical insulation coatings, HVAC, appliances, aluminum extrusions, rebar and oil & gas pipelines. Through an acquisition completed in 2017, we have also become a leading manufacturer and supplier of wood coatings sold into the building product, cabinet, flooring and furniture end-markets in North America. Our liquid systems are used to provide insulation and corrosion protection for electrical conductors and components, provide chemical resistance for the interiors of metal packaging drums, protect automotive parts and serve as primers, basecoats, and clearcoats for alloy and steel wheels. Powder coatings products are often an environmentally responsible, higher transfer efficiency alternative to liquid coatings. These coatings are typically electrostatically sprayed using a specialized spray gun and cured to create a uniform, high-quality finish. In the oil & gas industry our powder and liquid products are used to protect components from corrosion and severe conditions such as extreme temperatures.

Our major industrial brands include Voltatex[®], AquaEC[™], Durapon[®], Hydropon[™], UNRIVALED[™], Tufcote[™], and Ceranamel[®] for liquid coatings and Alesta[®], Nap-Gard[®], Abcite[®] and Plascoat[®] for powder.

Performance Coatings Sales, Marketing and Distribution

We leverage a large global refinish sales and technical support team to effectively serve our broad refinish customer base of approximately 80,000 body shops. Most of our products are supplied by our network of approximately 4,000 independent local distributors. In select regions, including parts of Europe, we also sell directly to customers. Distributors maintain an inventory of our products to fill orders from body shops in their market and assume credit risk and responsibility for logistics, delivery and billing. In certain countries, we utilize importers that buy directly from us and actively market our products to body shops. Our relationships with our top ten distributors are longstanding and continue to contribute to our success in the global refinish market.

Our large sales force manages relationships directly with our end-customers to drive demand for our products, which in turn are purchased through customers in our distributor network. Due to the local nature of the refinish industry, our sales force operates on a regional/country basis to provide clients with responsive customer service and local insight. As part of their coverage efforts, salespeople introduce new products to body shops and provide technical support and ongoing training. We have 54 customer training centers established globally, which helps to deepen our customer relationships.



Our sales force also helps to drive shop productivity improvements and to install or upgrade body shop color matching and mixing equipment to improve shop profitability. Once a coating and color system is installed, a body shop almost exclusively uses its specific supplier's products. The proprietary nature of a coatings supplier's color systems, the substantial inventory needed to support a body shop and the body shop's familiarity with an established brand lead to high levels of customer retention. Our customer retention rate levels have been and continue to be strong.

To effectively reach our customers in the industrial end-market we generally ship directly and leverage a dedicated sales force and technical service team that operates on a regional basis. We are one of only three truly global powder coatings producers that can satisfy the needs and specifications of a customer in multiple regions of the world, while maximizing productivity from the broad scale and scope of our operations.

Performance Coatings Customers

Within our Performance Coatings segment, we sell coatings to customers in more than 130 countries. Our top ten customers accounted for approximately 20% of our Performance Coatings net sales during the year ended December 31, 2019.

In our industrial and refinish end-markets we serve a broad, fragmented customer base. Our industrial end-market is comprised of a wide variety of industrial manufacturers, while our refinish end-market is comprised of approximately 80,000 body shops, including:

- *Independent Body Shops:* Single location body shops that utilize premium, mainstream or economy brands based on the local market.

- *Multi-Shop Operators ("MSOs")*: Body shops with more than one location focused on providing premium paint jobs with industry leading efficiency. MSOs use premium/mainstream coatings and state-of-the-art painting technology to increase shop productivity, allowing them to repair more vehicles faster.
- *Original Equipment Manufacturer Dealership Body Shops*: High-productivity body shops, located in OEM car dealerships, that operate like MSOs and provide premium services to customers using premium/mainstream coatings.

Performance Coatings Competition

Our primary competitors in the refinish end-market include PPG, BASF and AkzoNobel, but we also compete against regional players in local markets. Similarly, in the industrial end-market, we compete against multi-national suppliers, such as AkzoNobel, PPG and Sherwin-Williams as well as a large number of local and regional players in local markets. We are one of the few performance coatings companies that can provide the customer service, technology, color design capability and product performance necessary to deliver exceptional value to our customers.

Transportation Coatings

Through our Transportation Coatings segment, we provide advanced coatings technologies to OEMs of light and commercial vehicles. These increasingly global customers require a high level of technical support coupled with productive, environmentally responsible coatings systems that can be applied with a high degree of precision, consistency and speed.



Transportation Coatings End-Markets

Light Vehicle

Demand for light vehicle products is driven by the production of light vehicles in a particular region. Light vehicle OEMs select coatings providers on the basis of their global ability to deliver advanced technological solutions that improve exterior appearance and durability and provide long-term corrosion protection. These customers also look for suppliers that can enhance process efficiency to improve productivity and provide superior technical service support. Rigorous environmental and durability testing as well as obtaining engineering approvals are also key criteria used by global light vehicle OEMs when selecting coatings providers. Globally integrated suppliers are important because they offer products with consistent standards across regions and are able to deliver high-quality products in sufficient quantity while meeting OEM service requirements. Our global scale, people expertise, innovative technology platforms, and customer focus, position us to be a global partner and solutions provider to the most discerning and demanding light vehicle OEMs. We are one of the few coatings producers that can provide OEMs with global product specifications, standardized color development, compatibility with an ever-increasing number of substrates, increasingly complex colors and environmentally responsible coatings while continuing to simplify and reduce steps in the coating application process.

Commercial Vehicle

Sales in the commercial vehicle end-market are generated from a variety of applications, including non-automotive transportation (e.g., HDT, bus and rail), motorcycles, marine and aviation, as well as related markets such as trailers, recreational vehicles and personal sport vehicles. This end-market is primarily driven by global commercial vehicle production, which is influenced by overall economic activity, government infrastructure spending, equipment replacement cycles and evolving environmental standards.

Commercial vehicle OEMs select coatings providers on the basis of their ability to consistently deliver advanced technological solutions that improve exterior appearance, protection and durability and provide extensive color libraries and matching capabilities at the lowest total cost-in-use, while meeting stringent environmental requirements. Particularly for HDT applications, truck owners demand a greater variety of custom colors and advanced product technologies to enable custom designs. Our strong market position and growth are driven by our ability to provide customers with our market-leading brand, Imron[®], as well as leveraging our global product lines, regional knowledge and service. Additionally, to capture further growth we are launching a new suite of products to meet our customers' evolving needs.

Transportation Coatings Products and Brands

We develop and supply a complete coatings product line for light vehicle OEMs. Products are designed to enhance the styling and appearance of a vehicle's exterior while providing protection from the elements, extending the life of the vehicle. Widely recognized in the industry for our advanced and patented technologies, our products not only increase productivity and profitability for OEMs but also produce attractive and durable finishes. Our light vehicle coatings portfolio is one of the broadest in the industry.

The coatings operation is a critical component of the vehicle assembly process, requiring a high degree of precision, speed and productivity. The paint shop process typically includes a dip process, three application zones and three high-temperature ovens that cure each coating layer at temperatures ranging from 320°F to 400°F (i.e., "high bake"). Our key products consist of the four main coatings layers: electrocoat (AquaECT[™]), primer (HyperDur[™]), basecoat (ChromaDyne[™]) and clearcoat (Lumeera[™]).

The coatings process accounts for a majority of the total energy consumed during the vehicle manufacturing process. As a result, we have developed Harmonized Coating Technologies[™], including 3-Wet, Eco-Concept and 2-Wet Monocoat, that help our OEM customers lower costs by reducing energy consumption while increasing productivity.

OEMs are also increasingly looking to reduce the weight of vehicles in response to increasing vehicle emissions and fuel consumption regulations. As a result, OEMs are constructing vehicle platforms using a variety of new materials in addition to steel and plastic, including aluminum, carbon fiber and other substrates, each of which requires specialized coatings formulations to create a uniform color and finish. We continue to innovate with our OEM customers in driving this trend, as evidenced by use of our coatings on their flagship vehicle platforms.

We also develop and supply a wide array of coatings systems for a broad range of commercial vehicle applications including HDT, bus, and rail. These products simultaneously enhance aesthetic appearance and provide protection from the elements. We meet the demands of commercial vehicle customers with our extensive offering of over 75,000 different colors. In the HDT market, because the metal and composite components are painted simultaneously in an automatic process, most truck OEMs use low bake coatings to ensure that the plastic composite parts on a truck's exterior do not deform during the process. Truck owners demand a wide variety of custom colors that are formulated using a combination of on-site mixing machines at the OEM or direct shipments of premixed high-volume colors from us. Our commercial vehicle brands include Imron[®], Imron Elite[®], Centari[®], Rival[®], Corlar[®] epoxy undercoats and AquaECT[™].

Transportation Coatings Sales, Marketing and Distribution

We have full-time technical representatives stationed at OEM facilities around the world. These on-site representatives provide customer support, monitor the painting process and track paint demand at each assembly plant. Monitoring OEM line performance in real-time allows our technical support teams to help improve paint department operating efficiency and provide performance feedback to our formulating chemists and paint manufacturing teams. Our customer technical support representatives also help OEMs manage their physical inventory by forecasting facility coatings demand based on the customer's build schedule.

We sell and ship products directly to light vehicle OEMs in each of our four regions coordinated via a global point of contact for each customer and assist OEMs with on-site customer support. Located in 11 countries, our manufacturing facilities provide a local presence that enables us to cultivate strong relationships, gain intimate customer knowledge, provide superior technical support to our key customers and maintain "just-in-time" product delivery capabilities critical to OEMs. Our local presence also allows us to quickly react to changing local dynamics, offer high-quality products and provide excellent customer service.

In the commercial vehicle end-market, we employ a dedicated sales and technical service team to support our diverse customer base, including a direct sales force supporting the HDT market. We ship our coatings directly to commercial vehicle OEMs and provide on-site technical service representatives that play an important role by helping optimize the painting process and by providing responsive customer support.

Transportation Coatings Customers

We provide our products and services to light and commercial vehicle customers at over 200 assembly plants worldwide, including nine of the top ten global automotive manufacturers. We have a stable customer base with several relationships dating back approximately 90 years and believe we are well positioned with the fastest growing OEMs in both the developed and emerging markets. Our top ten customers accounted for approximately 65% of our Transportation Coatings net sales during the year ended December 31, 2019.

Transportation Coatings Competition

We primarily compete against large multi-national suppliers such as PPG and BASF in the light and commercial vehicle end-markets. Additionally, we compete against certain regional players in Asia Pacific. With our state-of-the-art coatings solutions and local presence in key OEM markets, we are one of the few competitors in the industry that offers global manufacturers the combination of high-quality products, personalized, top-rate technical service and short lead-times for product delivery.

KEY RAW MATERIALS

We use thousands of different raw materials, which fall into seven broad categories: liquid resins, powder resins, pigments, solvents, monomers, isocyanates and additives. On average, our total raw material spend represents between 45% and 55% of our cost of sales. We purchase raw materials from a diverse group of suppliers, with our top ten suppliers representing approximately 32% of our 2019 spending on raw materials.

Approximately 65% of the raw materials we procure are derived from crude oil and natural gas. While prices for these raw materials fluctuate with energy prices, such fluctuations are somewhat mitigated by the fact that the majority of our raw materials are fourth to sixth generation derivatives of crude oil and natural gas. The dynamics of supply and demand play a much more critical role in our cost of raw materials than just the price of crude oil. Non-petrochemical based inputs such as minerals that are used to manufacture coating pigments are not significantly affected by volatility in crude oil prices but tend to be impacted by the supply-demand dynamics of their industry.

Historically, to manage raw material volatility, we have used a combination of price increases to customers and, in limited circumstances, contractual raw material recovery mechanisms. Since 2001, our variable cost of sales has remained stable between 35% and 43% of net sales.

RESEARCH AND DEVELOPMENT

Our focus on technology has allowed us to proactively provide customers with next-generation offerings that enhance product performance, improve productivity and satisfy increasingly strict environmental regulations. Since our entry into the coatings industry over 150 years ago, we believe we have consistently been at the forefront of coatings technology innovation. These innovations have played a fundamental role in our ability to maintain and grow our global market share as well as deliver substantial financial returns.

We believe that we are a technology leader well positioned to benefit from continued industry shifts in customer needs. Our markets are among the most demanding in the coatings industry with high levels of product performance that continuously evolves, with increasing expectations for productivity on customer lines and with environmentally responsible products. Our technology development is led by a highly experienced and educated workforce that is focused on new product development, color development, technical customer support and improving our manufacturing processes. As such, our technology development covers two critical interrelated aspects for us, including research and development as well as technical support and manufacturing. In total, as of December 31, 2019, we have approximately 1,400 people dedicated to technology development. We operate four major technology centers throughout the world where we develop and align our technology investments with regional business needs complemented by approximately 30 regional laboratories which provide local connection to our global customer base. This includes our Global Innovation Center located in Philadelphia, Pennsylvania which opened in 2018 for global research, product development and technology initiatives.

PATENTS, LICENSES AND TRADEMARKS

As of December 31, 2019, we had a portfolio of approximately 750 issued patents and more than 400 trademarks. We actively apply for and obtain U.S. and foreign patents and trademarks on new products and process innovations and as of December 31, 2019, 182 patent applications were pending throughout the world.

Our primary purpose in obtaining patents is to protect the results of our research for use in operations and licensing. We are also party to a substantial number of patent licenses and other technology agreements. We have a significant number of trademarks and trademark registrations in the United States and in other countries, as described below.

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We own or otherwise have rights to the trademarks, service marks, copyrights and trade names used in conjunction with the marketing and sale of our products and services. These trademarks include Abcite[®], Alesta[®], AquaEC[®], Audurra[™], Centari[®], Ceranamel[®], Challenger[™], Chemophan[™], ColorNet[®], Corlar[®], Cromax[®], Cromax Mosaic[®], Durapon 70[®], Duxone[™], Harmonized Coating Technologies[®], Hydropon[®], Imron[®], Imron Elite[™], Imron ExcelPro[™], Lutophen[™], Nap-Gard[®], Nason[®], Rival[®], Spies Hecker[®], Standox[®], Stollaquid[™], Syntopal[™], Syrox[™], Vermeera[®] and Voltatex[®], which are protected under applicable intellectual property laws and are the property of us and our subsidiaries.

Although we consider that our patents, licenses and trademarks in the aggregate constitute a valuable asset, we do not regard our business as being materially dependent on any single or group of related patents, licenses or trademarks.

JOINT VENTURES

At December 31, 2019, we were party to 11 joint ventures, of which four were focused on the refinish end-market, three were focused on the light vehicle end-market, three were focused on the industrial end-market and one was focused on the commercial vehicle end-market. At December 31, 2019, we were the majority shareholder, and/or exercise control in our eight consolidated joint ventures. Our fully consolidated joint venture-related net sales were \$254.7 million, \$315.6 million and \$296.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. See Part I, Item 1A, "Risk Factors—Risks Related to our Business—Risks Related to Other Aspects of our Business—Our joint ventures may not operate according to our business strategy if our joint venture partners fail to fulfill their obligations."

EMPLOYEES

As of December 31, 2019, we had approximately 14,000 people located throughout the world consisting of sales, technical, manufacturing operations, supply chain, administrative and customer service personnel.

As of December 31, 2019, approximately 42% of our people globally were covered by organized labor agreements, including works councils, with fewer than 10 people in the United States covered by organized labor agreements. We consider our employee relations to be good overall.

ENVIRONMENTAL, HEALTH AND SAFETY

We are committed to environmental stewardship and to health, safety and sustainability excellence in our global operations. As such, we operate in compliance with applicable laws and regulations governing the protection of the environment and health and safety of our employees and neighboring communities.

Safety is integrated into the way we do business. Our safety program is structured on the foundation that every employee is engaged and committed to improving safe operating practices and eliminating injuries. When health and safety incidents do occur, we strive to determine the causes and eliminate the potential for future similar incidents. In 2019, Axalta's injury and illness performance resulted in a 0.27 OSHA Recordable Incident Rate, compared to the 1.9 OSHA Recordable Incident Rate for the Paint and Coating Manufacturing Industry (according to the US Bureau of Labor Statistics 2018 data).

Our Environment, Health, Safety (EHS) and Sustainability policies and standards are a key element of the foundation upon which we develop, market, manufacture, and distribute products and services to our global customers. In 2017, we established a Board-level committee responsible for our EHS and Sustainability policies, performance, strategy and compliance matters. We operate our manufacturing facilities using a common set of internal standards. These standards support a consistent approach to EHS and Sustainability performance improvement. We strive to assure that all our manufacturing and distribution facilities are operated in compliance in all known material respects to applicable environmental requirements.

Many of our manufacturing sites have a long history of industrial operations and government required remediation is or may be required at a number of these locations. We do not expect outstanding remediation obligations to have a material impact on our financial position, the ultimate cost of remediation is subject to a number of variables and difficult to accurately predict. We may also incur significant additional costs as a result of contamination that is discovered and/or government required remediation obligations that are imposed at these or other properties in the future.

During 2016, Axalta achieved and continues to maintain a global, multi-site certification for RC14001. This certification incorporates the elements of the American Chemistry Council's Responsible Care Program including product safety and compliance, process safety and security, which builds upon the ISO 14001 certification specifically related to our environmental stewardship program.

WHERE YOU CAN FIND MORE INFORMATION

Our website address is www.axalta.com. We post, and shareholders may access without charge, our recent filings and any amendments thereto of our annual reports on Form 10-K, quarterly reports on Form 10-Q and proxy statements as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission ("SEC"). We also post all financial press releases, including earnings releases, to our website. All other reports filed or furnished to the SEC on the SEC's website, www.sec.gov, including current reports on Form 8-K, are available via direct link on our website. Reference to our and the SEC's websites herein do not incorporate by reference any information contained on those websites and such information should not be considered part of this Form 10-K.

ITEM 1A. RISK FACTORS

As a global manufacturer, marketer and distributor of high performance coatings systems, we operate in a business environment that includes risks. These risks are not unlike the risks we have faced in the recent past nor are they unlike risks faced by our competitors. If any of the events contemplated by the following discussion of risks should occur, our business, results of operations, financial condition and cash flows could suffer materially and adversely. While the factors listed here are considered to be the more significant factors, they should not be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors, including those in other documents we file from time to time with the Securities and Exchange Commission, may present significant additional obstacles which may materially and adversely affect our businesses and our results of operations.

Risks Related to our Business

Risks Related to Execution of our Strategic and Operating Plans

We are subject to risks and uncertainties related to our strategic review.

On June 19, 2019, we announced that our Board of Directors had initiated a comprehensive review of strategic alternatives to maximize shareholder value. There can be no assurance the review of strategic alternatives will result in any transaction, and the process of exploring strategic alternatives will involve the dedication of significant resources and the incurrence of significant costs and expenses. In addition, speculation and uncertainty regarding the strategic review process may cause or result in:

- disruption of our business;
- distraction of our employees;
- difficulty in recruiting, hiring, motivating, and retaining talented and skilled personnel;
- difficulty in maintaining or negotiating and consummating new business or strategic relationships or transactions; and
- increased stock price volatility.

If we are unable to mitigate these or other potential risks related to the uncertainty caused by the strategic review process, it may disrupt our business or adversely impact our net sales, operating results, and financial condition.

Our financial position, results of operations and cash flows could be materially adversely affected by difficult economic conditions, and/or significant volatility in the capital, credit and commodities markets.

Several of the end-markets we serve are cyclical, and macroeconomic and other factors beyond our control could reduce demand from these end-markets for our products, materially adversely affecting our business, financial condition and results of operations. Weak economic conditions could depress new car sales and/or production, reducing demand for our light vehicle OEM coatings and limit the growth of the car parc. These factors could, in turn, cause a related decline in demand for our automotive refinish coatings because, as the age of a vehicle increases, the propensity of car owners to pay for cosmetic repairs generally decreases. Also, during difficult economic times, car owners may refrain from seeking repairs for their damaged vehicles. Similarly, periods of reduced global economic activity could hinder global industrial output, which could decrease demand for our industrial and commercial coating products.

Our global business is adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending, construction activity and industrial manufacturing. Disruptions in the United States, Europe or other economies, or weakening of emerging markets, such as Brazil or China, could adversely affect our sales, profitability and/or liquidity.

Further, a tightening of credit in financial markets could adversely affect the ability of our customers and suppliers to obtain financing for significant purchases and operations, could result in a decrease in or cancellation of orders for our products and services and could impact the ability of our customers to make payments owed to us. Similarly, a tightening of credit in financial markets could adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy.

We may be unable to successfully execute on our growth initiatives, business strategies or operating plans.

We are executing on a number of growth initiatives, strategies and operating plans designed to enhance our business, including productivity enhancements and cost reduction. For example, we are undertaking certain operational improvement initiatives with respect to realigning our manufacturing facilities in multiple regions. In 2018, we announced the closing of our Mechelen, Belgium manufacturing facility as part of our restructuring initiative. Axalta commenced the closure in the third quarter of 2018 and anticipates completion of the closure activities during the first half of 2020. We are also growing our sales force in emerging markets and end-markets where we are underrepresented. The anticipated benefits from these efforts are based on several assumptions that may prove to be inaccurate. A variety of risks could cause us not to realize some or all of the expected benefits, including growth and cost savings. These risks include, among others, delays in the anticipated timing of activities related to such growth initiatives, strategies and operating plans; increased difficulty and cost in implementing these efforts; and the incurrence of other unexpected costs associated with operating the business. Further, our continued implementation of these programs may disrupt our operations and performance. As a result, we cannot assure you that we will realize these benefits. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our results of operations may be materially adversely affected.

Increased competition may adversely affect our business, financial condition and results of operations.

We face substantial competition from many international, national, regional and local competitors of various sizes in the manufacturing, distribution and sale of our coatings and related products. Some of our competitors are larger than us and have greater financial resources than we do, particularly in light of the significant consolidation our industry has experienced. Other competitors are smaller and may be able to offer more specialized products. We believe that technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service, local presence and price are the key competitive factors for our business. Competition in any of these areas may reduce our net sales and adversely affect our earnings or cash flow by resulting in decreased sales volumes, reduced prices and increased costs of manufacturing, distributing and selling our products.

Improved safety features on vehicles, insurance company influence, the introduction of new business models or new methods of travel, and weather conditions may reduce the demand for some of our products and could have a negative effect on our business, financial condition and results of operations.

Vehicle manufacturers continue to develop new safety features such as collision avoidance technology and self-driving vehicles that may reduce vehicle collisions in the future, potentially negatively impacting demand for our refinish coatings. Insurance companies may influence vehicle owners to use body shops that do not use our products, which could also potentially negatively impact demand for our refinish coatings. In addition, through the introduction of new technologies, new business models or new methods of travel, such as ridesharing, the number of automotive OEM new-builds may decline, potentially reducing demand for our automotive OEM coatings. Furthermore, from time to time, weather conditions have an adverse effect on our sales of coatings and related products. For example, unusually mild weather during winter months may lead to fewer vehicle collisions, reducing market demand for our refinish coatings. Any resulting reduction in demand for our refinish coatings could have a material adverse effect on our business, financial condition and results of operations.

The loss of or reduced purchases by any of our largest customers, or the consolidation of MSOs, distributors and/or body shops, could adversely affect our business, financial condition and results of operations.

We have some customers that purchase a large amount of products from us and we are also reliant on distributors to assist us in selling our products. Our largest single customer accounted for approximately 6% of our 2019 net sales and our largest distributor accounted for approximately 4% of our 2019 net sales. Consolidation of any of our customers, including MSOs, distributors and body shops, could decrease our customer base and impact our results of operations if the resulting business seeks different sales terms or chooses to use one of our competitors for the consolidated business. The loss of any of our large customers or significant changes in their level of purchases, as a result of changes in business conditions, working capital levels, product requirements, consolidation or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

We rely on our distributor network and third-party delivery services for the distribution and export of certain of our products. A significant disruption in these services or significant increases in prices for those services may disrupt our ability to export material or increase our costs.

We ship a significant portion of our products to our customers through our distributor network as well as independent third-party delivery companies. If any of our key distributors or third-party delivery providers experiences a significant disruption our products may not be delivered in a timely fashion. In addition, if our distributors or third-party delivery providers increase prices and we are not able to pass along these increases to customers, find comparable alternatives or adjust our delivery network, our business, financial condition and results of operations could be adversely affected.

We take on credit risk exposure from our customers in the ordinary course of our business.

We routinely offer customers pre-bates, loans and other financial incentives to purchase our products. These arrangements generally obligate the customer to purchase products from us and/or repay us such incentives. In the event that a customer is unwilling or unable to fulfill its obligations under these arrangements, we may incur a financial loss. In addition, in the ordinary course of our business, we guarantee certain of our customers' obligations to third parties. Any default by our customers on their obligations could force us to make payments to the applicable creditor. It is possible that customer defaults on obligations owed to us and on third-party obligations that we have guaranteed could be significant, which could have a material adverse effect on our business, financial condition and results of operations. Our level of credit risk exposure from our customers has remained stable in recent years.

Price increases, business interruptions or declines in the supply of raw materials could have a significant impact on our ability to grow or sustain earnings.

Our manufacturing processes consume significant amounts of raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond our control. We use a significant amount of raw materials derived from crude oil and natural gas. As a result, volatile oil and gas prices can cause significant variations in our raw materials costs, affecting our operating results. In rising raw material price environments, we may be unable to pass along these increased costs to our customers. In declining raw material price environments, customers may seek price concessions from us greater than any raw material cost savings we realize. If we are not able to fully offset the effects of higher raw materials costs, or if customers demand greater raw material price concessions than we obtain in low raw material cost environments, our financial results could deteriorate. In addition to the risks associated with raw materials prices, supplier capacity constraints, supplier production disruptions, including supply disruptions, increasing costs for energy, or the unavailability of certain raw materials could result in harm to our manufacturing capabilities or supply imbalances that may have a material adverse effect on our business, financial condition and results of operations.

Failure to develop and market new products and manage product life cycles could impact our competitive position and have a material adverse effect on our business, financial condition and results of operations.

Our operating results are largely dependent on our development and management of our portfolio of current, new and developing products and services as well as our ability to bring those products and services to market. We plan to grow our business by focusing on developing and marketing our solutions to meet increasing demand for productivity. Our ability to execute this strategy and our other growth plans successfully could be adversely affected by difficulties or delays in product development, such as the inability to identify viable new products, successfully complete research and development, obtain relevant regulatory approvals, effectively manage our manufacturing process or costs, obtain intellectual property protection, or gain market acceptance of new products and services. Because of the lengthy and costly development process, technological challenges and intense competition, we cannot assure you that any of the products we are currently developing, or that we may develop in the future, will achieve substantial commercial success. For example, in addition to developing technologically advanced products, commercial success of those products will depend on customer acceptance and implementation of those products. A failure to develop commercially successful products or to develop additional uses for existing products could materially adversely affect our business, financial results or results of operations. Further, sales of our new products could replace sales of some of our current products, offsetting the benefit of even a successful product introduction.

Our information technology systems are subject to security risks.

We rely on information technology systems to conduct business. Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of cyber attackers. In addition, by utilizing third parties to perform certain business and administrative functions, we may be exposed to greater risk of data security breaches. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, catastrophes or other unforeseen events. Any such event relating to our systems (or the systems of third parties that we rely on), could result in theft, misuse, modification or destruction of information, including trade secrets and confidential business information, and cause business disruptions, reputational damage and third-party claims, any of which could have a material adverse effect on our business, financial condition or results of operations. Since the techniques used to obtain unauthorized access to systems or to otherwise sabotage them, change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As these threats continue to evolve, particularly around cybersecurity, we may be required to expend significant resources to enhance our control environment, processes, practices, and other countermeasures. While we have designed and implemented controls to restrict access to our data and information technology infrastructure, it is still vulnerable to unauthorized access through cyber attacks, theft and other security breaches. These types of attacks have occurred against our systems from time to time, with no material adverse impacts to date. We expect these attacks to continue and our protective measures may not be adequate to ensure that our operations will not be disrupted, should another such event occur in the future. Although we continually seek to improve our countermeasures to prevent such events, we may be unable to anticipate every scenario and it is possible that certain cyber threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack on us and our customers.

Our ability to conduct our business might be negatively impacted if we experience difficulties with outsourcing and similar third-party relationships.

We outsource certain business and administrative functions and rely on third parties to perform certain services on our behalf. We may do so increasingly in the future. If we fail to develop and implement our outsourcing strategies, such strategies prove to be ineffective or fail to provide expected cost savings, or our third-party providers fail to perform as anticipated, we may experience operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Global Operations

As a global business, we are subject to risks associated with our non-U.S. operations that are not present in the United States.

We conduct our business on a global basis, with approximately 63% of our 2019 net sales occurring outside the United States. We anticipate that international sales will continue to represent a substantial portion of our net sales and that our strategy for continued growth and profitability will entail further international expansion, particularly in emerging markets. Changes in local and regional economic conditions could affect product demand in our non-U.S. operations. Specifically, our financial results could be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of U.S. and non-U.S. governments, agencies and similar organizations. These conditions include, but are not limited to, changes in a country's or region's social, economic or political conditions, trade regulations affecting production, pricing and marketing of products, local labor conditions and regulations, reduced protection of intellectual property rights in some countries, changes in the regulatory or legal environment, restrictions on currency exchange activities, burdensome taxes and tariffs and other trade barriers, as well as the imposition of economic or other trade sanctions, each of which could impact our ability to do business in certain jurisdictions or with certain persons. For example, the U.S. government has taken actions or made proposals that are intended to address trade imbalances, specifically with China, among other countries, which include encouraging increased production in the United States. These actions and proposals have resulted or could result in increased customs duties and the renegotiation of some U.S. trade agreements. In addition, it is not known how the withdrawal by the United States from the Trans-Pacific Partnership trade agreement may also affect our business. As another example, new legislation known as the Worldwide Harmonized Light Vehicle Testing Procedure ("WLTP"), which requires all vehicles sold in Europe to comply with new fuel economy testing and carbon emissions standards, has and may continue to impact light vehicle production in Europe, which could result in reduced net sales and profitability. Our international operations also present risks associated with terrorism, political hostilities, war and other civil disturbances, the occurrence of which could lead to reduced net sales and profitability. Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets.

Our day-to-day operations outside the United States are subject to cultural and language barriers and the need to adopt different business practices in different geographic areas. In addition, we are required to create compensation programs, employment policies and other administrative programs that comply with the laws of multiple countries. We also must communicate and monitor standards and directives across our global operations. Our failure to successfully manage our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with non-U.S. standards and procedures.

Any payment of distributions, loans or advances to and from our subsidiaries could be subject to restrictions on or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions, foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate or other restrictions imposed by current or future agreements, including debt instruments, to which our non-U.S. subsidiaries may be a party. In particular, our operations in Brazil, China and India where we maintain local currency cash balances are subject to import authorization or pricing controls.

Currency risk may adversely affect our financial condition and cash flows.

We derive a significant portion of our net sales from outside the United States and conduct our business and incur costs in the local currency of most countries in which we operate. Because our financial statements are presented in U.S. dollars, we must translate our financial results as well as assets and liabilities into U.S. dollars for financial statement reporting purposes at exchange rates in effect during or at the end of each reporting period, as applicable. Therefore, increases or decreases in the value of the U.S. dollar against other currencies in countries where we operate will affect our results of operations and the value of balance sheet items denominated in foreign currencies. In particular, we are exposed to the Euro, the Brazilian real, the Chinese yuan, the British pound, the Australian dollar and the Russian ruble. For example, unfavorable movement in the Euro negatively impacted our results of operations in prior periods and future declines of the Euro could affect future periods. Furthermore, many of our local businesses import or buy raw materials in a currency other than their functional currency, which can impact the operating results for these operations if we are unable to mitigate the impact of the currency exchange fluctuations. We cannot accurately predict the effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures and the potential volatility of currency exchange rates. Accordingly, fluctuations in foreign exchange rates may have an adverse effect on our financial condition and cash flows.

Terrorist acts, conflicts, wars, natural disasters, pandemics and other health crises, among other events beyond our control, may materially adversely affect our business, financial condition and results of operations.

As a multinational company with a large international footprint, we are subject to increased risk of damage or disruption to us, our employees, facilities, partners, suppliers, distributors, resellers or customers due to terrorist acts, conflicts, wars, adverse weather conditions, natural disasters, power outages, pandemics or other public health crises and environmental incidents, wherever located around the world. The potential for future terrorist acts, conflicts, wars, adverse weather conditions, natural disasters, power outages, pandemics or other public health crises and environmental incidents, the national and international responses to such events or perceived threats or potential conflicts relating to or arising out of such events may create economic and political uncertainties and challenges for us, our customers, suppliers and logistic partners that could have a materially adverse effect our business, financial and results of operations. A loss of the use of all or a portion of one of our key manufacturing facilities due to accident, labor issues, weather conditions, acts of war, political unrest, geopolitical risk, terrorist activity, pandemic or other public health crises, natural disaster or otherwise, whether short- or long-term, and any interruption in production capability could require us to make substantial capital expenditures to remedy the situation, which could negatively affect our business, financial condition and results of operations.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union ("EU") in a national referendum (commonly referred to as "Brexit"). The United Kingdom formally left the EU on January 31, 2020, and is now in a transition period through December 31, 2020. We have substantial R&D and manufacturing operations in Europe and a significant portion of our business involves cross border transactions throughout the region. Although the United Kingdom will remain in the EU single market and customs union during the transition period, the long-term nature of the United Kingdom's relationship with the EU is unclear and there is considerable uncertainty as to when any agreement will be reached and implemented. The full effect of Brexit is uncertain and depends on any agreements the United Kingdom may make with the EU and others. The full consequences for the economies of the EU members and of the United Kingdom exiting the European Union are unknown and unpredictable. Depending on the final terms of agreements that the United Kingdom may make with the EU or others, we could face new regulatory costs and challenges and greater volatility in the Pound Sterling and the Euro. Any adjustments we make to our business and operations as a result of Brexit could result in significant time and expense to complete. In addition, these developments, or the perception that any of them could occur, have caused and may continue to cause significant volatility in the global financial markets as well as business conditions in Europe and beyond. This volatility may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, financial condition and results of operations and reduce the price of our common shares.

Risks Related to Legal and Regulatory Compliance and Litigation

Our failure to comply with the anti-corruption laws of the United States and various international jurisdictions could negatively impact our reputation and results of operations.

Doing business on a global basis requires us to comply with the laws and regulations of the U.S. government and those of various international and sub-national jurisdictions, and our failure to successfully comply with these rules and regulations may expose us to liabilities. These laws and regulations apply to companies, individual directors, officers, employees and agents, and may restrict our operations, trade practices, investment decisions and partnering activities. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act (the "FCPA"), the United Kingdom Bribery Act 2010 (the "Bribery Act") as well as anti-corruption laws of the various jurisdictions in which we operate. The FCPA, the Bribery Act and other laws prohibit us and our officers, directors, employees and agents acting on our behalf from corruptly offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. As part of our business, we deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA or the Bribery Act. We are subject to the jurisdiction of various governments and regulatory agencies outside of the United States, which may bring our personnel into contact with foreign officials responsible for issuing or renewing permits, licenses or approvals or for enforcing other governmental regulations. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption. Our global operations expose us to the risk of violating, or being accused of violating, the foregoing or other anti-corruption laws. Such violations could be punishable by criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions and exclusion from government contracts, as well as other remedial measures. Investigations of alleged violations can be very expensive, disruptive and damaging to our reputation. Although we have implemented anti-corruption policies and procedures and introduced training since becoming an independent company, there can be no guarantee that these policies, procedures and training will effectively prevent violations by our employees or representatives in the future. Additionally, we face a risk that our distributors and other business partners may violate the FCPA, the Bribery Act or similar laws or regulations. Such violations could expose us to FCPA and Bribery Act liability and/or our reputation may potentially be harmed by their violations and resulting sanctions and fines.

Evolving environmental, safety or other regulations and laws could have a material adverse effect on our business and consolidated financial condition.

Our manufacturing activities and products, both in and outside of the United States, are subject to regulation by various federal, state, provincial and local laws, regulations and government agencies, including the U.S. Environmental Protection Agency, as well as other authorities both inside and outside of the United States. In addition, legal and regulatory systems in emerging and developing markets may be less developed, and less certain. Laws and regulations, and the interpretation and enforcement thereof, may change as a result of a variety of factors, including political, economic, regulatory or social events. The specific impact of changing laws and regulations, or the interpretation or enforcement of current or future laws and regulations, on our business may vary depending on a number of factors, including the age and location of operating facilities and production processes used in such facilities. As a result of changing laws and regulations, or the interpretation or enforcement of current or future laws and regulations, we may be required to make expenditures to modify operations, relocate operations, perform site cleanups or other environmental remediation or curtail or cease operations, which could have a material adverse effect on our business, financial condition and results of operations.

Our international operations require us to comply with anti-terrorism laws and regulations and applicable trade embargoes.

We are subject to trade and economic sanctions laws and other restrictions on international trade. The U.S. and other governments and their agencies impose sanctions and embargoes on certain countries, their governments and designated parties. In the United States, the economic and trade sanctions programs are principally administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, financial condition and results of operations. Although we have implemented trade-related policies and procedures and introduced training since becoming an independent company, we cannot assure you that such policies, procedures and training will effectively prevent violations in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations.

We cannot predict the nature, scope or effect of future regulatory requirements to which our international sales and manufacturing operations might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries in which some of our products may be manufactured or sold, or could restrict our access to, or increase the cost of obtaining, products from foreign sources. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We are subject to complex and evolving data privacy laws.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection and other matters. We could be liable for loss or misuse of our customers' personal information and/or our employee's personally-identifiable information if we fail to prevent or mitigate such misuse or loss. Although we have developed systems and processes that are designed to protect customer and employee information and prevent misuse of such information and other security breaches, failure to prevent or mitigate such misuse or breaches may affect our reputation and operating results negatively and may require significant management time and attention.

As a result of our current and past operations and/or products, including operations and/or products related to our businesses prior to the Acquisition, we could incur significant environmental liabilities and costs.

We are subject to various laws and regulations around the world governing the protection of the environment and health and safety, including the discharge of pollutants to air and water and the management and disposal of hazardous substances. These laws and regulations not only govern our current operations and products, but also impose potential liability on us for our or our predecessors' past operations. We could incur fines, penalties and other sanctions as a result of violations of such laws and regulations. In addition, as a result of our operations and/or products, including our past operations and/or products related to our businesses prior to the Acquisition, we could incur substantial costs, including costs relating to remediation and restoration activities and third-party claims for property damage or personal injury. The ultimate costs under environmental laws and the timing of these costs are difficult to accurately predict. Our accruals for costs and liabilities at sites where contamination is being investigated or remediated may not be adequate because the estimates on which the accruals are based depend on a number of factors including the nature of the matter, the complexity of the site, site geology, the nature and extent of contamination, the type of remedy, the outcome of discussions with regulatory agencies and, at multi-party sites, other Potentially Responsible Parties ("PRPs") and the number and financial viability of other PRPs. Additional contamination may also be identified, and/or additional cleanup obligations may be incurred, at these or other sites in the future. For example, periodic monitoring or investigation activities are ongoing at a number of our sites where contaminants have been detected or are suspected, and we may incur additional costs if more active or extensive remediation is required. In addition, in connection with the Acquisition, DuPont has, subject to certain exceptions and exclusions, agreed to indemnify us for certain liabilities relating to environmental remediation obligations and certain claims relating to the exposure to hazardous substances and products manufactured prior to our separation from DuPont. We could incur material additional costs if DuPont fails to meet its obligations, if the indemnification proves insufficient or if we otherwise are unable to recover costs associated with such liabilities. The costs of our current operations complying with complex environmental laws and regulations, as well as internal voluntary programs, are significant and will continue to be so for the foreseeable future as environmental regulations become more stringent. These laws and regulations also change frequently, and we may incur additional costs complying with stricter environmental requirements that are promulgated in the future. Concerns over global climate change as well as more frequent and severe weather events have also promoted a number of legal and regulatory measures as well as social initiatives intended to reduce greenhouse gas and other carbon emissions. We cannot predict the impact that changing climate conditions or more frequent and severe weather events, if any, will have on our business, results of operations or financial condition. Moreover, we cannot predict how legal, regulatory and social responses to concerns about global climate change will impact our business.

As a producer of coatings, we transport certain materials that are inherently hazardous due to their toxic nature.

In our business, we handle and transport hazardous materials. If mishandled or released into the environment, these materials could cause substantial property damage or personal injuries resulting in significant legal claims against us. In addition, evolving regulations concerning the handling and transportation of certain materials could result in increased future capital or operating costs.

Our results of operations could be adversely affected by litigation.

We face risks arising from various litigation matters that have been asserted against us or that may be asserted against us in the future, including, but not limited to, claims for product liability, patent and trademark infringement, antitrust, warranty, contract and third-party property damage or personal injury. For instance, we have noted a nationwide trend in purported class actions against chemical manufacturers generally seeking relief such as medical monitoring, property damages, off-site remediation and punitive damages arising from alleged environmental torts without claiming present personal injuries. We have also noted a trend in public and private nuisance suits being filed on behalf of states, counties, cities and utilities alleging harm to the general public. In addition, various factors or developments can lead to changes in current estimates of liabilities such as a final adverse judgment, significant settlement or changes in applicable law. A future adverse ruling or unfavorable development could result in future charges that could have a material adverse effect on us. An adverse outcome in any one or more of these matters could be material to our business, financial condition and results of operations. In particular, product liability claims, regardless of their merits, could be costly, divert management's attention and adversely affect our reputation and demand for our products.

Risks Related to Human Resources

We may not be able to recruit and retain the experienced and skilled personnel we need to compete.

Our future success depends on our ability to attract, retain, develop and motivate highly skilled personnel. We must have talented personnel to succeed and competition for senior management in our industry is intense. Our ability to meet our performance goals depends upon the personal efforts and abilities of the principal members of our senior management who provide strategic direction, develop our business, manage our operations and maintain a cohesive and stable work environment. We cannot assure you that we will retain or successfully recruit senior management, particularly in light of the ongoing strategic review.

We rely on qualified managers and skilled employees, such as scientists, with technical and manufacturing industry experience in order to operate our business successfully. From time to time, there may be a shortage of skilled labor, which may make it more difficult and expensive for us to attract and retain qualified employees. If we are unable to attract and retain sufficient numbers of qualified individuals or our costs to do so increase significantly, our operations could be materially adversely affected.

If we are required to make unexpected payments to any pension plans applicable to our employees, our financial condition may be adversely affected.

We have defined benefit pension plans in which many of our current and former employees outside the United States participate or have participated. Many of these plans are underfunded or unfunded and the liabilities in relation to these plans will need to be satisfied as they mature from our operating reserves. In jurisdictions where the defined benefit pension plans are intended to be funded with assets in a trust or other funding vehicle, the liabilities exceed the corresponding assets in many of the plans. Various factors, such as changes in actuarial estimates and assumptions (including as to life expectancy, discount rates and rate of return on assets) as well as changes in asset allocations and actual return on assets, can increase the expenses and liabilities of the defined benefit pension plans. The assets and liabilities of the plans must be valued from time to time under applicable funding rules and as a result we may be required to increase the cash payments we make in relation to these defined benefit pension plans.

Our financial condition and results of operations may be adversely affected to the extent that we are required to make any additional payments to any relevant defined benefit pension plans in excess of the amounts assumed in our current projections and assumptions or report higher pension plan expenses under relevant accounting rules.

We are subject to work stoppages, union negotiations, labor disputes and other matters associated with our labor force, which may adversely impact our operations and cause us to incur incremental costs.

Many of our employees globally are in unions or otherwise covered by labor agreements, including works councils. As of December 31, 2019, approximately 0.01% of our U.S. workforce was unionized and approximately 56% of our workforce outside the United States was unionized or otherwise covered by labor agreements. Consequently, we may be subject to potential union campaigns, work stoppages, union negotiations and other potential labor disputes. Additionally, negotiations with unions or works councils in connection with existing labor agreements may result in significant increases in our cost of labor, divert management's attention away from operating our business or break down and result in the disruption of our operations. The occurrence of any of the preceding outcomes could impair our ability to manufacture our products and result in increased costs and/or decreased operating results. Further, we may be impacted by work stoppages at our suppliers or customers that are beyond our control.

Risks Related to Intellectual Property

Our inability to protect and enforce our intellectual property rights could adversely affect our financial results.

Intellectual property rights both in the United States and in foreign countries, including patents, trade secrets, confidential information, trademarks and trade names, are important to our business and will be critical to our ability to grow and succeed in the future. We make strategic decisions on whether to apply for intellectual property protection and what kind of protection to pursue based on a cost benefit analysis. While we endeavor to protect our intellectual property rights in certain jurisdictions in which our products are produced or used and in jurisdictions into which our products are imported, the decision to file for intellectual property protection is made on a case-by-case basis. Because of the differences in foreign trademark, patent and other laws concerning proprietary rights, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the United States. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, financial condition and results of operations.

We have applied for patent protection relating to certain existing and proposed products, processes and services in certain jurisdictions. While we generally consider applying for patents in those countries where we intend to make, have made, use or sell patented products, we may not accurately assess all of the countries where patent protection will ultimately be desirable. If we fail to timely file a patent application in any such country, we may be precluded from doing so at a later date. Furthermore, we cannot assure you that our pending patent applications will not be challenged by third parties or that such applications will eventually be issued by the applicable patent offices as patents. We also cannot assure you that the patents issued as a result of our foreign patent applications will have the same scope of coverage as our U.S. patents. It is possible that only a limited number of the pending patent applications will result in issued patents, which may have a materially adverse effect on our business and results of operations.

The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Furthermore, our existing patents are subject to challenges from third parties that may result in invalidations and will all eventually expire, after which we will not be able to prevent our competitors from using our previously patented technologies, which could materially adversely affect our competitive advantage stemming from those products and technologies. We also cannot assure you that competitors will not infringe our patents, or that we will have adequate resources to enforce our patents.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require certain employees, consultants, advisors and collaborators to enter into confidentiality agreements as we deem appropriate. We cannot assure you that we will be able to enter into these confidentiality agreements or that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, we could be materially adversely affected.

We rely on our trademarks, trade names and brand names to distinguish our products from the products of our competitors and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks. We also license third parties to use our trademarks. In an effort to preserve our trademark rights, we enter into license agreements with these third parties that govern the use of our trademarks and contain limitations on their use. Although we make efforts to police the use of our trademarks by our licensees, we cannot assure you that these efforts will be sufficient to ensure that our licensees abide by the terms of their licenses. In the event that our licensees fail to do so, our trademark rights could be diluted.

If we are sued for infringing intellectual property rights of third parties, it may be costly and time consuming, and an unfavorable outcome in any litigation could harm our business.

We cannot assure you that our activities will not, unintentionally or otherwise, infringe on the patents, trademarks or other intellectual property rights owned by others. We may spend significant time and effort and incur significant litigation costs if we are required to defend ourselves against intellectual property rights claims brought against us, regardless of whether the claims have merit. If we are found to have infringed on the patents, trademarks or other intellectual property rights of others, we may be subject to substantial claims for damages, which could materially impact our cash flow, business, financial condition and results of operations. We may also be required to cease development, use or sale of the relevant products or processes, or we may be required to obtain a license on the disputed rights, which may not be available on commercially reasonable terms, if at all.

Risks Related to Other Aspects of our Business

We may continue to engage in acquisitions and divestitures, and may encounter difficulties integrating acquired businesses with, or disposing of divested businesses from, our current operations and, as a result, we may not realize the anticipated benefits of these acquisitions and divestitures.

We may continue to seek to grow through strategic acquisitions, joint ventures or other arrangements. Our due diligence reviews in these transactions may not identify all of the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from a counterparty's previous activities. We may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities. We may also face regulatory scrutiny as a result of perceived concentration in certain markets, which could cause additional delay or prevent us from completing certain acquisitions that would be beneficial to our business. We may also encounter difficulties in integrating acquisitions with our operations, applying our internal controls processes to these acquisitions or in managing strategic investments. Additionally, we may not achieve the benefits, including synergies and cost savings, we anticipate when we first enter into a transaction in the amount or on the timeframe anticipated. Any of the foregoing could adversely affect our business and results of operations. In addition, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to experience greater earnings volatility and generally lower earnings during periods in which we acquire new businesses. Furthermore, we may make strategic divestitures from time to time. These divestitures may result in continued financial involvement in the divested businesses, such as through indemnities, guarantees or other financial arrangements. These arrangements could result in financial obligations imposed upon us and could affect our future financial condition and results of operations. Acquisitions and divestitures may also require us to devote significant internal resources and could divert management's attention away from operating our business.

Our joint ventures may not operate according to our business strategy if our joint venture partners fail to fulfill their obligations.

As part of our business, we have entered into certain joint venture arrangements, and may enter into additional joint venture arrangements in the future. The nature of a joint venture requires us to share control over significant decisions with unaffiliated third parties. Since we may not exercise control over our current or future joint ventures, we may not be able to require our joint ventures to take actions that we believe are necessary to implement our business strategy. Additionally, differences in views among joint venture participants may result in delayed decisions or failures to agree on major issues. If these differences cause the joint ventures to deviate from our business strategy, our results of operations could be materially adversely affected.

The insurance we maintain may not fully cover all potential exposures.

Our product liability, property, business interruption and casualty insurance coverages may not cover all risks associated with the operation of our business and may not be sufficient to offset the costs of any losses, lost sales or increased costs experienced during business interruptions. For some risks, we may elect not to obtain insurance. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance policies may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. Losses and liabilities from uninsured or underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our business, financial condition and results of operations.

DuPont's potential breach of its obligations in connection with the Acquisition, including failure to comply with its indemnification obligations, may materially affect our business and operating results.

Although the Acquisition closed on February 1, 2013, DuPont still has performance obligations to us, including fulfilling certain indemnification requirements. We could incur material additional costs if DuPont fails to meet its obligations or if we otherwise are unable to recover costs associated with such liabilities.

We may be subject to changes in our tax rates and the adoption of tax legislation or exposure to additional tax liabilities that may adversely affect our results of operations.

We are subject to taxes in the U.S. and non-U.S. jurisdictions where our subsidiaries are organized. Due to economic and political conditions, tax rates, tax laws and other non-tax legislation, such as economic substance regulations, in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in available tax credits or tax deductions and changes in tax and other non-tax laws or their interpretation, such as interpretations as to the legality of tax advantages granted under the EU state aid rules. Additionally, we and our subsidiaries are engaged in a number of intercompany transactions across multiple tax jurisdictions. Although we believe we have clearly reflected the economics of these transactions and the proper local transfer pricing documentation is in place, tax authorities may propose and sustain adjustments that could result in changes that may impact our mix of earnings in countries with differing statutory tax rates. The Organization of Economic Cooperation and Development, which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, which is focused on a number of issues, including the shifting of profits among affiliated entities located in different tax jurisdictions. Given the scope of the Company's international operations and the fluid and uncertain nature of how the BEPS project might ultimately lead to future legislation, it is difficult to assess how any changes in tax laws would impact the Company's income tax expense.

Our tax returns and other tax matters are subject to examination by local tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of the taxes owed by us is for an amount in excess of amounts previously accrued, our operating results, cash flows and financial condition could be adversely affected.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("U.S. TCJA") legislation was enacted into law, which significantly revised the U.S. Internal Revenue Code of 1986 ("the Code"), as amended. While our current tax accounting is complete based on legislative updates relating to the U.S. TCJA currently, further interpretive guidance of the U.S. TCJA's provisions could result in further adjustments that could have an impact on our future results of operations, cash flows or financial positions.

If we are treated as a financial institution under FATCA, withholding tax may be imposed on payments on our common shares.

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and applicable Treasury Regulations commonly referred to as “FATCA” may impose 30% withholding on “foreign passthru payments” made by a “foreign financial institution” (as defined in the Code) that has entered into an agreement with the U.S. Internal Revenue Service to perform certain diligence and reporting obligations with respect to the foreign financial institution’s U.S.-owned accounts. Such withholding on “foreign passthru payments” will apply from January 1, 2019 at the earliest. The applicable Treasury Regulations treat an entity as a “financial institution” if it is a holding company formed in connection with or availed of by a private equity fund or other similar investment vehicle established with an investment strategy of investing, reinvesting or trading in financial assets. The term “foreign passthru payment” is currently not defined. The United States has entered into an intergovernmental agreement (an “IGA”) with Bermuda, which modifies the FATCA withholding regime described above. It is not clear whether we would be treated as a financial institution subject to the diligence, reporting and withholding obligations under FATCA or the Bermuda IGA. Furthermore, it is not yet clear how the Bermuda IGA will address foreign passthru payments. Prospective investors should consult their tax advisors regarding the potential impact of FATCA, the Bermuda IGA and any non-U.S. legislation implementing FATCA, on their investment in our common shares.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our common shares.

Based on the market price of our common shares and the composition of our income, assets and operations, we do not expect to be treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you the U.S. Internal Revenue Service will not take a contrary position. Furthermore, this is a factual determination that must be made annually after the close of each taxable year. If we are a PFIC for any taxable year during which a U.S. person holds our common shares, certain adverse U.S. federal income tax consequences could apply to such U.S. person.

Risks Related to our Indebtedness

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy and our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations with respect to our indebtedness.

As of December 31, 2019, we had approximately \$3.8 billion of indebtedness on a consolidated basis. As of December 31, 2019, we were in compliance with all of the covenants under our outstanding debt instruments.

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

- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- require us to devote a substantial portion of our annual cash flow to the payment of interest on our indebtedness;
- expose us to the risk of increased interest rates as, over the term of our debt, the interest cost on a significant portion of our indebtedness is subject to changes in interest rates;
- limit our ability to repurchase our common shares or pay dividends;
- hinder our ability to adjust rapidly to changing market conditions;
- limit our ability to secure adequate bank financing in the future with reasonable terms and conditions or at all; and
- increase our vulnerability to and limit our flexibility in planning for, or reacting to, a potential downturn in general economic conditions or in one or more of our businesses.

We are more leveraged than some of our competitors, which could adversely affect our business plans. A relatively greater portion of our cash flow is used to service debt and other financial obligations. This reduces the funds we have available for working capital, capital expenditures, acquisitions and other purposes and may make it more difficult for us to borrow in the future. Similarly, our relatively greater leverage increases our vulnerability to, and limits our flexibility in planning for, adverse economic and industry conditions and creates other competitive disadvantages compared with other companies with relatively less leverage.

In addition, the indentures governing the New Senior Notes and the agreements governing our Senior Secured Credit Facilities (as defined herein) contain affirmative and negative covenants that limit our and certain of our subsidiaries’ ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our debts.

To service all of our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control.

Our operations are conducted through our subsidiaries and our ability to make cash payments on our indebtedness will depend on the earnings and the distribution of funds from our subsidiaries. None of our subsidiaries, however, are obligated to make funds available to us for payment on our indebtedness. Our ability to make cash payments on and refinance our debt obligations, to fund planned capital expenditures and to meet other cash requirements will depend on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory and other factors beyond our control. We might not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available under our Senior Secured Credit Facilities in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs, including planned capital expenditures. In such circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, issuing additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Such actions, if necessary, may not be effected on commercially reasonable terms or at all. The instruments governing our indebtedness restrict our ability to sell assets and our use of the proceeds from such sales, and we may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

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. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our Revolving Credit Facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under the credit agreement governing our Senior Secured Credit Facilities or the indentures governing the Senior Notes to avoid being in default. If we breach our covenants under our Senior Secured Credit Facilities or Senior Notes or we are in default thereunder and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under the credit agreement governing our Senior Secured Credit Facilities and our New Senior Notes, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

Despite our current level of indebtedness and restrictive covenants, we and our subsidiaries may incur additional indebtedness. This could further exacerbate the risks associated with our substantial financial leverage.

We and our subsidiaries may incur significant additional indebtedness under the agreements governing our indebtedness. Although the indentures governing the Senior Notes and the credit agreement governing our Senior Secured Credit Facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of thresholds, qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. Additionally, these restrictions also will not prevent us from incurring obligations that, although preferential to our common shares in terms of payment, do not constitute indebtedness.

In addition, if new debt is added to our and/or our subsidiaries' debt levels, the related risks that we now face as a result of our leverage would intensify. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Condition."

We are dependent upon our lenders for financing to execute our business strategy and meet our liquidity needs. If our lenders are unable or unwilling to fund borrowings under their credit commitments or we are unable to borrow, it could negatively impact our business.

We are dependent upon our lenders for financing to execute our business strategy and meet our liquidity needs. If our lenders are unable to fund borrowings under their credit commitments or we are unable to borrow from them for any reason, our business could be negatively impacted. During periods of volatile credit markets, there is risk that any lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments, including, but not limited to, extending credit up to the maximum permitted by a credit facility, allowing access to additional credit features and otherwise accessing capital and/or honoring loan commitments. If our lenders are unable or unwilling to fund borrowings under their revolving credit commitments or we are unable to borrow from them, it could be difficult in such environments to obtain sufficient liquidity to meet our operational needs.

Our ability to obtain additional capital on commercially reasonable terms may be limited.

Although we believe our cash and cash equivalents, together with cash we expect to generate from operations and unused capacity available under our Revolving Credit Facility, provide adequate resources to fund ongoing operating requirements, we may need to seek additional financing to compete effectively.

If we are unable to obtain capital on commercially reasonable terms, it could:

- reduce funds available to us for purposes such as working capital, capital expenditures, research and development, strategic acquisitions and other general corporate purposes;
- restrict our ability to introduce new products or exploit business opportunities;
- increase our vulnerability to economic downturns and competitive pressures in the markets in which we operate; and
- place us at a competitive disadvantage.

Difficult and volatile conditions in the capital, credit and commodities markets and in the overall economy could have a material adverse effect on our financial position, results of operations and cash flows.

Difficult global economic conditions, including concerns about sovereign debt and significant volatility in the capital, credit and commodities markets, could have a material adverse effect on our financial position, results of operations and cash flows. These global economic factors, combined with low levels of business and consumer confidence and high levels of unemployment in certain parts of the world, have precipitated a slow recovery from the global recession and concern about a return to recessionary conditions. The difficult conditions in these markets and the overall economy affect our business in a number of ways. For example:

- as a result of the volatility in commodity prices, we may encounter difficulty in achieving sustained market acceptance of past or future price increases, which could have a material adverse effect on our financial position, results of operations and cash flows;
- under difficult market conditions there can be no assurance that borrowings under our Revolving Credit Facility would be available or sufficient, and in such a case, we may not be able to successfully obtain additional financing on reasonable terms, or at all;
- in order to respond to market conditions, we may need to seek waivers from various provisions in the credit agreement governing our Senior Secured Credit Facilities or the indentures governing the New Senior Notes, and in such case, there can be no assurance that we can obtain such waivers at a reasonable cost, if at all;
- market conditions could cause the counterparties to the derivative financial instruments we may use to hedge our exposure to interest rate, commodity or currency fluctuations to experience financial difficulties and, as a result, our efforts to hedge these exposures could prove unsuccessful and, furthermore, our ability to engage in additional hedging activities may decrease or become more costly; and
- market conditions could result in our key customers experiencing financial difficulties and/or electing to limit spending, which in turn could result in decreased sales and earnings for us.

In general, downturns in economic conditions can cause fluctuations in demand for our and our customers' products, product prices, volumes and margins. Future economic conditions may not be favorable to our industry and future growth in demand for our products, if any, may not be sufficient to alleviate any existing or future conditions of excess industry capacity. A decline in the demand for our products or a shift to lower-margin products due to deteriorating economic conditions could have a material adverse effect on our financial condition and results of operations and could also result in impairments of certain of our assets. We do not know if market conditions or the state of the overall economy will continue to improve in the near future. We cannot provide assurance that a continuation of current economic conditions or a further economic downturn in one or more of the geographic regions in which we sell our products would not have a material adverse effect on our business, financial condition and results of operations.

Our debt obligations may limit our flexibility in managing our business.

The indentures governing our New Senior Notes and the credit agreement governing our Senior Secured Credit Facilities require us to comply with a number of customary financial and other covenants, such as maintaining leverage ratios in certain situations and maintaining insurance coverage. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Condition." These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations. If we were to default on the indentures governing our New Senior Notes, the credit agreement governing our Senior Secured Credit Facilities or other debt instruments, our financial condition and liquidity would be adversely affected.

We are subject to risks associated with the current interest rate environment and to the extent we use debt to fund our operations, changes in interest rates will affect our cost of debt.

A substantial portion of our indebtedness bears interest at variable rates, including LIBOR, which is the subject of recent proposals for reform. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of debt cannot yet be determined. These consequences cannot be reliably predicted and any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the value of any LIBOR-linked instruments and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations

Risks Related to Ownership of our Common Shares

Axalta Coating Systems Ltd. is a holding company with no operations of its own. Because our operations are conducted almost entirely through our subsidiaries and joint ventures, we are largely dependent on our receipt of distributions and dividends or other payments from our subsidiaries and joint ventures for cash to fund all of our operations and expenses, including to make future dividend payments, if any.

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to meet our debt service obligations or to make future dividend payments, if any, is highly dependent on the earnings and the receipt of funds from our subsidiaries in the form of dividends, loans or advances and through repayment of loans or advances from us. Payments to us by our subsidiaries and joint ventures will be contingent upon our subsidiaries' or joint ventures' earnings and other business considerations and may be subject to statutory or contractual restrictions. In addition, there may be significant tax and other legal restrictions on the ability of foreign subsidiaries or joint ventures to remit money to us.

The price of our common shares may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our common shares may prevent you from being able to sell your common shares at or above the price you paid for your common shares. The market price of our common shares could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- the public’s reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in, or failure to meet, earnings estimates or recommendations by research analysts who track our common shares or the stock of other companies in our industry;
- the failure of research analysts to cover our common shares;
- strategic actions by us, our customers or our competitors, such as acquisitions, divestitures, restructurings or site closures, including asset closures, or market rumors regarding such actions;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the impact on our profitability temporarily caused by the time lag between when we experience cost increases until these increases flow through cost of sales because of our method of accounting for inventory, or the impact from our inability to pass on such price increases to our customers;
- material litigations or government investigations;
- changes in general conditions in the United States and global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events;
- risks and uncertainties relating to the change in our leadership;
- changes in key personnel;
- sales of common shares by us or members of our management team;
- the granting of restricted common shares, stock options and other equity awards;
- volume of trading in our common shares; and
- the realization of any risks described under this “Risk Factors” section.

In addition, over the past several years, the stock markets have experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common shares could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price and cause you to lose all or part of your investment. Further, in the past, market fluctuations and price declines in a company’s stock have led to securities class action litigations. If such a suit were to arise, it could have a substantial cost and divert our resources regardless of the outcome.

We do not expect to pay dividends on our common shares and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common shares.

At this time, we do not expect to declare and pay dividends on our common shares for the foreseeable future. Therefore, you are not likely to receive any dividends on your common shares for the foreseeable future and the success of an investment in our common shares will depend upon any future appreciation in their value. There is no guarantee that our common shares will appreciate in value or even maintain the price at which our shareholders have purchased their shares. The payment of future dividends, however, will be at the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board of Directors deems relevant. The credit agreement governing our Senior Secured Credit Facilities and the indentures governing the New Senior Notes also limit our ability to pay dividends. In addition, Bermuda law imposes requirements that may restrict our ability to pay dividends to holders of our common shares. As a consequence of these limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common shares.

Future sales of our common shares in the public market could lower our share price, and any additional capital raised by us through the sale of equity or convertible debt securities may dilute your ownership in us and may adversely affect the market price of our common shares.

We and our shareholders may sell additional common shares in subsequent offerings. We may also issue additional common shares or convertible debt securities. As of February 12, 2020, we had 1,000,000,000 common shares authorized and 235,058,521 common shares outstanding.

We cannot predict the size of future issuances or sales of our common shares or the effect, if any, that future issuances and sales of our common shares will have on the market price of our common shares. Sales of substantial amounts of our common shares (including sales that may occur pursuant to the registration rights of an affiliate of Berkshire Hathaway Inc., sales by members of management and shares that may be issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common shares. See Part III, Item 13, “Certain Relationships and Related Transactions and Director Independence.”

We are a Bermuda company and it may be difficult for you to enforce judgments against us or our directors and executive officers.

We are a Bermuda exempted company. As a result, the rights of our shareholders are governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in another jurisdiction, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Bermuda law differs from the laws in effect in the United States and may afford less protection to our shareholders.

We are organized under the laws of Bermuda. As a result, our corporate affairs are governed by the Companies Act 1981 (the “Companies Act”), which differs in some material respects from laws typically applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, amalgamations, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Generally, the duties of directors and officers of a Bermuda company are owed to the company only. Shareholders of Bermuda companies typically do not have rights to take action against directors or officers of the company and may only do so in limited circumstances. Shareholder class actions are not available under Bermuda law. The circumstances in which shareholder derivative actions may be available under Bermuda law are substantially more proscribed and less clear than they would be to shareholders of U.S. corporations. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company’s memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company’s shareholders than those who actually approved it.

When the affairs of a company are being conducted in a manner that is oppressive or prejudicial to the interests of some shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company’s affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company. Additionally, under our bye-laws and as permitted by Bermuda law, each shareholder has waived any claim or right of action against our directors or officers for any action taken by directors or officers in the performance of their duties, except for actions involving fraud or dishonesty. In addition, the rights of our shareholders and the fiduciary responsibilities of our directors under Bermuda law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States, particularly the State of Delaware. Therefore, our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction within the United States.

We have anti-takeover provisions in our bye-laws that may discourage a change of control.

Our bye-laws contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. These provisions provide for:

- a classified Board of Directors with staggered three-year terms; although on May 2, 2018, our shareholders approved the elimination of our classified board structure over a three-year transition period;
- directors only to be removed for cause;
- restrictions on the time period in which directors may be nominated; and
- our Board of Directors to determine the powers, preferences and rights of our preference shares and to issue the preference shares without shareholder approval.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company and may prevent our shareholders from receiving the benefit from any premium to the market price of our common shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common shares if the provisions are viewed as discouraging takeover attempts in the future. These provisions could also discourage proxy contests, make it more difficult for you and other shareholders to elect directors of your choosing and cause us to take corporate actions other than those you desire.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Philadelphia, PA. Our extensive geographic footprint is comprised of 48 manufacturing facilities (including six manufacturing sites operated by our joint ventures), four major technology centers and 54 customer training centers supporting our global operations. The table below presents summary information regarding our facilities as of December 31, 2019.

Type of Facility/Country	Location	Segment
<i>Manufacturing Facilities</i>		
<i>North America</i>		
Canada	Ajax	Transportation
	Cornwall	Performance
United States of America	Fridley, MN	Performance
	Front Royal, VA	Performance; Transportation
	Ft. Madison, IA	Performance; Transportation
	High Point, NC	Performance
	Hilliard, OH	Performance; Transportation
	Houston, TX	Performance
	Jacksonville, TX	Performance
	Madison, AL	Performance
	Mt. Clemens, MI	Performance; Transportation
	Orrville, OH	Performance
	Riverside, CA	Performance
	Sacramento, CA	Performance
<i>Latin America</i>		
Argentina	Buenos Aires	Performance; Transportation
Brazil	Guarulhos	Performance; Transportation
Mexico	Apodaca	Performance
	Ocoyoacac	Performance
	Tlalnepantla	Performance; Transportation
<i>EMEA</i>		
Austria	Guntramsdorf	Performance; Transportation
Belgium	Mechelen	Performance; Transportation
France	Montbrison	Performance
Germany	Landshut	Performance
	Wuppertal	Performance; Transportation
Netherlands	Zuidland	Performance
Sweden	Västervik	Performance
Switzerland	Bulle	Performance
Turkey	Gebze	Performance; Transportation
	Çerkezköy	Performance
United Kingdom	Tewkesbury	Performance
	Darlington	Performance
	Farnham	Performance
	Huthwaite	Performance
	West Bromwich	Performance
United Arab Emirates	Ras Al Khaimah	Performance
<i>Asia Pacific</i>		
China	Changchun	Performance; Transportation
	Jiading	Performance; Transportation
	Qingpu	Performance

Type of Facility/Country	Location	Segment
India	Savli	Performance; Transportation
Malaysia	Kuala Lumpur	Performance
	Shah Alam	Performance
Thailand	Bangplee	Performance; Transportation
<i>Joint Venture Manufacturing Facilities</i>		
Colombia	Cartagena de Indias	Performance
Indonesia	Cikarang	Performance
Taiwan	Taipei	Transportation
Guatemala	Amatitlan	Performance
<i>Joint Venture Partner Manufacturing Facilities</i>		
South Africa	Port Elizabeth	Transportation
Russia	Moscow	Transportation
<i>Technology Centers</i>		
China	Shanghai	Performance; Transportation
Germany	Wuppertal	Performance; Transportation
United States of America	Mt. Clemens, MI	Performance; Transportation
	Philadelphia, PA	Performance; Transportation
<i>Customer Training Centers</i>		
	Location by Region	Number of Facilities
	North America	14
	Latin America	3
	EMEA	18
	Asia Pacific	19

ITEM 3. LEGAL PROCEEDINGS

We are from time to time party to legal proceedings that arise in the ordinary course of business. We are not involved in any litigation other than that which has arisen in the ordinary course of business. We do not expect that any currently pending lawsuits will have a material effect on us as discussed in Note 6 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Share Price and Dividends

Our common shares are traded on the New York Stock Exchange under the symbol "AXTA."

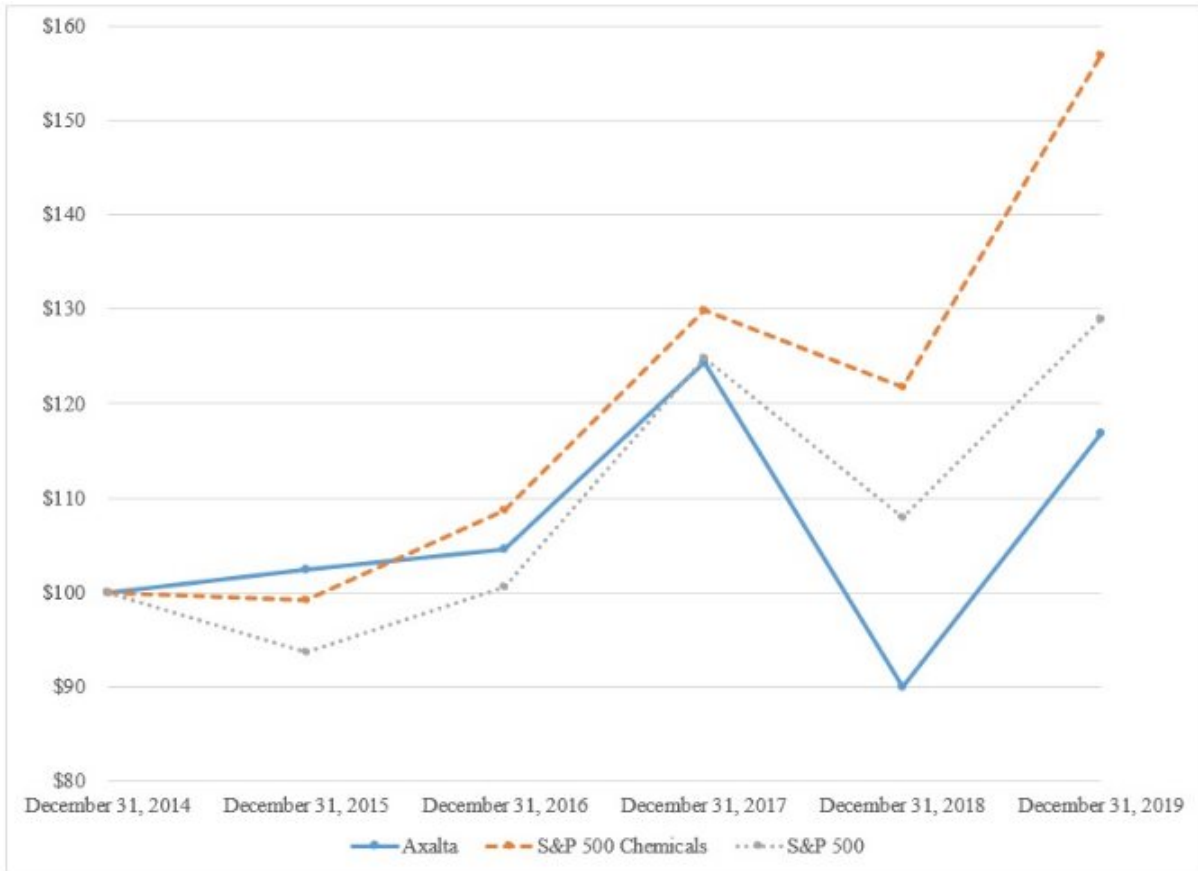
As of February 12, 2020, there were 9 registered holders of record of Axalta's common stock as shown on the records of the Company's transfer agent. A substantially greater number of holders of Axalta common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers and other financial institutions.

Recent Sales of Unregistered Securities

None.

Stock Performance

The line graph illustrated below compares the cumulative total shareholder value return of our common shares since our initial public offering with the cumulative total returns of an overall stock market index, the Standard & Poor's Composite 500 Index ("S&P 500"), and our peer group index, Standard & Poor's 500 Chemicals Index ("S&P 500 Chemicals"). This graph assumes an investment of \$100 in our common shares and each index (with all dividends reinvested) on December 31, 2014, the date on which our common shares began trading on the NYSE.



ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data and other information of Axalta and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and the related notes included elsewhere in this Form 10-K. The selected consolidated financial data for the years ended December 31, 2019, 2018 and 2017 and as of December 31, 2019 and 2018 are derived from our audited financial statements included elsewhere in this Form 10-K. The selected consolidated financial data for the years ended December 31, 2016 and 2015 and as of December 31, 2017, 2016 and 2015 are derived from our audited financial statements not included in this Form 10-K.

During the year ended December 31, 2019, the presentation of the consolidated statements of operations was updated, with prior periods updated for comparability with the current year presentation. For further information, refer to Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(In millions, except per share data)	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statements of Operations Data:					
Net sales	\$ 4,482.2	\$ 4,696.0	\$ 4,377.0	\$ 4,092.7	\$ 4,110.0
Cost of goods sold	2,917.9	3,106.3	2,780.5	2,528.8	2,603.5
Selling, general and administrative expenses	822.1	876.4	934.7	881.5	844.4
Other operating charges	70.7	82.7	131.6	136.2	64.4
Research and development expenses	70.2	73.1	65.3	57.7	51.6
Amortization of acquired intangibles	113.1	115.4	101.2	83.4	80.7
Income from operations	488.2	442.1	363.7	405.1	465.4
Interest expense, net	162.6	159.6	147.0	178.2	196.5
Other (income) expense, net	(4.4)	15.0	27.1	144.2	111.0
Income before taxes	330.0	267.5	189.6	82.7	157.9
Provision for income taxes	77.4	54.2	141.9	38.1	62.1
Net income	252.6	213.3	47.7	44.6	95.8
Less: Net income attributable to noncontrolling interests	3.6	6.2	11.0	5.8	4.2
Net income attributable to controlling interests	\$ 249.0	\$ 207.1	\$ 36.7	\$ 38.8	\$ 91.6
Per share data:					
Net income per share:					
Basic net income per share	\$ 1.06	\$ 0.87	\$ 0.15	\$ 0.16	\$ 0.39
Diluted net income per share	\$ 1.06	\$ 0.85	\$ 0.15	\$ 0.16	\$ 0.38
Basic weighted average shares outstanding	233.9	239.0	240.4	238.1	233.8
Diluted weighted average shares outstanding	235.8	242.9	246.1	244.4	239.7

Other Financial Data:

Cash flows from:

Operating activities	\$ 573.1	\$ 496.1	\$ 540.0	\$ 559.3	\$ 409.8
Investing activities ⁽¹⁾	(93.9)	(189.2)	(689.6)	(257.0)	(166.2)
Financing activities ⁽¹⁾	(158.4)	(368.2)	367.3	(232.6)	(84.7)
Depreciation and amortization	353.0	369.1	347.5	322.1	307.7
Purchases of property, plant and equipment	(112.5)	(143.4)	(125.0)	(136.2)	(138.1)

(In millions)	December 31,				
	2019	2018	2017	2016	2015
Balance sheet data:					
Cash and cash equivalents	\$ 1,017.5	\$ 693.6	\$ 769.8	\$ 535.4	\$ 485.0
Working capital ⁽²⁾	1,500.5	1,269.0	1,233.4	977.9	955.2
Total assets	6,818.0	6,675.7	6,832.2	5,866.2	5,839.8
Indebtedness	3,834.1	3,864.0	3,915.6	3,263.9	3,441.5
Total liabilities	5,408.4	5,365.2	5,424.4	4,619.6	4,706.5
Total shareholders’ equity	1,409.6	1,310.5	1,407.8	1,246.6	1,133.3
Cash dividends declared per common share	—	—	—	—	—

(1) During the year ended December 31, 2019, the statement of cash flows for the year ended 2018 were updated to correct an immaterial error. See Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(2) 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 discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K, as well as the information presented under Part II, Item 6, "Selected Financial Data" of this Annual Report on Form 10-K.

We have applied the FAST Act Modernization and Simplification of Regulation S-K, which allows for the discussion of the two most recent fiscal years. This discussion and analysis reflects comparisons of material changes in the consolidated financial statements for 2019 and 2018 for all matters excluding selling, general and administrative expenses, other operating charges and EBIT. Selling, general and administrative expenses and other operating charges also includes comparison for 2018 and 2017 as these items have not previously been disclosed with the current presentation. EBIT discussions also includes comparison for 2018 and 2017 as this has not previously been disclosed due to the change in our primary performance metric. For the comparison of 2018 and 2017 for all other operating results, see the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2018 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 26, 2019.

FORWARD-LOOKING STATEMENTS

Many statements made in the following discussion and analysis of our financial condition and results of operations and elsewhere in this Annual Report on Form 10-K that are not statements of historical fact, including statements about our beliefs and expectations, are "forward-looking statements" within the meaning of federal securities laws and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan, strategies and capital structure. These statements often include words such as "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "should," "could," "would," "may," "will," "forecast" and other similar expressions. We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this Annual Report on Form 10-K, you should understand that these statements are not guarantees of performance or results. The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions, including, but not limited to, the risks and uncertainties described in "Non-GAAP Financial Measures" and "Forward-Looking Statements," as well as "Risk Factors" and you should not place undue reliance on these forward-looking statements or projections. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections. Factors that may materially affect such forward-looking statements and projections include:

- adverse developments in economic conditions and, particularly, in conditions in the automotive and transportation industries;
- volatility in the capital, credit and commodities markets;
- our inability to successfully execute on our growth strategy;
- the outcome or timing of our previously announced comprehensive review of strategic alternatives to maximize shareholder value;
- increased competition;
- reduced demand for some of our products as a result of improved safety features on vehicles, insurance company influence, new business models or new methods of travel;
- risks of the loss or change in purchasing levels of any of our significant customers or the consolidation of MSOs, distributors and/or body shops;
- our reliance on our distributor network and third-party delivery services for the distribution and export of certain of our products;
- credit risk exposure from our customers;
- price increases or business interruptions in our supply of raw materials;
- failure to develop and market new products and manage product life cycles;

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- business disruptions, security threats and security breaches, including security risks to our information technology systems;
- risks associated with our outsourcing strategies;
- risks associated with our non-U.S. operations;
- currency-related risks;
- terrorist acts, conflicts, wars, natural disasters, pandemics and other health crises that may materially adversely affect our business, financial condition and results of operations;
- risks associated with the United Kingdom's withdrawal from the European Union;
- failure to comply with the anti-corruption laws of the United States and various international jurisdictions;
- failure to comply with anti-terrorism laws and regulations and applicable trade embargoes;
- risks associated with protecting data privacy;
- significant environmental liabilities and costs as a result of our current and past operations or products, including operations or products related to our business prior to our acquisition of DuPont Performance Coatings;
- transporting certain materials that are inherently hazardous due to their toxic nature;
- litigation and other commitments and contingencies;
- ability to recruit and retain the experienced and skilled personnel we need to compete;
- unexpected liabilities under any pension plans applicable to our employees;
- work stoppages, union negotiations, labor disputes and other matters associated with our labor force;
- our ability to protect and enforce intellectual property rights;
- intellectual property infringement suits against us by third parties;
- our ability to realize the anticipated benefits of any acquisitions and divestitures;
- our joint ventures' ability to operate according to our business strategy should our joint venture partners fail to fulfill their obligations;
- risk that the insurance we maintain may not fully cover all potential exposures;
- risks associated with changes in tax rates or regulations, including unexpected impacts of the new U.S. TCJA legislation, which may differ with further regulatory guidance and changes in our current interpretations and assumptions;
- our substantial indebtedness;
- our ability to obtain additional capital on commercially reasonable terms may be limited;
- any statements of belief and any statements of assumptions underlying any of the foregoing;
- other factors disclosed in this Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission; and
- other factors beyond our control.

These cautionary statements should not be construed by you to be exhaustive and are made only as of the date of this Annual Report on Form 10-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

We are a leading global manufacturer, marketer and distributor of high performance coatings systems. We have over a 150-year heritage in the coatings industry and are known for manufacturing high-quality products with well-recognized brands supported by market-leading technology and customer service. Our diverse global footprint of 48 manufacturing facilities, four technology centers, 54 customer training centers and approximately 14,000 people allows us to meet the needs of customers in over 130 countries. We serve our customer base through an extensive sales force and technical support organization, as well as through approximately 4,000 independent, locally based distributors.

We operate our business in two operating segments, Performance Coatings and Transportation Coatings. Our segments are based on the type and concentration of customers served, service requirements, methods of distribution and major product lines.

Through our Performance Coatings segment, we provide high-quality liquid and powder coatings solutions to a fragmented and local customer base. We are one of only a few suppliers with the technology to provide precise color matching and highly durable coatings systems. The end-markets within this segment are refinish and industrial.

Through our Transportation Coatings segment, we provide advanced coating technologies to OEMs of light and commercial vehicles. These increasingly global customers require a high level of technical support coupled with cost-effective, environmentally responsible, coatings systems that can be applied with a high degree of precision, consistency and speed. The end-markets within this segment are light vehicle and commercial vehicle.

BUSINESS HIGHLIGHTS

General Business Highlights

Our net sales decreased 4.6% for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily driven by a net decrease in volumes of 4.8%, which included the impacts of the sale of our consolidated joint venture net of acquisitions, which contributed to a decrease of 1.1% in volumes, as well as the impacts of unfavorable foreign currency translation of 3.0%. Partially offsetting the decline in volumes during the period was an increase in higher average selling prices and product mix of 3.2%. The following trends have impacted our segment and end-market sales performance:

- *Performance Coatings:* Net sales decreased 3.6% compared to 2018 driven primarily by a decrease in volumes across both end-markets of 4.7%, inclusive of the negative impacts of portfolio changes of 1.7% associated with the sale of our consolidated joint venture in China, as well as the impacts of unfavorable foreign currency translation of 2.9%. Partially offsetting the decline in volumes during the period was an increase in average selling prices and product mix of 4.0%, of which both end-markets positively contributed.
- *Transportation Coatings:* Net sales decreased by 6.3% compared to 2018 driven primarily by a decrease in volumes of 4.9% as a result of declines in global light vehicle production as well as the impacts of unfavorable foreign currency translation of 3.0%. Partially offsetting the decline in volumes during the period was an increase in average selling prices and product mix of 1.6% as a result of light vehicle end-market contributions.

Our business serves four end-markets globally as follows:

(In millions)	Year Ended December 31,		2019 vs 2018
	2019	2018	% change
Performance Coatings			
Refinish	\$ 1,760.4	\$ 1,759.6	—%
Industrial	1,163.0	1,273.5	(8.7)%
Total Net sales Performance Coatings	2,923.4	3,033.1	(3.6)%
Transportation Coatings			
Light Vehicle	1,208.4	1,307.2	(7.6)%
Commercial Vehicle	350.4	355.7	(1.5)%
Total Net sales Transportation Coatings	1,558.8	1,662.9	(6.3)%
Total Net sales	\$ 4,482.2	\$ 4,696.0	(4.6)%

Acquisitions and Divestiture Highlights

During the year ended December 31, 2019, we completed the sale of our 60% interest in a consolidated joint venture within our Performance Coatings segment. As a result of the divestiture, we recorded a pre-tax loss of \$3.4 million in our consolidated statements of operations for the year ended December 31, 2019.

During the year ended December 31, 2019, we purchased additional interests in certain previously consolidated joint ventures within our Industrial end-market, increasing our total ownership to 100% for total consideration of \$31.1 million. These included the remaining 40% interest in a joint venture in our Asia Pacific region and the remaining 24.5% interest pursuant to the stock purchase agreement for a joint venture acquired during the year ended December 31, 2016.

During the year ended December 31, 2019, we recognized impairments of \$17.7 million primarily related to the abandonment of engineering work for aspects of our China footprint project which has been adjusted due to evolving market conditions.

Capital and Liquidity Highlights

During the year ended December 31, 2019, we repurchased 4.1 million shares for total consideration of \$105.3 million as we continue to execute against our previously approved share repurchase program.

On June 28, 2019, we amended our \$400.0 million Revolving Credit Facility to extend the maturity from August 2021 to March 2024 and improve the terms. See Note 18 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Strategic Review

On June 19, 2019, we announced that our Board of Directors had initiated a comprehensive review of strategic alternatives to maximize shareholder value. There can be no assurances regarding the outcome or timing of the strategic review process.

During the year, we established a retention program, under which certain of the Company's and its subsidiaries' employees, are eligible to participate, to help ensure continuity of the Company's business. Under the retention program, each eligible employee will receive a cash award payable under the terms of the respective agreement. During the year December 31, 2019, approximately \$26 million in cash payments were made associated with employee retention as well as advisory fees associated with the ongoing review of strategic alternatives. The maximum anticipated cost of the retention program is approximately \$40 million to be earned over 18 to 24 months.

Factors Affecting Our Operating Results

The following discussion sets forth certain components of our statements of operations as well as factors that impact those items.

During the year ended December 31, 2019, the presentation of the consolidated statements of operations was updated and the 2018 and 2017 consolidated statements of operations were updated for comparability with the current year presentation. For further information, refer to Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Net sales

We generate revenue from the sale of our products across all major geographic areas. Our net sales include total sales less estimates for returns and price allowances. Price allowances include discounts for prompt payment as well as volume-based incentives. Our overall net sales are generally impacted by the following factors:

- fluctuations in overall economic activity within the geographic markets in which we operate;
- underlying growth in one or more of our end-markets, either worldwide or in particular geographies in which we operate;
- the type of products used within existing customer applications, or the development of new applications requiring products similar to ours;
- changes in product sales prices (including volume discounts and cash discounts for prompt payment);
- changes in the level of competition faced by our products, including price competition and the launch of new products by competitors;
- our ability to successfully develop and launch new products and applications;
- changes in buying habits of our customers (including our distributors); and
- fluctuations in foreign exchange rates.

While the factors described above impact net sales in each of our operating segments, the impact of these factors on our operating segments can differ, as described below. For more information about risks relating to our business, see Part I, Item 1A, "Risk Factors—Risks Related to our Business."

Cost of goods sold ("cost of sales")

Our cost of sales consists principally of the following:

- *Production materials costs.* These include costs of the materials needed to manufacture products for distribution. These costs generally increase on an aggregate basis as production volumes increase. A significant amount of the materials used in production are purchased on a global lowest-cost basis.

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- *Employee costs.* These include the compensation and benefit costs, including share-based compensation expense, for employees involved in our manufacturing operations and on-site technical support services. These costs generally increase on an aggregate basis as production volumes increase and may decline as a percent of net sales as a result of economies of scale associated with higher production volumes.
- *Depreciation expense.* Property, plant and equipment are stated at cost and depreciated or amortized on a straight-line basis over their estimated useful lives. Property, plant and equipment acquired through the Acquisition were recorded at their estimated fair value on the acquisition date resulting in a new cost basis for accounting purposes.
- *Other.* Our remaining cost of sales consists of freight costs, warehousing expenses, purchasing costs, costs associated with closing or idling of production facilities, functional costs supporting manufacturing, product claims and other general manufacturing expenses, such as expenses for utilities and energy consumption.

The main factors that influence our cost of goods sold as a percentage of net sales include:

- changes in the price of raw materials;
- production volumes;
- the implementation of cost control measures aimed at improving productivity, including reduction of fixed production costs, refinements in inventory management and the coordination of purchasing within each subsidiary and at the business level;
- fluctuations in foreign exchange rates; and
- changes in sales volumes, average selling prices and product mix.

Selling, general and administrative expenses ("SG&A")

Our selling, general and administrative expense consists of all expenditures incurred in connection with the sales and marketing of our products, as well as technical support for our customers and administrative overhead costs, including:

- compensation and benefit costs for management, sales personnel and administrative staff, including share-based compensation expense. Expenses relating to our sales personnel increase or decrease principally with changes in sales volume due to the need to increase or decrease sales personnel to meet changes in demand. Expenses relating to administrative personnel generally do not increase or decrease directly with changes in sales volume; and
- depreciation, advertising and other selling expenses, such as expenses incurred in connection with travel and communications.

Changes in selling, general and administrative expense as a percentage of net sales have historically been impacted by a number of factors, including:

- changes in sales volume, as higher volumes enable us to spread the fixed portion of our administrative expense over higher sales;
- changes in our customer base, as new customers may require different levels of sales and marketing attention;
- new product launches in existing and new markets, as these launches typically involve a more intense sales activity before they are integrated into customer applications;
- customer credit issues requiring increases to the allowance for doubtful accounts; and
- fluctuations in foreign exchange rates.

Other operating charges

Our other operating charges include termination benefits and other employee related costs, strategic review and retention costs, acquisition and divestiture-related costs, and deconsolidation and impairment charges, details of which are included in our reconciliations of segment operating performance to income before income taxes.

Research and development expenses

Research and development expenses represent costs incurred to develop new products, services, processes and technologies or to generate improvements to existing products or processes.

Interest expense, net

Interest expense, net consists primarily of interest expense on institutional borrowings and other financing obligations and changes in fair value of interest rate derivative instruments, net of capitalized interest expense. Interest expense, net also includes the amortization of debt issuance costs and debt discounts associated with our Senior Secured Credit Facilities and other indebtedness.

Other (income) expense, net

Other (income) expense, net represents costs incurred, net of income, on various non-operational items including costs incurred in conjunction with our debt refinancing and extinguishment transactions, interest income, as well as foreign exchange gains and losses and non-operational impairment losses unrelated to our core business.

Provision for income taxes

We and our subsidiaries are subject to income tax in the various jurisdictions in which we operate. While the extent of our future tax liability is uncertain, changes to the debt and equity capitalization of our subsidiaries, and the realignment of the functions performed, and risks assumed by the various subsidiaries are among the factors that will determine the future book and taxable income of the respective subsidiary and the Company as a whole.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information contained in the accompanying financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Our historical results of operations summarized and analyzed below may not necessarily reflect what will occur in the future.

During the year ended December 31, 2019, the presentation of the consolidated statements of operations was updated and the 2018 and 2017 consolidated statements of operations were updated for comparability with the current year presentation. For further information, refer to Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Net sales

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Net sales	\$ 4,482.2	\$ 4,696.0	\$ (213.8)	(4.6)%
Volume effect				(3.7)%
Impact of portfolio changes				(1.1)%
Price/Mix effect				3.2 %
Exchange rate effect				(3.0)%

Net sales decreased due to the following:

- Lower sales volumes across both segments driven by subdued global automotive production and accelerated industrial slowdown in various regions, partially offset by a modest volumes increase in our commercial vehicle end-market
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real and Argentine Peso compared to the U.S. dollar
- Negative impacts as a result of portfolio changes, which included the sale of our consolidated joint venture interests within our Performance Coatings segment, as noted in Note 3 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K

Partially offset by:

- Higher average selling prices across both segments and all regions, except for our commercial vehicle end-market, which realized lower selling prices due to adverse changes in product mix

Cost of sales

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Cost of sales	\$ 2,917.9	\$ 3,106.3	\$ (188.4)	(6.1)%
% of net sales	65.1%	66.1%		

Cost of sales decreased due to the following:

- Lower sales volumes across both segments
- Favorable impacts of currency translation of 2.8%, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real and Argentine Peso compared to the U.S. dollar
- Decline in stock-based compensation expense of \$6.9 million due to management attrition resulting in forfeitures
- Decline in depreciation of operating equipment

Partially offset by:

- Increased raw material costs across both segments
- Increased accelerated depreciation expense of \$14.0 million to \$24.3 million in the current year associated with the announced closure of our Mechelen, Belgium facility, compared to \$10.3 million for the comparable period

Cost of sales as a percentage of net sales decreased slightly due to the following:

- Price and product mix increases to net sales to more than offset higher raw material costs, partially offset by lower sales volumes covering fixed costs
- Decline in stock-based compensation expense of \$6.9 million due to management attrition resulting in forfeitures, partially offset by increased accelerated depreciation expense of \$14.0 million to \$24.3 million in current year associated with the closure of our Mechelen, Belgium facility, compared to \$10.3 million for the comparable period

Selling, general and administrative expenses

2019 Compared to 2018

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Selling, general and administrative expenses	\$ 822.1	\$ 876.4	\$ (54.3)	(6.2)%

Selling, general and administrative expenses decreased due to the following:

- Decline in commissions and sales incentive compensation driven by decrease in net sales
- Reduction in costs due to operational efficiencies associated with our cost savings initiatives
- Favorable impacts of currency translation of 2.8%, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real and Argentine Peso compared to the U.S. dollar
- Decline in stock-based compensation expense of \$14.7 million due to management attrition resulting in forfeitures

2018 Compared to 2017

	Years Ended December 31,		2018 vs 2017	
	2018	2017	\$ Change	% Change
Selling, general and administrative expenses	\$ 876.4	\$ 934.7	\$ (58.3)	(6.2)%
Impact of ASU 2014-09 ⁽¹⁾	(64.0)	—		
Selling, general and administrative expenses, excluding impact of ASU 2014-09	\$ 940.4	\$ 934.7	\$ 5.7	0.6%
% of net sales, excluding impact of ASU 2014-09	20.0%	21.4%		

(1) Related to the adoption of ASU 2014-09, "Revenue from Contracts with Customers," on January 1, 2018. See Note 2 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Selling, general and administrative expenses, excluding the impact of ASU 2014-09, increased due to the following:

- Incremental impact from our acquisitions of \$5.9 million
- Unfavorable impacts of foreign currency translation of 1.0%, primarily related to the strengthening of the Euro and Chinese Renminbi against the U.S. Dollar

Partially offset by:

- Reduction in costs due to operational efficiencies associated with our cost savings initiatives

Other operating charges

	Years Ended December 31,		2019 vs 2018		Years Ended December 31,		2018 v 2017	
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Other operating charges	\$ 70.7	\$ 82.7	\$ (12.0)	(14.5)%	\$ 82.7	\$ 131.6	\$ (48.9)	(37.2)%

2019 Compared to 2018

Other operating charges decreased due to the following:

- Reductions in termination benefits and other employee related costs associated with our costs savings initiatives of \$46.5 million, from \$81.7 million to \$35.2 million for 2018 and 2019, respectively

Partially offset by:

- Losses recorded in 2019 on charges of \$17.7 million, primarily in China related to the abandonment of engineering work for aspects of our China footprint project which has been adjusted due to evolving market conditions
- Advisory costs pertaining to our previously announced comprehensive review of strategic alternatives of \$7.3 million for 2019, for which there were no such costs for the comparable period
- Costs associated with the amortization of retention awards to be earned over an 18 to 24 month period of \$6.1 million.
- Losses on the sale of our interest in a consolidated joint venture of \$3.4 million in 2019, as discussed above in "Business Highlights - Acquisitions and Divestitures Highlights"

2018 Compared to 2017

Other operating charges decreased due to the following:

- During the year ended December 31, 2017, we recorded a \$70.9 million loss in conjunction with the deconsolidation of our Venezuelan subsidiary, while there were no corresponding losses recorded during the year ended December 31, 2018

Partially offset by:

- An increase in Axalta Way cost savings initiatives and acquisition related costs of \$21.4 million to \$82.7 million, inclusive of \$70.6 million of severance costs from the announced closure of our Mechelen, Belgium manufacturing facility, as compared to \$61.3 million for the year ended December 31, 2017

Research and development expenses

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Research and development expenses	\$ 70.2	\$ 73.1	\$ (2.9)	(4.0)%

Research and development expenses decreased due to the following:

- Impacts of the sale of our consolidated joint venture
- Favorable impacts of currency translation, which reduced expenses by 1.0%, due primarily to the weakening of the Euro and Chinese Renminbi compared to the U.S. dollar

Amortization of acquired intangibles

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Amortization of acquired intangibles	\$ 113.1	\$ 115.4	\$ (2.3)	(2.0)%

Amortization of acquired intangibles decreased due to the following:

- Favorable impacts of foreign currency translation of 1.2%, primarily related to the weakening of the Euro and Chinese Renminbi compared to the U.S. dollar

Interest expense, net

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Interest expense, net	\$ 162.6	\$ 159.6	\$ 3.0	1.9%

Interest expense, net increased primarily due to the following:

- Increases in average interest rates due to LIBOR increases on our variable rate debt over the comparable period
- Increase associated with imputed interest on higher average lease liability balances resulting from the new accounting standard adopted on January 1, 2019, which were lower under the historical standard, from \$2.6 million during 2018 to \$3.5 million during 2019

Partially offset by:

- Weakening of the Euro compared to the U.S. Dollar of 2.4%
- Favorable impacts of our derivative instruments and full year impacts of the 2018 refinancing

Other (income) expense, net

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Other (income) expense, net	\$ (4.4)	\$ 15.0	\$ (19.4)	(129.3)%

Other income, net in 2019 and other expense, net in 2018 changed due to the following:

- Reduction in debt extinguishment and refinancing related costs of \$9.3 million, from \$9.5 million to \$0.2 million during 2018 and 2019, respectively
- Increase in other miscellaneous income, net of \$9.0 million, from \$3.8 million during 2018 to \$12.8 million during 2019
- Reduction in foreign exchange losses, net of \$0.9 million, from \$9.2 million during 2018 to \$8.3 million during 2019

Provision for income taxes

(\$ in millions)	Years Ended December 31,	
	2019	2018
Income before income taxes	\$ 330.0	\$ 267.5
Provision for income taxes	77.4	54.2
Statutory U.S. Federal income tax rate	21.0%	21.0%
Effective tax rate	23.5%	20.3%
Effective tax rate vs. statutory U.S. Federal income tax rate	2.5%	(0.7)%

(In millions)	(Favorable) Unfavorable Impact	
	Years Ended December 31,	
Items impacting the effective tax rate vs. statutory U.S. federal income tax rate	2019	2018
Earnings generated in jurisdictions where the statutory rate is different from the U.S. Federal rate ⁽¹⁾	\$ (16.3)	\$ (26.8)
Changes in valuation allowance	18.8	(37.5)
Foreign exchange gain (loss), net	(2.8)	26.7
Stock-based compensation excess tax benefits	(11.4)	(6.6)
Non-deductible expenses and interest	4.1	8.6
Increase in unrecognized tax benefits	11.2	18.9
Foreign taxes ⁽²⁾	21.4	6.7
U.S. tax reform ⁽³⁾	—	(12.5)

(1) Primarily related to earnings in Bermuda, Germany, Luxembourg, and Switzerland.

(2) \$14.4 million relates to an adjustment for certain tax attributes for which the Company has determined are no longer realizable. This is mostly offset by a tax benefit of \$12.7 million for the decrease to the valuation allowance on the tax attributes previously recorded as a result of changes under U.S. tax reform.

(3) Primarily related to the realizability of certain interest carryforwards.

SEGMENT RESULTS

The Company's products and operations are managed and reported in two operating segments: Performance Coatings and Transportation Coatings. See Note 20 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Performance Coatings Segment

Net sales

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Net sales	\$ 2,923.4	\$ 3,033.1	\$ (109.7)	(3.6)%
Volume effect				(3.0)%
Impact of portfolio changes				(1.7)%
Price/Mix effect				4.0%
Exchange rate effect				(2.9)%

Net sales decreased due to the following:

- Lower organic volumes across both end-markets as industrial production trends provided an unfavorable impact on most regions, while refinish was mostly stable
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi, Brazilian Real and Argentine Peso compared to the U.S. dollar
- Negative impacts as a result of the sale of a consolidated joint venture interest within our industrial end-market, as noted in Note 3 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K

Partially offset by:

- Higher average selling prices across both end-markets and all regions

Adjusted EBIT

	Years Ended December 31,		2019 vs 2018		Years Ended December 31,		2018 vs 2017	
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Adjusted EBIT	\$ 449.1	\$ 399.5	\$ 49.6	12.4%	\$ 399.5	\$ 309.3	\$ 90.2	29.2%
Adjusted EBIT Margin	15.4%	13.2%			13.2%	11.5%		

2019 Compared to 2018

Adjusted EBIT increased due to the following:

- Higher average selling prices across both end-markets and all regions
- Lower operating expenses across both end-markets resulting from operational efficiencies associated with our cost savings initiatives as well as lower costs to support net sales

Partially offset by:

- Lower organic volumes across both end-markets and all regions
- Higher raw materials costs across both end-markets
- Unfavorable impacts of currency translation, due primarily to the weakening of the Euro, Chinese Renminbi and Argentine Peso compared to the U.S. dollar

2018 Compared to 2017

Adjusted EBIT increased due to the following:

- Increases in sales volumes, including the impacts of acquisitions during 2018
- Higher average selling prices across all regions and end-markets
- Favorable currency translation primarily related to the strengthening of the Euro and Chinese Renminbi compared to the U.S. Dollar

Partially offset by:

- Higher raw material costs across all regions and end-markets
- Increased amortization expense associated with definite-lived intangible assets from acquisitions within our industrial end-market during 2018

Transportation Coatings Segment

Net Sales

	Years Ended December 31,		2019 vs 2018	
	2019	2018	\$ Change	% Change
Net sales	\$ 1,558.8	\$ 1,662.9	\$ (104.1)	(6.3)%
Volume effect				(4.9)%
Price/Mix effect				1.6%
Exchange rate effect				(3.0)%

Net sales decreased due to the following:

- Lower organic volumes across all regions within our light vehicle end-market, partially offset by an increase in volumes within our commercial vehicle end-market which saw lower selling prices due to adverse changes in product mix
- Unfavorable currency translation primarily related to the weakening of the Euro, Chinese Renminbi and Brazilian Real compared to the U.S. dollar

Partially offset by:

- Higher average selling prices across all regions and within our light vehicle end-market, partially offset by lower prices within our commercial vehicle end-market

Adjusted EBIT

	Years Ended December 31,		2019 vs 2018		Years Ended December 31,		2018 vs 2017	
	2019	2018	\$ Change	% Change	2018	2017	\$ Change	% Change
Adjusted EBIT	\$ 137.4	\$ 134.9	\$ 2.5	1.9%	\$ 134.9	\$ 190.8	\$ (55.9)	(29.3)%
Adjusted EBIT Margin	8.8%	8.1%			8.1%	11.3%		

2019 Compared to 2018

Adjusted EBIT increased due to the following:

- Higher average selling prices within our light vehicle end-market, partially offset by lower prices within our commercial vehicle end-market which realized lower average selling prices due to adverse changes in product mix
- Lower operating expenses across both end-markets resulting from operational efficiencies associated with our cost savings initiatives as well as lower costs to support net sales

Partially offset by:

- Lower sales volumes within our light vehicle end-market, partially offset by an increase in volumes within our commercial vehicle end-market
- Slightly higher raw materials costs across both end-markets

2018 Compared to 2017

Adjusted EBIT decreased due to the following:

- Higher raw materials costs
- Lower average selling prices across both end-markets, primarily driven by the light vehicle end-market in China
- Unfavorable impacts of currency exchange related to the weakening of certain currencies in Latin America compared to the U.S. Dollar

Partially offset by:

- Increases in sales volumes in our North America and Latin America commercial vehicle end-markets

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash on hand, cash flow from operations and available borrowing capacity under our Senior Secured Credit Facilities.

At December 31, 2019, availability under the Revolving Credit Facility was \$361.2 million, net of \$38.8 million in letters of credit outstanding. All such availability may be utilized without violating any covenants under the credit agreement governing such facility or the indentures governing the Senior Notes. At December 31, 2019, we had \$16.9 million of outstanding borrowings under other lines of credit. Our remaining available borrowing capacity under other lines of credit in certain non-U.S. jurisdictions totaled \$6.5 million.

We, or our affiliates, at any time and from time to time, may purchase shares of our common stock, the Senior Notes or other indebtedness. Any such purchases may be made through the open market or privately negotiated transactions with third parties or pursuant to one or more redemption, tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we, or any of our affiliates, may determine.

Cash Flows*Years ended December 31, 2019 and 2018*

(In millions)	Year Ended December 31,	
	2019	2018
Net cash provided by (used for):		
Operating activities:		
Net income	\$ 252.6	\$ 213.3
Depreciation and amortization	353.0	369.1
Amortization of deferred financing costs and original issue discount	8.8	8.0
Debt extinguishment and refinancing related costs	0.2	9.5
Deferred income taxes	15.7	6.1
Realized and unrealized foreign exchange losses, net	5.9	17.3
Stock-based compensation	15.7	37.3
Divestitures and impairments charges	21.1	—
Interest income on swaps designated as net investment hedges	(14.7)	(9.4)
Other non-cash, net	(0.1)	(0.9)
Net income adjusted for non-cash items	658.2	650.3
Changes in operating assets and liabilities	(85.1)	(154.2)
Operating activities	573.1	496.1
Investing activities	(93.9)	(189.2)
Financing activities	(158.4)	(368.2)
Effect of exchange rate changes on cash	3.3	(15.2)
Net increase (decrease) in cash	\$ 324.1	\$ (76.5)

Year Ended December 31, 2019*Net Cash Provided by Operating Activities*

Net cash provided by operating activities for the year ended December 31, 2019 was \$573.1 million. Net income adjusted for non-cash items (depreciation, amortization and other non-cash items) generated cash of \$658.2 million. This was partially offset by changes in operating assets and liabilities of \$85.1 million. The most significant drivers were increases in prepaid expenses and other assets of \$118.9 million due to business incentive payments and payments for employee retention, as well as accounts receivables of \$10.1 million due to timing of collections. Partially offsetting these outflows were increases in accounts payable and other liabilities of \$18.2 million and \$9.6 million, respectively, and a decrease in inventory of \$10.8 million.

Net Cash Used for Investing Activities

Net cash used for investing activities for the year ended December 31, 2019 was \$93.9 million. These primary uses were for purchases of property, plant and equipment of \$112.5 million and business acquisitions of \$3.3 million, partially offset by interest proceeds on swaps designated as net investment hedges of \$14.7 million and net proceeds from the sale of our consolidated joint venture of \$8.2 million as discussed in Note 3 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Net Cash Used for Financing Activities

Net cash used for financing activities for the year ended December 31, 2019 was \$158.4 million. This change was driven by purchases of common stock totaling \$105.3 million, payments of \$67.1 million on short-term and long-term borrowings, investments in noncontrolling interests of \$31.1 million, deferred acquisition-related payments of \$2.2 million and dividends paid to noncontrolling interests of \$1.5 million. These payments were partially offset by cash received from stock option exercises of \$50.3 million.

Other Impacts on Cash

Currency exchange impacts on cash for the year ended December 31, 2019 were favorable by \$3.3 million, which was driven primarily by the strengthening of the British pound and Mexican Peso compared to the U.S. Dollar.

Year Ended December 31, 2018

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the year ended December 31, 2018 was \$496.1 million. Net income adjusted for non-cash items (depreciation, amortization and other non-cash items) generated cash of \$650.3 million. This was partially offset by uses of working capital of \$154.2 million. The most significant drivers of the uses of working capital were increases in prepaid expenses and other assets of \$157.3 million, inventory of \$48.1 million and accounts receivables of \$22.3 million, and a decrease in other accrued liabilities of \$8.4 million. These outflows were primarily driven by customer incentive payments, increased inventory builds to support ongoing operational demands and incremental net sales during the year ended December 31, 2018. Partially offsetting these outflows were increases in other liabilities and accounts payable of \$32.4 million and \$49.5 million, respectively.

Net Cash Used for Investing Activities

Net cash used for investing activities for the year ended December 31, 2018 was \$189.2 million. This use was driven by purchases of property, plant and equipment of \$143.4 million and business acquisitions of \$82.8 million (net of cash acquired). These outflows were partially offset by interest and settlement proceeds on swaps designated as net investment hedges of \$9.4 million and \$22.5 million, respectively, as well as \$5.1 million of other investing activities, net.

Net Cash Used for Financing Activities

Net cash used for financing activities for the year ended December 31, 2018 was \$368.2 million. This outflow was driven by payments of \$556.0 million on short-term and long-term borrowings inclusive of the repayment of the 2023 Euro Term Loans, the purchases of treasury stock totaling \$253.8 million, an investment in a non-controlling interest of \$26.9 million and payments of \$17.8 million consisting of financing-related costs, deferred acquisition-related consideration associated with historical acquisitions, and dividends to noncontrolling interests of consolidated joint ventures. These outflows were partially offset by net proceeds of \$468.9 million relating to the refinancing of our 2024 Dollar Term Loans and proceeds from stock option exercises of \$17.4 million.

Other Impacts on Cash

Currency exchange impacts on cash for the year ended December 31, 2018 were unfavorable by \$15.2 million, which was driven primarily by the Euro, Chinese Renminbi and certain currencies within Latin America.

Financial Condition

We had cash and cash equivalents at December 31, 2019 and 2018 of \$1,017.5 million and \$693.6 million, respectively. Of these balances, \$540.0 million and \$417.1 million were maintained in non-U.S. jurisdictions as of December 31, 2019 and 2018, respectively. We believe our organizational structure allows us the necessary flexibility to move funds throughout our subsidiaries to meet our operational working capital needs.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available under our Senior Secured Credit Facilities in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs, including planned capital expenditures. In such circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Our primary sources of liquidity are cash on hand, cash flow from operations and available borrowing capacity under our Senior Secured Credit Facilities. Based on our forecasts, we believe that cash flow from operations, available cash on hand and available borrowing capacity under our Senior Secured Credit Facilities and existing lines of credit will be adequate to service debt, fund our cost saving initiatives, meet liquidity needs and fund necessary capital expenditures for the next twelve months.

Our ability to make scheduled payments of principal or interest on, or to refinance, our indebtedness or to fund working capital requirements, capital expenditures and other current obligations will depend on our ability to generate cash from operations. Such cash generation is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If required, our ability to raise additional financing and our borrowing costs may be impacted by short and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. Our highly leveraged nature may limit our ability to procure additional financing in the future.

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The following table details our borrowings outstanding at the periods indicated:

(In millions)	December 31,	
	2019	2018
2024 Dollar Term Loans	\$ 2,387.5	\$ 2,411.8
2024 Dollar Senior Notes	500.0	500.0
2024 Euro Senior Notes	375.2	383.3
2025 Euro Senior Notes	504.0	514.9
Short-term and other borrowings	109.0	103.8
Unamortized original issue discount	(10.5)	(12.6)
Deferred financing costs, net	(31.1)	(37.2)
	<u>3,834.1</u>	<u>3,864.0</u>
Less:		
Short term borrowings	19.6	17.9
Current portion of long-term borrowings	24.3	24.3
Long-term debt	<u>\$ 3,790.2</u>	<u>\$ 3,821.8</u>

Our indebtedness, including the Senior Secured Credit Facilities and Senior Notes, is more fully described in Note 18 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

We continue to maintain sufficient liquidity to meet our requirements, including our leverage and associated interest as well as our working capital needs. Availability under the Revolving Credit Facility was \$361.2 million and \$355.2 million at December 31, 2019 and December 31, 2018, respectively, all of which may be borrowed by us without violating any covenants under the credit agreement governing such facility or the indentures governing the Senior Notes.

On June 28, 2019, we executed the eighth amendment to the Credit Agreement which impacted the Revolving Credit Facility by (i) extending the maturity date to the earlier of March 2, 2024, the date of termination in whole of the Revolving Credit Facility, or the date that is 91 days prior to the maturity of the term loans borrowed under the Credit Agreement, and (ii) reducing the applicable interest margins on any outstanding borrowings.

The following table details our borrowings outstanding, average effective interest rates and the associated interest expense, inclusive of the amortization of debt issuance costs, debt discounts and the impact of derivative instruments for the years ended December 31, 2019 and 2018, respectively:

(In millions)	Year Ended December 31,					
	2019			2018		
	Principal	Average Effective Interest Rate	Interest Expense	Principal	Average Effective Interest Rate	Interest Expense
Term Loans	\$ 2,387.5	3.9%	\$ 92.7	\$ 2,411.8	3.8%	\$ 91.5
Revolving Credit Facility	—	N/A	1.6	—	N/A	1.9
Senior Notes	1,379.2	4.6%	62.9	1,398.2	4.5%	64.3
Short-term and other borrowings	109.0	Various	5.4	103.8	Various	1.9
Total	<u>\$ 3,875.7</u>		<u>\$ 162.6</u>	<u>\$ 3,913.8</u>		<u>\$ 159.6</u>

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2019:

(In millions)	Contractual Obligations Due In:				
	Total	2020	2021-2022	2023-2024	Thereafter
Debt, including current portion					
Senior Secured Credit Facilities, consisting of the following:					
2024 Dollar Term Loans	\$ 2,387.5	\$ 24.3	\$ 48.6	\$ 2,314.6	\$ —
Senior Notes, consisting of the following:					
2024 Dollar Senior Notes	500.0	—	—	500.0	—
2024 Euro Senior Notes	375.2	—	—	375.2	—
2025 Euro Senior Notes	504.0	—	—	—	504.0
Other borrowings	43.9	16.6	27.3	—	—
Interest payments ⁽¹⁾	719.7	153.2	303.0	254.0	9.5
Finance leases ⁽²⁾	100.8	5.9	11.4	11.6	71.9
Operating leases	109.2	31.1	41.9	19.0	17.2
Pension contributions ⁽³⁾	5.8	5.8	—	—	—
Purchase obligations ⁽⁴⁾	165.0	86.3	67.3	3.1	8.3
Uncertain tax positions, including interest and penalties ⁽⁵⁾	—	—	—	—	—
Employee retention award payments ⁽⁶⁾	17.0	—	17.0	—	—
Total	\$ 4,928.1	\$ 323.2	\$ 516.5	\$ 3,477.5	\$ 610.9

- (1) Interest payments are based on principal amounts of our Senior Secured Credit Facilities and Senior Notes at December 31, 2019 including commitment fees on the unused portion of the Revolving Credit Facility. Future interest payments assume December 31, 2019 variable rates will prevail throughout all future periods and do not consider the effect of our derivative instruments. See Note 18 and Note 19 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for disclosures of our interest rates and derivatives, respectively.
- (2) Finance lease payments, within the table above, represent total cash rental costs to be paid over the terms of these leases, which include principal and interest.
- (3) We expect to make contributions to our defined benefit pension plans beyond 2020; however, the amount of any contributions is dependent on the future economic environment and investment returns, and we are unable to reasonably estimate the pension contributions beyond 2020.
- (4) Purchase obligations include various commitments at December 31, 2019 and reflect the minimum contractual obligations under legally enforceable contracts.
- (5) At December 31, 2019, we had approximately \$50.3 million of gross uncertain tax positions, including interest and penalties that could result in potential payments. Due to the high degree of uncertainty regarding future timing of cash flows associated with these liabilities, we are unable to estimate the years in which settlement will occur with the respective taxing authorities.
- (6) Employee retention award payments for certain employees contingent upon service through this point to help ensure continuity of the Company's business.

Off Balance Sheet Arrangements

See Note 6 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for disclosure of our guarantees of certain customers' obligations to third parties.

Recent Accounting Guidance

See Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a summary of recent accounting guidance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements. These financial statements have been prepared in accordance with U.S. GAAP unless otherwise noted. The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in the financial statements. We base our estimates and judgments on historical experiences and assumptions believed to be reasonable under the circumstances and re-evaluate them on an ongoing basis. Actual results could differ from our estimates under different assumptions or conditions. Our significant accounting policies, which may be affected by our estimates and assumptions, are more fully described in Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes the following critical accounting policies reflect its most significant estimates and assumptions used in the preparation of the financial statements.

Accounting for Business Combinations

Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, royalty rates, customer attrition rates, technology migration rates, asset lives and market multiples, among other items.

The fair values of intangible assets are estimated using an income approach, either the excess earnings method (customer relationships) or the relief from royalty method (technology and trademarks). Under the excess earnings method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows attributable solely to the intangible asset over its remaining useful life. With respect to customer relationships, fair values are calculated using the excess earnings method and customer attrition is a key input used to determine the applicable after-tax cash flows. Under the relief from royalty method, fair value is measured by estimating future revenue associated with the intangible asset over its useful life and applying a royalty rate to the revenue estimate. These intangible assets enable us to secure markets for our products, develop new products to meet the evolving business needs and competitively produce our existing products.

The fair values of real properties acquired are based on the consideration of their highest and best use in the market. The fair values of property, plant and equipment, other than real properties, are based on the consideration that unless otherwise identified, they will continue to be used "as is" and as part of the ongoing business. In contemplation of the in-use premise and the nature of the assets, the fair value is developed primarily using a cost approach.

The fair value of noncontrolling interests, when applicable, are estimated by applying an income approach and is based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy. Key assumptions in the valuation of noncontrolling interest included a discount rate, a terminal value based on a range of long-term sustainable growth rates and adjustments because of the lack of control that market participants would consider when measuring the fair value of the noncontrolling interests.

The fair value of the contingent consideration liabilities is estimated by applying an income approach using the Black-Scholes option pricing model. The fair value measurements are based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy. Key assumptions in the valuation of contingent consideration liabilities included discount rates, expected terms, volatility rates and operating results as applicable based on the targets identified in the respective acquisition agreements.

See Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Asset Impairments

Factors that could result in future impairment charges or changes in useful lives, among others, include changes in worldwide economic conditions, changes in technology, changes in competitive conditions and customer preferences, and fluctuations in foreign currency exchange rates. These risk factors are discussed in Part I, Item 1A, "Risk Factors," included elsewhere in this Annual Report on Form 10-K.

Goodwill and indefinite-lived intangible assets

The Company tests indefinite-lived intangible assets and goodwill for impairment annually by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair values of a reporting unit or asset is less than its carrying amount. Fair values used under the quantitative impairment assessment are estimated using a combination of discounted projected future earnings or cash flow methods, that are based on projections of the amounts and timing of future revenue and cash flows, and multiples of earnings in estimating fair value. In conjunction with our impairment assessments of indefinite-lived intangible assets, we also review the reasonableness of the indefinite useful lives associated with these assets, in which we evaluate whether indicators exist that future cash flows associated with these assets could be realized over a finite period.

In 2019, we forwent the qualitative test and tested goodwill and indefinite-lived intangible assets for impairment by performing a quantitative analysis. The quantitative analysis determined that all reporting units and indefinite-lived intangible assets had fair values in significant excess of carrying values.

The inputs utilized in a quantitative analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, *Fair Value Measurement*. The process of evaluating the potential impairment of goodwill and indefinite-lived intangible assets is subjective because it requires the use of estimates and assumptions as to our future cash flows, discount rates commensurate with the risks involved in the assets, future economic and market conditions, as well as other key assumptions. We believe that the amounts recorded in the financial statements related to goodwill and indefinite-lived intangible assets are based on the best estimates and judgments of the appropriate Axalta management, although actual outcomes could differ from our estimates. See Note 1 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Long-Lived Assets

Long-lived assets, which includes property, plant and equipment, and definite-lived intangible assets, such as technology, trademarks, customer relationships and non-compete agreements, are continually assessed for impairment at the asset group level whenever events or changes in circumstances indicate the carrying amount of the asset group may not be recoverable. Such impairment assessments involve comparing the carrying amount of the asset group, determined at the lowest for which identifiable cash flows are largely independent of the cash flows of other assets, to the forecasted undiscounted future cash flows generated by that asset group (i.e. a recoverability test). In the event the carrying amount of the asset group exceeds the undiscounted future cash flows generated by that asset group and the carrying amount is not considered recoverable, an impairment exists. An impairment loss is measured as the excess of the asset group's carrying amount over its fair value.

Stock-Based Compensation

Compensation expense related to service-based, non-qualified stock options is equivalent to the grant-date fair value of the awards determined under the Black-Scholes option pricing model and is recognized as compensation expense over the service period utilizing the graded vesting attribution method.

Compensation expense related to the restricted stock awards and restricted stock units is equal to the grant-date fair value of the awards determined by the closing share price on the date of the grant. The related expense is recognized as compensation expense over the service period utilizing the graded vesting attribution method.

Compensation expense related to performance stock awards and performance share units which are determined to have a market condition is determined at the grant-date of the awards using a valuation methodology (Monte Carlo simulation model) to account for the market conditions linked to these awards and are recognized as compensation expense over the service period utilizing the graded vesting attribution method.

We recognize compensation expense net of forfeitures, which we have elected to record at the time of occurrence.

See Note 9 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further detail on stock-based compensation.

Retirement Benefits

The amounts recognized in the audited financial statements related to pension benefits are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which liabilities could have been settled, rate of increase in future compensations levels, and mortality rates. These assumptions are updated annually and are disclosed in Note 8 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. In accordance with U.S. GAAP, actual results that differed from the assumptions are accumulated and amortized over future periods and therefore, affect expense recognized in future periods.

The estimated impact of either a 100 basis point increase or decrease of the discount rate to the net periodic benefit cost for 2020 would result in an increase of approximately \$0.4 million or \$0.2 million, respectively. The estimated impact of a 100 basis point increase or decrease of the expected return on asset assumption on the net periodic benefit cost for 2020 would result in a decrease or increase of approximately \$2.5 million, respectively.

Income taxes

The provision for income taxes was determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the period. Deferred taxes result from differences between the financial and tax basis of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates applicable in the years in which they are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in income in the period that includes the enactment date.

The Company records a valuation allowance if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company must generate approximately \$279.7 million of taxable income to fully realize its consolidated net deferred tax assets as of December 31, 2019.

We evaluate the recoverability of deferred tax assets on a jurisdictional basis by assessing the adequacy of future expected taxable income from all sources, including the reversal of taxable temporary differences, forecasted core business earnings and available tax planning strategies. Of our net deferred tax asset balance as of December 31, 2019, \$101.3 million, net of valuation allowances of \$2.5 million, relates to our operations within the U.S. In instances where we are in a three-year cumulative loss, we assess all positive and negative factors including any potential aberrational items which may be included within our taxable results. The aberrational items which have impacted our results include transition-related costs associated with the separation from our predecessor coupled with significant taxable losses associated with the exercises of pre-IPO stock options that were deep in the money at the time they were exercised, as well as debt extinguishment, refinancing and acquisition related costs. We believe, and have assumed, these types of losses are not indicative of our core earnings for purposes of assessing the appropriateness of a valuation allowance. Assumptions around sources of taxable income inherently rely heavily on estimates. We use our historical experience and our short and long-range business forecasts to provide insight. While the Company believes that its judgments and estimations regarding deferred tax assets are appropriate, significant differences in actual experience may require the Company to adjust its valuation allowance and could materially affect the Company's future financial results.

We provide for income and foreign withholding taxes, where applicable, on unremitted earnings of all subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested and cannot be repatriated in a tax-free manner. At December 31, 2019 and 2018, deferred income taxes of approximately \$6.0 million and \$7.4 million, respectively, have been provided on such subsidiary earnings, respectively. At December 31, 2019, and 2018, we have not recorded a deferred tax liability related to withholding taxes of approximately \$16.3 million and \$4.0 million, respectively, on unremitted earnings of subsidiaries that are permanently invested.

The breadth of our operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating taxes we will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. A liability for unrecognized tax benefits is recorded when management concludes that the likelihood of sustaining such positions upon examination by taxing authorities is less than "more likely than not." Interest and penalties accrued related to unrecognized tax benefits are included in the provision for income taxes. At December 31, 2019 and 2018, the Company had gross unrecognized tax benefits, excluding interest and penalties, for both domestic and foreign operations of \$45.3 million and \$37.0 million, respectively.

See Note 11 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further detail on our accounting for income taxes.

Sales deductions

In our refinish end-market, our product sales are typically supplied through a network of distributors. Control transfers and revenue is recognized when our products are delivered to our distribution customers. Variable consideration in the form of price, less discounts and rebates, are estimated and recorded, as a reduction to net sales, upon the sale of our products based on our ability to make a reasonable estimate of the amounts expected to be received or incurred. The estimates of variable consideration involve significant assumptions based on the best estimates of inventory held by distributors, applicable pricing, as well as the use of historical actuals for sales, discounts and rebates, which may result in changes in estimates in the future.

The timing of payments associated with the above arrangements may differ from the timing associated with the satisfaction of our performance obligations. The period between the satisfaction of the performance obligation and the receipt of payment is dependent on terms and conditions specific to the customers. For transactions in which we expect, at contract inception, the period between the transfer of our products or services to our customer and when the customer pays for that good or service to be greater than one year, we adjust the promised amount of consideration for the effects of any significant financing components.

See Note 2 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further detail on our revenue.

Contingencies

Contingencies, by their nature, relate to uncertainties that require management to exercise judgment both in assessing the likelihood that a liability has been incurred as well as in estimating the amount of potential loss. The most important contingencies impacting our financial statements are those related to environmental remediation, pending or threatened litigation against the Company and the resolution of matters related to open tax years.

Environmental remediation costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. Estimates of environmental reserves require evaluating government regulation, available technology, site-specific information and remediation alternatives. We accrue an amount equal to our best estimate of the costs to remediate based upon the available information. The extent of environmental impacts may not be fully known, and the processes and costs of remediation may change as new information is obtained or technology for remediation is improved. Our process for estimating the expected cost for remediation considers the information available, technology that can be utilized and estimates of the extent of environmental damage. Adjustments to our estimates are made periodically as additional information received as remediation progresses.

We are subject to legal proceedings and claims arising out of our business operations. We routinely assess the likelihood of any adverse outcomes to these matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after analysis of each known claim. We have an active risk management program consisting of numerous insurance policies secured from many carriers. These policies often provide coverage that is intended to minimize the financial impact, if any, of the legal proceedings. The required reserves may change in the future due to new developments in each matter.

For more information on these matters, see Note 6 and Note 11 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. We are also exposed to changes in the prices of certain commodities that we use in production. Changes in these rates and commodity prices may have an impact on future cash flows and earnings.

We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not enter into derivative financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market observable inputs, including interest rate yield curves, as well as foreign exchange and commodity spot and forward rates, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We are exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating.

Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

Interest rate risk

We are subject to interest rate market risk in connection with our borrowings. A one-eighth percent change in the applicable interest rate for borrowings under the Senior Secured Credit Facilities (assuming the Revolving Credit Facility is undrawn) would have an annual impact of approximately \$1.5 million on cash interest expense considering the impact of our hedging positions currently in place.

We selectively use derivative instruments to reduce market risk associated with changes in interest rates. The use of derivatives is intended for hedging purposes only and we do not enter into derivative instruments for speculative purposes.

During the year ended December 31, 2017, we entered into four 1.5% interest rate caps with aggregate notional amounts totaling \$850.0 million to hedge the variable interest rate exposures on our 2024 Dollar Term Loans. Three of these interest rate caps, comprising \$600.0 million of the notional value, expired December 31, 2019 and had a deferred premium of \$8.6 million at inception. The fourth interest rate cap, comprising the remaining \$250.0 million of the notional value, expires December 31, 2021 and had a deferred premium of \$8.1 million at inception. All deferred premiums are paid quarterly over the term of the respective interest rate caps. These interest rate caps are marked to market at each reporting date and any unrealized gains or losses are included in accumulated other comprehensive (loss) income ("AOCI") and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

During the year ended December 31, 2018, we entered into three interest rate swaps and three fixed for fixed cross-currency swaps, both with aggregate notional amounts totaling \$475.0 million, to hedge interest rate exposures related to variable rate borrowings and variability of exchange rate impacts between the U.S. Dollar and Euro, under the Senior Secured Credit Facilities. Under the terms of the interest rate swap agreements, the Company is required to pay the counter-parties a stream of fixed interest payments at a rate of 2.72% and in turn, receives variable interest payments based on 3-month LIBOR from the counter-parties. Under the terms of the cross-currency swap agreements, the Company notionally exchanged \$475.0 million at a weighted average interest rate of 4.47% for €416.6 million at a weighted average interest rate of 1.44%. The interest rate swaps and the cross-currency swaps are designated as cash flow and net investment hedges, respectively, and expire on March 31, 2023. The interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in AOCI and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings. The cross-currency swaps are marked to market at each reporting date and any unrealized gains or losses are included in unrealized currency translation adjustments, within AOCI, while the accrued and settled interest is recorded as interest expense, net in the statement of operations.

During the year ended December 31, 2019, we entered into two interest rate swaps with aggregate notional amounts totaling \$500.0 million, effective December 31, 2019, to hedge interest rate exposure associated with the 2024 Dollar Term Loans. Under the terms of the interest rate swap agreements, the Company is required to pay the counter-parties a stream of fixed interest payments at a rate of 2.59% and in turn, receives variable interest payments based on 3-month LIBOR from the counter-parties. The interest rate swaps are designated as cash flow hedges and expire on December 31, 2022. These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in AOCI and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

Foreign exchange rates risk

We are exposed to foreign currency exchange risk by virtue of the translation of our international operations from local currencies into the U.S. Dollar. The majority of our net sales for the years ended December 31, 2019, 2018 and 2017 were from operations outside the United States. At December 31, 2019 and 2018, the accumulated other comprehensive loss account on the consolidated balance sheets included a cumulative translation loss of \$297.0 million and \$299.4 million, respectively. A hypothetical 10% increase in the value of the U.S. Dollar relative to all foreign currencies would have increased the cumulative translation loss by \$190.3 million. This sensitivity analysis is inherently limited as it assumes that rates of multiple foreign currencies are moving in the same direction relative to the value of the U.S. Dollar.

Uncertainty in the global market conditions has resulted in, and may continue to cause, significant volatility in foreign currency exchange rates which could increase these risks.

In the majority of our jurisdictions, we earn revenue and incur costs in the local currency of such jurisdiction. We earn significant revenues and incur significant costs in foreign currencies including the Euro, Mexican Peso, Brazilian Real and the Chinese Yuan/Renminbi. As a result, movements in exchange rates could cause our revenues and expenses to materially fluctuate, impacting our future profitability and cash flows. Our purchases of raw materials in Latin America, EMEA and Asia Pacific and future business operations and opportunities, including the continued expansion of our business outside North America, may further increase the risk that cash flows resulting from these activities may be adversely affected by changes in currency exchange rates. If and when appropriate, we intend to manage these risks through foreign currency hedges and/or by utilizing local currency funding of these expansions. We do not intend to hold financial instruments for trading or speculative purposes.

Additionally, in order to fund the purchase price for certain assets of DPC and the capital stock and other equity interests of certain non-U.S. entities, a combination of equity contributions and intercompany loans were utilized to capitalize certain non-U.S. subsidiaries. In certain instances, the intercompany loans are denominated in currencies other than the functional currency of the affected subsidiaries. Where intercompany loans are not a component of permanently invested capital of the affected subsidiaries, increases or decreases in the value of the subsidiaries' functional currency against other currencies will affect our results of operations. We use these intercompany loans to offset the exposure to profitability and cash flows created by external loans denominated in currencies that are different from the function currency of the issuing entities, including our 2024 and 2025 Euro Senior Notes, which are denominated in Euros.

Commodity price risk

We are subject to changes in our cost of sales caused by movements in underlying commodity prices (primarily oil and natural gas). Between 45% and 55% of our cost of sales is represented by raw materials. A substantial portion of the purchased raw materials include monomers, pigments, resins and solvents. Our price fluctuations generally follow industry indices. We historically have not entered into long-term purchase contracts related to the purchase of raw materials. If and when appropriate, we intend to manage these risks using purchase contracts with our suppliers.

Treasury policy

Our treasury policy seeks to ensure that adequate financial resources are available for the development of our businesses while managing our currency and interest rate risks. Our policy is to not engage in speculative transactions. Our policies with respect to the major areas of our treasury activity are set forth above.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Axalta Coating Systems Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Axalta Coating Systems Ltd. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2019, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2019 appearing under item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principle

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenue from contracts with customers in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s report on internal control over financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Measurement of Unrecognized Tax Benefits

As described in Notes 1 and 11 to the consolidated financial statements, management has recorded unrecognized tax benefits of \$50.3 million as of December 31, 2019. As disclosed by management, the breadth of operations and the global complexity of tax regulations requires management to make assessments of uncertainties and judgments in estimating taxes. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, state and international tax audits in the normal course of business. A liability for unrecognized tax benefits is recorded when management determines the likelihood of sustaining such positions upon examination by taxing authorities is less than “more-likely- than not.”

The principal considerations for our determination that performing procedures relating to the measurement of unrecognized tax benefits is a critical audit matter are there was significant judgment by management when applying the more-likely-than-not recognition criteria to the Company’s tax positions, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence obtained related to the measurement of unrecognized tax benefits. Additionally, the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the identification and recognition of the liability for unrecognized tax benefits, including controls addressing completeness of the unrecognized tax benefits and controls over measurement of the liability. These procedures also included, among others, evaluating the significant judgment used by management in applying the more-likely-than-not recognition criteria and in measuring the Company’s unrecognized tax benefits. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of assumptions made by management, the technical merits of positions taken based upon application of the tax law and new information, and the measurement of unrecognized tax benefits.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

February 19, 2020

We have served as the Company’s auditor since 2011.

AXALTA COATING SYSTEMS LTD.
Consolidated Statements of Operations
(In millions, except per share data)

	Year Ended December 31,		
	2019	2018	2017
Net sales	\$ 4,482.2	\$ 4,696.0	\$ 4,377.0
Cost of goods sold	2,917.9	3,106.3	2,780.5
Selling, general and administrative expenses	822.1	876.4	934.7
Other operating charges	70.7	82.7	131.6
Research and development expenses	70.2	73.1	65.3
Amortization of acquired intangibles	113.1	115.4	101.2
Income from operations	488.2	442.1	363.7
Interest expense, net	162.6	159.6	147.0
Other (income) expense, net	(4.4)	15.0	27.1
Income before income taxes	330.0	267.5	189.6
Provision for income taxes	77.4	54.2	141.9
Net income	252.6	213.3	47.7
Less: Net income attributable to noncontrolling interests	3.6	6.2	11.0
Net income attributable to controlling interests	\$ 249.0	\$ 207.1	\$ 36.7
Basic net income per share	\$ 1.06	\$ 0.87	\$ 0.15
Diluted net income per share	\$ 1.06	\$ 0.85	\$ 0.15

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

AXALTA COATING SYSTEMS LTD.
Consolidated Statements of Comprehensive Income
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 252.6	\$ 213.3	\$ 47.7
Other comprehensive (loss) income, before tax:			
Foreign currency translation adjustments	5.4	(94.1)	85.6
Unrealized gain on securities	—	—	0.4
Unrealized (loss) gain on derivatives	(33.1)	2.4	0.9
Unrealized gain (loss) on pension and other benefit plan obligations	(46.1)	(6.4)	31.3
Other comprehensive (loss) income, before tax	(73.8)	(98.1)	118.2
Income tax (benefit) provision related to items of other comprehensive (loss) income	(17.4)	(0.3)	6.6
Other comprehensive (loss) income, net of tax	(56.4)	(97.8)	111.6
Comprehensive income	196.2	115.5	159.3
Less: Comprehensive income attributable to noncontrolling interests	6.6	2.7	13.2
Comprehensive income attributable to controlling interests	\$ 189.6	\$ 112.8	\$ 146.1

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

AXALTA COATING SYSTEMS LTD.
Consolidated Balance Sheets
(In millions, except per share data)

	December 31,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,017.5	\$ 693.6
Restricted cash	3.0	2.8
Accounts and notes receivable, net	830.1	860.8
Inventories	591.6	613.0
Prepaid expenses and other current assets	131.2	139.4
Total current assets	2,573.4	2,309.6
Property, plant and equipment, net	1,223.0	1,298.2
Goodwill	1,208.9	1,230.8
Identifiable intangibles, net	1,223.9	1,348.0
Other assets	588.8	489.1
Total assets	\$ 6,818.0	\$ 6,675.7
Liabilities, Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 483.7	\$ 522.8
Current portion of borrowings	43.9	42.2
Other accrued liabilities	545.3	475.6
Total current liabilities	1,072.9	1,040.6
Long-term borrowings	3,790.2	3,821.8
Accrued pensions	285.2	261.9
Deferred income taxes	115.5	140.8
Other liabilities	144.6	100.1
Total liabilities	5,408.4	5,365.2
Commitments and contingent liabilities (Note 6)		
Shareholders' equity		
Common shares, \$1.00 par, 1,000.0 shares authorized, 250.1 and 246.7 shares issued at December 31, 2019 and 2018, respectively	249.9	245.3
Capital in excess of par	1,474.1	1,409.5
Retained earnings	443.2	198.6
Treasury shares, at cost, 15.2 and 11.1 shares at December 31, 2019 and 2018, respectively	(417.5)	(312.2)
Accumulated other comprehensive loss	(395.5)	(336.1)
Total Axalta shareholders' equity	1,354.2	1,205.1
Noncontrolling interests	55.4	105.4
Total shareholders' equity	1,409.6	1,310.5
Total liabilities and shareholders' equity	\$ 6,818.0	\$ 6,675.7

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

AXALTA COATING SYSTEMS LTD.
Consolidated Statement of Changes in Shareholders' Equity
(In millions)

	Common Stock		Capital In Excess Of Par	Retained earnings (Accumulated deficit)	Treasury Shares, at cost	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
	Number of Shares	Par/Stated Value						
Balance December 31, 2016	240.5	\$ 239.3	\$ 1,294.3	\$ (58.1)	\$ —	\$ (350.4)	\$ 121.5	\$ 1,246.6
Comprehensive income:								
Net income	—	—	—	36.7	—	—	11.0	47.7
Net unrealized gain on securities, net of tax of \$0.0 million	—	—	—	—	—	0.4	—	0.4
Net realized and unrealized gain on derivatives, net of tax of \$0.5 million	—	—	—	—	—	0.4	—	0.4
Long-term employee benefit plans, net of tax of \$6.1 million	—	—	—	—	—	25.2	—	25.2
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	83.4	2.2	85.6
Total comprehensive income	—	—	—	36.7	—	109.4	13.2	159.3
Recognition of stock-based compensation	—	—	38.5	—	—	—	—	38.5
Shares issued under compensation plans	3.4	3.1	21.7	—	—	—	—	24.8
Common stock purchases	(2.0)	—	—	—	(58.4)	—	—	(58.4)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(3.0)	(3.0)
Balance December 31, 2017	<u>241.9</u>	<u>\$ 242.4</u>	<u>\$ 1,354.5</u>	<u>\$ (21.4)</u>	<u>\$ (58.4)</u>	<u>\$ (241.0)</u>	<u>\$ 131.7</u>	<u>\$ 1,407.8</u>
Comprehensive income (loss):								
Net income	—	—	—	207.1	—	—	6.2	213.3
Net realized and unrealized gain on derivatives, net of tax of \$1.1 million	—	—	—	—	—	1.3	—	1.3
Long-term employee benefit plans, net of tax benefit of \$1.4 million	—	—	—	—	—	(5.0)	—	(5.0)
Foreign currency translation, net of tax of \$0.0 million	—	—	—	—	—	(90.6)	(3.5)	(94.1)
Total comprehensive income	—	—	—	207.1	—	(94.3)	2.7	115.5
Cumulative effect of an accounting change	—	—	—	12.9	—	(0.8)	0.1	12.2
Recognition of stock-based compensation	—	—	37.3	—	—	—	—	37.3
Shares issued under compensation plans	2.8	2.9	14.8	—	—	—	—	17.7
Noncontrolling interests of acquired subsidiaries	—	—	2.9	—	—	—	(28.1)	(25.2)
Common stock purchases	(9.1)	—	—	—	(253.8)	—	—	(253.8)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(1.0)	(1.0)
Balance December 31, 2018	<u>235.6</u>	<u>\$ 245.3</u>	<u>\$ 1,409.5</u>	<u>\$ 198.6</u>	<u>\$ (312.2)</u>	<u>\$ (336.1)</u>	<u>\$ 105.4</u>	<u>\$ 1,310.5</u>
Comprehensive income (loss):								
Net income	—	—	—	249.0	—	—	3.6	252.6
Net realized and unrealized gain on derivatives, net of tax benefit of \$4.8 million	—	—	—	—	—	(28.3)	—	(28.3)
Long-term employee benefit plans, net of tax benefit of \$12.6 million	—	—	—	—	—	(33.5)	—	(33.5)
Foreign currency translation, net of tax of \$0 million	—	—	—	—	—	2.4	3.0	5.4
Total comprehensive income (loss)	—	—	—	249.0	—	(59.4)	6.6	196.2
Cumulative effect of an accounting change	—	—	—	(0.7)	—	—	—	(0.7)
Correction to previous cumulative effect upon adoption of ASU 2014-09	—	—	—	(3.7)	—	—	—	(3.7)
Recognition of stock-based compensation	—	—	15.7	—	—	—	—	15.7
Shares issued under compensation plans	3.4	4.6	44.9	—	—	—	—	49.5
Changes in ownership of noncontrolling interests	—	—	4.0	—	—	—	(55.1)	(51.1)
Common stock purchases	(4.1)	—	—	—	(105.3)	—	—	(105.3)
Dividends declared to noncontrolling interests	—	—	—	—	—	—	(1.5)	(1.5)
Balance December 31, 2019	<u>234.9</u>	<u>\$ 249.9</u>	<u>\$ 1,474.1</u>	<u>\$ 443.2</u>	<u>\$ (417.5)</u>	<u>\$ (395.5)</u>	<u>\$ 55.4</u>	<u>\$ 1,409.6</u>

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

AXALTA COATING SYSTEMS LTD.
Consolidated Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2019	2018	2017
Operating activities:			
Net income	\$ 252.6	\$ 213.3	\$ 47.7
Adjustment to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	353.0	369.1	347.5
Amortization of deferred financing costs and original issue discount	8.8	8.0	8.0
Debt extinguishment and refinancing related costs	0.2	9.5	13.4
Deferred income taxes	15.7	6.1	91.7
Realized and unrealized foreign exchange losses (gains), net	5.9	17.3	(3.6)
Stock-based compensation	15.7	37.3	38.5
Divestitures, impairment charges and loss on deconsolidation of Venezuela	21.1	—	78.5
Interest income on swaps designated as net investment hedges	(14.7)	(9.4)	—
Other non-cash, net	(0.1)	(0.9)	4.4
Changes in operating assets and liabilities:			
Trade accounts and notes receivable	(10.1)	(22.3)	(15.2)
Inventories	10.8	(48.1)	(19.9)
Prepaid expenses and other assets	(118.9)	(157.3)	(84.9)
Accounts payable	18.2	49.5	39.8
Other accrued liabilities	5.3	(8.4)	6.7
Other liabilities	9.6	32.4	(12.6)
Cash provided by operating activities	<u>573.1</u>	<u>496.1</u>	<u>540.0</u>
Investing activities:			
Acquisitions, net of cash acquired	(3.3)	(82.8)	(564.4)
Purchase of property, plant and equipment	(112.5)	(143.4)	(125.0)
Proceeds from sale of consolidated joint venture, net of cash divested	8.2	—	—
Interest proceeds on swaps designated as net investment hedges	14.7	9.4	—
Proceeds from settlement of swaps designated as net investment hedges	—	22.5	—
Other investing activities, net	(1.0)	5.1	(0.2)
Cash used for investing activities	<u>(93.9)</u>	<u>(189.2)</u>	<u>(689.6)</u>
Financing activities:			
Proceeds from long-term borrowings	—	468.9	483.6
Payments on short-term borrowings	(39.5)	(44.7)	(14.1)
Payments on long-term borrowings	(27.6)	(511.3)	(50.0)
Financing-related costs	(1.5)	(10.8)	(10.4)
Proceeds from option exercises	50.3	17.4	24.8
Dividends paid to noncontrolling interests	(1.5)	(1.0)	(3.0)
Investments in noncontrolling interests	(31.1)	(26.9)	—
Purchase of treasury stock	(105.3)	(253.8)	(58.4)
Deferred acquisition-related consideration	(2.2)	(6.0)	(5.2)
Cash (used for) provided by financing activities	<u>(158.4)</u>	<u>(368.2)</u>	<u>367.3</u>
Increase (decrease) in cash and cash equivalents	320.8	(61.3)	217.7
Effect of exchange rate changes on cash	3.3	(15.2)	17.1
Cash at beginning of period	696.4	772.9	538.1
Cash at end of period	<u>\$ 1,020.5</u>	<u>\$ 696.4</u>	<u>\$ 772.9</u>
Cash at end of period reconciliation:			
Cash and cash equivalents	\$ 1,017.5	\$ 693.6	\$ 769.8
Restricted cash	3.0	2.8	3.1
Cash at end of period	<u>\$ 1,020.5</u>	<u>\$ 696.4</u>	<u>\$ 772.9</u>

Supplemental cash flow information:

Cash paid during the year for:

Interest, net of amounts capitalized	\$	156.9	\$	152.4	\$	130.1
Income taxes, net of refunds		42.2		57.4		61.7

Non-cash investing activities:

Accrued capital expenditures	\$	16.6	\$	10.1	\$	30.2
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The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

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Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated balance sheets of Axalta Coating Systems Ltd. (“Axalta,” the “Company,” “we,” “our” and “us”), at December 31, 2019 and 2018 and the related consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years ended December 31, 2019, 2018 and 2017 included herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and are audited. In the opinion of management, these statements include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair statement of the financial position of Axalta.

Venezuela Deconsolidation

During the year ended December 31, 2017, we deconsolidated our Venezuelan subsidiary from our consolidated financial statements and began accounting for our investment in our 100% owned Venezuelan subsidiary using the cost method of accounting. See Note 22 for additional information.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Axalta and its subsidiaries, and entities in which a controlling interest is maintained. For those consolidated subsidiaries in which the Company's ownership is less than 100%, the outside shareholders' interests are shown as noncontrolling interests. Investments in companies in which Axalta, directly or indirectly, owns 20% to 50% of the voting stock and has the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method of accounting. As a result, Axalta's share of the earnings or losses of such equity affiliates is included in the accompanying consolidated statements of operations and our share of these companies' stockholders' equity is included in the accompanying consolidated balance sheet. Certain of our joint ventures are accounted for on a one-month lag basis, the effect of which is not material. We eliminated all intercompany accounts and transactions in the preparation of the accompanying consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the period. The estimates and assumptions include, but are not limited to, receivable and inventory valuations, fixed asset valuations, valuations of goodwill and identifiable intangible assets, including analysis of impairment, valuations of long-term employee benefit obligations, income taxes, environmental matters, litigation, stock-based compensation, restructuring and allocations of costs. Our estimates are based on historical experience, facts and circumstances available at the time and various other assumptions that are believed to be reasonable. Actual results could differ materially from those estimates.

Accounting for Business Combinations

We account for business combinations under the acquisition method of accounting. This method requires the recording of acquired assets, including separately identifiable intangible assets and assumed liabilities at their acquisition date fair values. The method records any excess purchase price over the fair value of acquired net assets as goodwill. Included in the determination of the purchase price is the fair value of contingent consideration, if applicable, based on the terms and applicable targets described within the acquisition agreements (e.g., projected revenues or EBITDA). Subsequent to the acquisition date, the fair value of the liability, if determined to be payable in cash, is revalued at each balance sheet date with adjustments recorded within earnings.

The determination of the fair value of assets acquired, liabilities assumed and noncontrolling interests involves assessments of factors such as the expected future cash flows associated with individual assets and liabilities and appropriate discount rates at the closing date of the acquisition. When necessary, we consult with external advisors to help determine fair value. For non-observable market values determined using Level 3 assumptions, we determine fair value using acceptable valuation principles, including most commonly the excess earnings method for customer relationships, relief from royalty method for technology and trademarks, cost method for inventory and a combination of cost and market methods for property, plant and equipment, as applicable.

We included the results of operations from the acquisition date in the financial statements for all businesses acquired.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Revenue Recognition

See Note 2 for disclosure of our revenue recognition accounting policy.

Cash, Cash Equivalents and Restricted Cash

Cash equivalents represent highly liquid investments considered readily convertible to known amounts of cash within three months or less from time of purchase. They are carried at cost plus accrued interest, which approximates fair value because of the short-term maturity of these instruments. Cash balances may exceed government insured limits in certain jurisdictions.

Restricted cash on our consolidated balance sheets primarily represents cash used to secure certain customer guarantees.

Fair Value Measurements

GAAP defines a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following valuation techniques are used to measure fair value for assets and liabilities:

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

Level 2—Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs); and

Level 3—Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

Derivatives and Hedging

The Company from time to time utilizes derivatives to manage exposures to currency exchange rates and interest rate risk. The fair values of all derivatives are recognized as assets or liabilities at the balance sheet date. Changes in the fair value of these instruments are reported in income or AOCI, depending on the use of the derivative and whether it qualifies for hedge accounting treatment and is designated as such.

Gains and losses on derivatives that qualify and are designated as cash flow hedging instruments are recorded in AOCI, to the extent the hedges are effective, until the underlying transactions are recognized in income.

Gains and losses on derivatives that qualify and are designated as net investment hedges are recorded in AOCI, to the extent the hedges are effective, until the underlying transactions are recognized in income.

Gains and losses on derivatives qualifying and designated as fair value hedging instruments, as well as the offsetting losses and gains on the hedged items, are reported in income in the same accounting period. Derivatives not designated as hedging instruments are marked-to-market at the end of each accounting period with the results included in income.

Cash flows from derivatives are recognized in the consolidated statements of cash flows in a manner consistent with the underlying transactions.

Receivables and Allowance for Doubtful Accounts

Receivables are carried at amounts that approximate fair value. Receivables are recognized net of an allowance for doubtful accounts receivable. The allowance for doubtful accounts receivable reflects the best estimate of losses inherent in the accounts receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence. Accounts receivable are written down or off when a portion or all of such account receivable is determined to be uncollectible.

Inventories

Inventories are valued at the lower of cost or net realizable value with cost being determined on the weighted average cost method. Elements of cost in inventories include:

- raw materials,
- direct labor, and
- manufacturing and indirect overhead.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Stores and supplies are valued at the lower of cost or net realizable value; cost is generally determined by the weighted average cost method. Inventories deemed to have costs greater than their respective market values are reduced to net realizable value with a loss recorded in income in the period recognized.

Property, Plant and Equipment

Property, plant and equipment acquired in an acquisition are recorded at fair value as of the acquisition date and are depreciated over the estimated useful life using the straight-line method. Subsequent additions to property, plant and equipment, including the fair value of any asset retirement obligations upon initial recognition of the liability, are recorded at cost and are depreciated over the estimated useful life using the straight-line method. See Note 15 for a range of estimated useful lives used for each property, plant and equipment class.

Software included in property, plant and equipment represents the costs of software developed or obtained for internal use. Software costs are amortized on a straight-line basis over their estimated useful lives. Upgrades and enhancements are capitalized if they result in added functionality, which enables the software to perform tasks it was previously incapable of performing. Software maintenance and training costs are expensed in the period in which they are incurred.

Leases

See Note 7 for disclosure of our accounting policy over leases.

Goodwill and Other Identifiable Intangible Assets

Goodwill represents the excess of purchase price over the fair values of underlying net assets acquired in a business combination. Goodwill and indefinite-lived intangible assets are tested for impairment on an annual basis as of October 1st; however, these tests are performed more frequently if events or changes in circumstances indicate that the asset may be impaired. The fair value methodology is based on prices of similar assets or other valuation methodologies including discounted cash flow techniques.

When testing goodwill and indefinite-lived intangible assets for impairment, we first have an option to assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that an impairment exists. Such qualitative factors may include the following: macroeconomic conditions; industry and market considerations; cost factors; overall financial performance; and other relevant entity-specific events. If based on this qualitative assessment we determine that an impairment is more likely than not, or if we elect not to perform a qualitative assessment, we would be required to perform a quantitative impairment test.

Under the quantitative goodwill impairment test, the evaluation of impairment involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss not to exceed the amount of recorded goodwill.

In 2019, we forwent the qualitative test and tested goodwill and indefinite-lived intangible assets for impairment by performing a quantitative analysis. The quantitative analysis determined that all reporting units and indefinite-lived intangible assets had fair values in significant excess (greater than 40%) of carrying values.

Definite-lived intangible assets, such as technology, trademarks, customer relationships and non-compete agreements are amortized over their estimated useful lives, generally for periods ranging from 2 to 25 years. Once these assets are fully amortized, they are removed from the balance sheet. We evaluate these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable. The reasonableness of the useful lives of definite and indefinite-lived assets are regularly evaluated.

Impairment of Long-Lived Assets

The carrying value of long-lived assets to be held and used is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from the asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. The fair value methodology used is an estimate of fair market value and is based on prices of similar assets or other valuation methodologies including present value techniques. Long-lived assets to be disposed of other than by sale are classified as held for use until their disposal. Long-lived assets to be disposed of by sale are classified as held for sale and are reported at the lower of carrying amount or fair market value less cost to sell. Depreciation is discontinued for long-lived assets classified as held for sale.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Research and Development

Research and development costs incurred in the normal course of business consist primarily of employee-related costs and are expensed as incurred. In process research and development projects acquired in a business combination are recorded as intangible assets at their fair value as of the acquisition date, using Level 3 assumptions. Subsequent costs related to acquired in process research and development projects are expensed as incurred. In process research and development intangible assets are considered indefinite-lived until the abandonment or completion of the associated research and development efforts. These indefinite-lived intangible assets are tested for impairment consistent with the impairment testing performed on other indefinite-lived intangible assets discussed above. Upon completion of the research and development process, the carrying value of acquired in process research and development projects is reclassified as a finite-lived asset and is amortized over its useful life.

Environmental Liabilities and Expenditures

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accrued environmental liabilities are not discounted. Claims for recovery from third parties, if any, are reflected separately as an asset. We record recoveries at the earlier of when the gain is probable and reasonably estimable or realized. For the years ending December 31, 2019, 2018 and 2017, we have not recognized income associated with recoveries from third parties.

Costs related to environmental remediation are charged to expense in the period incurred. Other environmental costs are also charged to expense in the period incurred, unless they increase the value of the property or reduce or prevent contamination from future operations, in which case, they are capitalized and depreciated.

Litigation

We accrue for liabilities related to litigation matters when available information indicates that the liability is probable, and the amount can be reasonably estimated. Legal costs such as outside counsel fees and expenses are charged to expense in the period incurred.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets are also recognized for tax losses, interest and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates applicable in the years in which they are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in income in the period that includes the enactment date.

Where we do not intend to indefinitely reinvest earnings of our subsidiaries, we provide for income taxes and withholding taxes, where applicable, on unremitted earnings. We do not provide for income taxes on unremitted earnings of our subsidiaries that are intended to be indefinitely reinvested.

We recognize the benefit of an income tax position only if it is "more likely than not" that the tax position will be sustained. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized. Additionally, we recognize interest and penalties accrued related to unrecognized tax benefits as a component of provision for income taxes. The current portion of unrecognized tax benefits is included in "Other accrued liabilities" and the long-term portion is included in "Other liabilities" in the accompanying consolidated balance sheets.

Foreign Currency Translation

The reporting currency is the U.S. Dollar. In most cases, our non-U.S. based subsidiaries use their local currency as the functional currency for their respective business operations. Assets and liabilities of these operations are translated into U.S. Dollars at end-of-period exchange rates; income and expenses are translated using the average exchange rates for the reporting period. Resulting cumulative translation adjustments are recorded as a component of shareholders' equity in the accompanying consolidated balance sheets in AOCI.

Gains and losses from transactions denominated in currencies other than the functional currencies are included in the consolidated statements of operations in other (income) expense, net.

During the year ended December 31, 2018, our subsidiary in Argentina was determined to be U.S. Dollar functional currency. This determination was made upon conclusion that the Argentinian Peso was hyper-inflationary.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Employee Benefits

Defined benefit plans specify an amount of pension benefit that an employee will receive upon retirement, usually dependent on factors such as age, years of service and compensation. The obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefits that employees earn in return for their service in the current and prior periods. These benefits are then discounted to determine the present value of the obligations and are then adjusted for the impact of any unamortized prior service costs. The discount rate used is based upon market indicators in the region (generally, the yield on bonds that are denominated in the currency in which the benefits will be paid) and that have maturity dates approximating the terms of the obligations. The calculations are performed by qualified actuaries using the projected unit credit method. The obligation of defined benefit plans recorded on our consolidated balance sheets is net of the current fair value of assets. See Note 8 for further information.

Stock-Based Compensation

Our stock-based compensation is comprised of Axalta stock options, restricted stock awards, restricted stock units, performance stock awards and performance share units and are measured at fair value on the grant date or date of modification, as applicable. We recognize compensation expense on a graded-vesting attribution basis over the requisite service period, inclusive of impacts of any current period modifications of previously granted awards. Compensation expense is recorded net of forfeitures, which we have elected to record in the period they occur.

Earnings per Common Share

Basic earnings per common share is computed by dividing net income attributable to Axalta's common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per common share is computed by dividing net income attributable to Axalta's common shareholders by the weighted average number of shares outstanding during the period increased by the number of additional shares that would have been outstanding related to potentially dilutive securities; anti-dilutive securities are excluded from the calculation. These potentially dilutive securities are calculated under the treasury stock method and consist of stock options, restricted stock awards, restricted stock units, performance stock awards and performance share units.

Reclassifications

During the year ended December 31, 2019, the consolidated statements of operations were updated to combine "Net sales" and "Other revenue" into "Net sales", as well as separately present Other operating charges, previously included in Selling, general and administrative expenses and Venezuela asset impairment and deconsolidation charge, as a separate line item within Income from operations. Other operating charges include termination benefits and other employee related costs, strategic review and retention costs, acquisition and divestiture-related costs, and deconsolidation and impairment charges, details of which are included in our reconciliations of segment operating performance to income before income taxes in Note 20.

The 2018 and 2017 consolidated statements of operations have been updated for comparability with the current year presentation.

Correction of Immaterial Errors to Prior Period Financial Statements

During the year ended December 31, 2019, the Company identified and corrected an error that affected the previously-issued 2018 annual and interim financial statements. Specifically, the financial statements reflected an investment in noncontrolling interest payment of \$26.9 million within investing activities as opposed to its appropriate classification within financing activities. The Company determined that this correction was immaterial to the previously-issued financial statements. However, given the significance of the error and for comparability purposes, we have revised the consolidated statements of cash flows for the year ended December 31, 2018. This revision has no impact on the consolidated statements of operations or balance sheets.

	Year Ended December 31, 2018	
	As Reported	Revised
Cash used for investing activities	\$ (216.1)	\$ (189.2)
Cash used for financing activities	\$ (341.3)	\$ (368.2)

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Recently Adopted Accounting Guidance

In January 1, 2019, we adopted Accounting Standards Update ("ASU") 2016-02, "Leases," which, together with amendments comprising ASC 842, requires lessees to identify arrangements that should be accounted for as leases and generally recognized, for operating and finance leases with terms exceeding twelve months, a right-of-use asset (or "ROU") and lease liability on the balance sheet. In addition to this main provision, this standard included a number of additional changes to lease accounting. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either the adoption date or the beginning of the earliest comparative period presented in the financial statements as its date of initial application. We used the adoption date as our date of initial application. As a result, historical financial information was not updated, and the disclosures required under the new standard are not provided as of and for periods before January 1, 2019. See Note 7 for further information on the implementation of the standard.

The new standard provides a number of optional practical expedients in transition. We elected the package of practical expedients, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We also elected the practical expedient pertaining to land easements which permits entities to forgo the evaluation of existing land easement arrangements in transition to determine if they contain a lease. We did not elect the use-of-hindsight practical expedient. The new standard also provides practical expedients for an entity's ongoing accounting. We elected the short term lease recognition exemption and we will not recognize ROU assets or lease liabilities for qualifying leases (leases with a term of less than 12 months from lease commencement). We also elected the accounting policy election to not separate lease and non-lease components for all asset classes.

The Company implemented an outsourced software solution to support the ongoing accounting requirements that this standard will have on our consolidated financial statements. We have evaluated completeness and accuracy of lease data entered into the software solution and updated our processes, policies, and internal controls. Changes to our internal controls covered the identification, accounting and disclosure of leases both upon adoption and subsequent to adoption. Adoption of ASU 2016-02 at January 1, 2019 resulted in a one-time loss to retained earnings of \$0.7 million on our consolidated balance sheet and consolidated statement of changes in shareholders' equity related to the net difference of derecognition of existing assets and debt obligations associated with our leases historically accounted for as sale-leaseback financings, for which the ASU requires accounting for as a lease at the date of initial application.

Of the accounting standards we have adopted in 2019, the below standard did not have a material impact:

ASU		Effective Date
2018-16	Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	January 1, 2019

Accounting Guidance Issued But Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments - Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires considerations of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for fiscal years beginning after December 15, 2019. The provisions of this standard will primarily impact the allowance for doubtful accounts on our trade accounts receivables, in which we will apply historical loss percentages, combined with reasonable and supportable forecasts of future losses to the respective aging categories. The Company does not expect material impacts to our financial statements, related disclosures, key processes or changes to internal controls.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes" as part of its initiative to reduce complexity in accounting standards. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The new standard is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of ASU 2019-12 on our financial statements.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(2) REVENUE

We recognize revenue at the point our contractual performance obligations with our customers are satisfied. This occurs at the point in time when control of our products transfers to the customer based on considerations of right to payment, transfer of legal title, physical possession, risks and rewards of ownership and customer acceptance. For the majority of our revenue, control transfers upon shipment of our products to our customers. Our remaining revenue is recorded upon delivery or consumption for our product sales or as incurred for services provided and royalties earned.

Revenue is measured as the amount of consideration we expect to receive in exchange for our products or services. Our contracts, including those subject to standard terms and conditions under multi-year agreements, are largely short-term in nature and each customer purchase order typically represents a contract with the delivery of coatings representing the only separate performance obligation.

For certain customer arrangements within our light vehicle, industrial and commercial vehicle end-markets, revenue is recognized upon shipment, as this is the point in time we have concluded that control of our product has transferred to our customer based on our considerations of the indicators of control in the contracts, including right of use and risk and reward of ownership. For consignment arrangements, revenue is recognized upon actual consumption by our customers, as this represents the point in time that control is determined to have transferred to the customer based on the contractual arrangement.

In our refinish end-market, our product sales are typically supplied through a network of distributors. Control transfers and revenue is recognized when our products are delivered to our distribution customers. Variable consideration in the form of price, less discounts and rebates, are estimated and recorded, as a reduction to net sales, upon the sale of our products based on our ability to make a reasonable estimate of the amounts expected to be received or incurred. The estimates of variable consideration involve significant assumptions based on the best estimates of inventory held by distributors, applicable pricing, as well as the use of historical actuals for sales, discounts and rebates, which may result in changes in estimates in the future.

The timing of payments associated with the above arrangements may differ from the timing associated with the satisfaction of our performance obligations. The period between the satisfaction of the performance obligation and the receipt of payment is dependent on terms and conditions specific to the customers. For transactions in which we expect, at contract inception, the period between the transfer of our products or services to our customer and when the customer pays for that good or service to be greater than one year, we adjust the promised amount of consideration for the effects of any significant financing components.

All costs incurred directly in satisfaction of our performance obligations associated with revenue are reported in cost of goods sold on the statements of operations. We also provide certain customers with incremental up-front consideration, including Business Incentive Payments ("BIPs"), which are capitalized as a component of other assets and amortized over the estimated life of the contractual arrangement as a reduction of net sales. We do not receive a distinct service or good in return for these BIPs, but rather receive volume commitments and/or sole supplier status from our customers over the life of the contractual arrangements, which approximates a five-year weighted average useful life. The termination clauses in these contractual arrangements include standard clawback provisions that enable us to collect monetary damages in the event of a customer's failure to meet its commitments under the relevant contract. At December 31, 2019 and 2018, the total carrying value of BIPs were \$191.2 million and \$190.8 million, respectively, and are presented within other assets on the consolidated balance sheets. For the years ended December 31, 2019, 2018 and 2017 \$66.9 million, \$65.5 million and \$65.0 million, respectively, was amortized and reflected as reductions of net sales in the consolidated statements of operations. The total carrying value of BIPs excludes other upfront incentives made in conjunction with long-term customer commitments of \$79.0 million and \$56.0 million at December 31, 2019 and 2018, respectively, which will be repaid in future periods.

We accrue for sales returns and other allowances based on our historical experience, as well as expectations based on current information relevant to our customers. We include the amounts billed to customers for shipping and handling fees in net sales and include costs incurred for the delivery of goods as cost of goods sold in the statement of operations.

Recognition of licensing and royalty income occurs at the point in time when agreed upon performance obligations are satisfied, the amount is fixed or determinable, and collectability is reasonably assured.

Consideration for products in which control has transferred to our customers that is conditional on something other than the passage of time is recorded as a contract asset within prepaid expenses and other current assets on the balance sheet. The contract asset balances at December 31, 2019 and 2018 were \$37.5 million and \$47.2 million, respectively.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The arrangements discussed above that have changed under the new revenue standard have resulted in a difference in timing of revenue recognition and classification of associated costs compared with historical U.S. GAAP. In addition to the application of the modified retrospective method to open contracts at the date of adoption, we have applied certain other policy elections upon adoption of the new revenue standard beginning January 1, 2018, including accounting for shipping and handling costs as contract fulfillment costs, as well as excluding from the transaction price any taxes imposed on and collected from customers in revenue producing transactions. Other practical expedients associated with the new revenue standard were assessed by management and concluded to be not applicable, including the application of a portfolio approach, costs to obtain a contract, existence of significant financing components, contract modifications and right to invoice.

Revenue Streams

Our revenue streams are disaggregated based on the types of products and services offered in contracts with our customers, which are depicted in each of our four end-markets.

- **Refinish** - We develop, market and supply a complete portfolio of innovative coatings systems and color matching technologies to facilitate faster automotive collision repairs relative to competing technologies. Our refinish products and systems include a range of coatings layers required to match the vehicle's color and appearance, producing a repair surface indistinguishable from the adjacent surface.
- **Industrial** - The industrial end-market is comprised of liquid and powder coatings used in a broad array of end-market applications. We are also a leading global developer, manufacturer and supplier of functional and decorative liquid and powder coatings for a large number of diversified applications in the industrial end-market. We provide a full portfolio of products for applications including architectural cladding and fittings, automotive coatings, general industrial, job coaters, electrical insulation coatings, HVAC, appliances, industrial wood, coil, rebar and oil & gas pipelines.
- **Light Vehicle** - Light vehicle OEMs select coatings providers on the basis of their global ability to deliver advanced technological solutions that improve exterior appearance and durability and provide long-term corrosion protection. Customers also look for suppliers that can enhance process efficiency to reduce overall manufacturing costs and provide on-site technical support.
- **Commercial Vehicle** - Sales in the commercial vehicle end-market are generated from a variety of applications including non-automotive transportation (e.g., heavy duty truck, bus and rail) and Agricultural, Construction and Earthmoving, as well as related markets such as trailers, recreational vehicles and personal sport vehicles. This end-market is primarily driven by global commercial vehicle production, which is influenced by overall economic activity, government infrastructure spending, equipment replacement cycles and evolving environmental standards. Commercial vehicle OEMs select coatings providers on the basis of their ability to consistently deliver advanced technological solutions that improve exterior appearance, protection and durability and provide extensive color libraries and matching capabilities at the lowest total cost-in-use, while meeting stringent environmental requirements.

We also have other revenue streams which include immaterial revenues relative to the net sales of our four end-markets, comprised of sales of royalties and services, primarily within our light vehicle and refinish end-markets.

See Note 20 for net sales by end-market.

(3) ACQUISITIONS AND DIVESTITURES

During the year ended December 31, 2019, we completed the sale of our 60% interest in a consolidated joint venture within our Performance Coatings segment in China for net proceeds of \$8.2 million. On the divestiture, we recorded a pre-tax loss of \$3.4 million in other operating charges within our consolidated statements of operations for the year ended December 31, 2019.

Other Activity

We purchased additional interests in certain previously consolidated joint ventures within our industrial end-market, increasing our total ownership to 100% for total consideration of \$31.1 million. These included the remaining 40% interest in a joint venture in our Asia Pacific region and the remaining 24.5% interest pursuant to the stock purchase agreement for a joint venture acquired during the year ended December 31, 2016.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(4) GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

The following table shows changes in the carrying amount of goodwill from December 31, 2017 to December 31, 2019 by reportable segment:

	Performance Coatings	Transportation Coatings	Total
December 31, 2017	\$ 1,189.2	\$ 82.0	\$ 1,271.2
Goodwill from acquisitions	2.9	—	2.9
Purchase accounting adjustments	(0.2)	—	(0.2)
Foreign currency translation	(40.4)	(2.7)	(43.1)
December 31, 2018	\$ 1,151.5	\$ 79.3	\$ 1,230.8
Goodwill from acquisitions	0.5	—	0.5
Purchase accounting adjustments	1.4	—	1.4
Divestiture	(5.6)	—	(5.6)
Foreign currency translation	(16.9)	(1.3)	(18.2)
December 31, 2019	\$ 1,130.9	\$ 78.0	\$ 1,208.9

Identifiable Intangible Assets

The following table summarizes the gross carrying amounts and accumulated amortization of identifiable intangible assets by major class:

December 31, 2019	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average amortization periods (years)
Technology	\$ 540.2	\$ (310.6)	\$ 229.6	10.4
Trademarks—indefinite-lived	264.9	—	264.9	Indefinite
Trademarks—definite-lived	99.7	(30.1)	69.6	15.8
Customer relationships	923.8	(271.3)	652.5	19.1
Other	15.2	(7.9)	7.3	5.0
Total	\$ 1,843.8	\$ (619.9)	\$ 1,223.9	

December 31, 2018	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average amortization periods (years)
Technology	\$ 545.7	\$ (260.7)	\$ 285.0	10.4
Trademarks—indefinite-lived	269.0	—	269.0	Indefinite
Trademarks—definite-lived	100.6	(24.0)	76.6	15.8
Customer relationships	929.9	(222.9)	707.0	19.1
Other	15.7	(5.3)	10.4	5.1
Total	\$ 1,860.9	\$ (512.9)	\$ 1,348.0	

In-process research and development projects not yet commercialized and classified within technology assets were \$1.9 million and \$2.3 million at December 31, 2019 and 2018, respectively.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The estimated amortization expense related to the fair value of acquired intangible assets for each of the succeeding five years is:

2020	\$	113.0
2021	\$	112.4
2022	\$	110.3
2023	\$	71.0
2024	\$	66.2

(5) RESTRUCTURING

In accordance with the applicable guidance for ASC 712, *Nonretirement Postemployment Benefits*, we accounted for termination benefits and recognized liabilities when the loss was considered probable that employees were entitled to benefits and the amounts could be reasonably estimated.

We have incurred costs in connection with involuntary termination benefits associated with our corporate-related initiatives and cost-saving opportunities associated with our Axalta Way initiatives. These amounts are recorded within selling, general and administrative expenses in the consolidated statements of operations. The payments associated with these actions are expected to be completed within 12 to 24 months from the balance sheet date.

The following table summarizes the activity related to the restructuring reserves and expenses for the years ended December 31, 2019, 2018 and 2017:

Balance at January 1, 2017	\$	66.1
Expense recorded		36.2
Payments made		(36.1)
Foreign currency translation		6.8
Venezuela deconsolidation impact		(1.5)
Balance at December 31, 2017	\$	71.5
Expense recorded		79.8
Payments made		(46.4)
Foreign currency translation		(2.2)
Balance at December 31, 2018	\$	102.7
Expense recorded		34.4
Payments made		(57.3)
Foreign currency translation		(1.8)
Balance at December 31, 2019	\$	78.0

Restructuring charges incurred during the years ended December 31, 2019 and 2018 included actions to reduce operational costs through activities to rationalize our manufacturing footprint, including the impacts from the closure of our Mechelen, Belgium manufacturing facility announced during the year ended December 31, 2018. Axalta expects to incur aggregate pre-tax charges of approximately \$135-140 million related to the shutdown of the Mechelen facility. Components of the aggregate pre-tax charges include approximately \$90 million in severance costs, non-cash accelerated depreciation costs of approximately \$40-45 million associated with the reduced useful lives of the impacted manufacturing assets and other shutdown related costs of approximately \$5 million. Pre-tax charges incurred in fiscal years 2018 and 2019 were \$80.9 million and \$43.2 million, respectively, with the remainder to be incurred during 2020. Completion of the transfer and start-up of production at other Axalta manufacturing facilities is estimated to require capital expenditures of approximately \$35-45 million, of which we have incurred approximately \$8 million as of December 31, 2019. Axalta commenced the closure in the third quarter of 2018 and anticipates completion of the closure activities during the first half of 2020 with capital expenditures to be incurred into 2021. Axalta expects the charges to result in annual pre-tax savings of approximately \$30 million, which are expected to begin realization during the second half of 2020.

During the year ended December 31, 2017, we recorded impairment losses of \$7.6 million associated with manufacturing facilities based on market price estimates recorded within other (income) expense, net. See Note 10 for further information.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

We recognized impairments of \$17.7 million, during the year ended December 31, 2019, primarily related to the abandonment of engineering work for aspects of our China footprint project which has been adjusted due to evolving market conditions. The impairments are included in the consolidated statements of operations in other operating charges.

(6) COMMITMENTS AND CONTINGENCIES

Guarantees

We guarantee certain of our customers' obligations to third parties, whereby any default by our customers on their obligations could force us to make payments to the applicable creditors. At December 31, 2019 and 2018, we had outstanding bank guarantees of \$11.6 million and \$12.7 million, respectively, which expire in 2020 or thereafter. We monitor the obligations to evaluate whether we have a liability at the balance sheet date, for which none existed as of December 31, 2019 and 2018.

Other

We are subject to various pending lawsuits, legal proceedings and other claims in the ordinary course of business, including civil, regulatory and environmental matters. These litigation matters may involve third-party indemnification obligations and/or insurance covering all or part of any potential damage against us. All of these matters are subject to many uncertainties and, accordingly, we cannot determine the ultimate outcome of the proceedings and other claims at this time, although management does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on the consolidated financial statements of Axalta. The potential effects, if any, on such consolidated financial statements will be recorded in the period in which these matters are probable and estimable.

We are involved in environmental remediation and ongoing compliance activities at several sites. The timing and duration of remediation and ongoing compliance activities are determined on a site by site basis depending on local regulations. The amounts recorded represent our estimable future remediation costs and other anticipated environmental liabilities. We have not recorded liabilities at sites where a liability is probable, but that a range of loss is not reasonably estimable. We believe that any sum we may be required to pay in connection with environmental remediation matters in excess of the amounts recorded would likely occur over a period of time and would likely not have a material adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis, however, could have a material adverse impact in a particular quarterly reporting period.

(7) LEASES

We have operating and finance leases for certain of our technology centers, warehouses, office spaces, land, and equipment. As described within Note 1, we adopted ASU 2016-02, "Leases," on January 1, 2019 requiring, among other changes, operating and finance leases with terms exceeding twelve months to be recognized as ROU assets and lease liabilities on the balance sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease term is determined to be the non-cancelable period including any lessee renewal options which are considered to be reasonably certain of exercise. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company used judgment to determine an appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term in a similar economic environment. Lease expense for fixed lease payments on operating leases is recognized over the expected term on a straight-line basis, while lease expense for fixed lease payments on finance leases is recognized using the effective interest.

Certain of our lease agreements include rental payments based on an index or adjusted periodically for inflation. The changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. In addition, variable lease expense also includes elements of a contract that is based on usage during the term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Supplemental balance sheet information related to leases is summarized as follows:

		December 31, 2019
Assets	Classification	
Operating lease assets, net	Other assets ⁽¹⁾	\$ 95.6
Finance lease assets, net	Property, plant and equipment, net ⁽²⁾	66.9
Total leased assets		<u>\$ 162.5</u>
Liabilities		
Current		
Operating lease liabilities	Other accrued liabilities	\$ 29.3
Finance lease liabilities	Current portion of borrowings	2.9
Noncurrent		
Operating lease liabilities	Other liabilities	69.5
Finance lease liabilities	Long-term borrowings	62.2
Total lease liabilities		<u>\$ 163.9</u>

(1) Operating lease assets are recorded net of accumulated amortization of \$18.4 million as of December 31, 2019.

(2) Finance lease assets are recorded net of accumulated amortization of \$4.6 million as of December 31, 2019.

Components of lease expense are summarized as follows:

		December 31, 2019
Finance lease cost		
Amortization of right-of-use assets		\$ 4.1
Interest on lease liabilities		3.5
Operating lease cost		36.5
Variable lease cost		2.9
Short-term lease cost		1.2
Net lease cost		<u>\$ 48.2</u>

Supplemental cash flow information related to leases is summarized as follows:

		December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		\$ 36.8
Operating cash flows from finance leases		\$ 3.5
Financing cash flows from finance leases		\$ 1.9
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases		\$ 23.3
Finance leases		\$ 0.5

Lease term and discount rate information is summarized as follows:

		December 31, 2019
Weighted-average remaining lease term (years)		
Operating leases		4.9
Finance leases		16.7
Weighted-average discount rate		
Operating leases		3.6%
Finance leases		5.2%

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Maturities of lease liabilities as of December 31, 2019 is as follows:

Year	Operating Leases	Finance Leases
2020	\$ 31.1	\$ 5.9
2021	24.8	5.6
2022	17.1	5.8
2023	12.6	5.8
2024	6.4	5.8
Thereafter	17.2	71.9
Total lease payments	\$ 109.2	\$ 100.8
Less: imputed interest	10.4	35.7
Present value of lease liabilities	\$ 98.8	\$ 65.1

As discussed in Note 1, we have elected the transition methodology to apply the standard at the beginning of the period of adoption, January 1, 2019, through a cumulative-effect adjustment to retained earnings. Under this transition method, the application date of the new standard shall begin in the reporting period in which we have adopted the standard. For comparability purposes, the following table reflects the total remaining cash payments related to all transactions during the rental term at December 31, 2018 associated with three lease arrangements that were treated as sale-leaseback financing transactions under ASC 840 and disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018:

	Sale-leaseback Obligations
2019	\$ 5.3
2020	5.4
2021	5.4
2022	5.7
2023	5.7
Thereafter	77.1
Total minimum payments	\$ 104.6

At December 31, 2018, future minimum payments under non-cancelable operating leases under ASC 840 were as follows:

	Operating Leases
2019	\$ 34.6
2020	23.5
2021	17.1
2022	13.2
2023	11.5
Thereafter	16.6
Total minimum payments	\$ 116.5

(8) LONG-TERM EMPLOYEE BENEFITS

Defined Benefit Pensions

Axalta has defined benefit plans that cover certain employees worldwide, with over 85% of the projected benefit obligation within the European region as of December 31, 2019.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Obligations and Funded Status

The measurement date used to determine defined benefit obligations was December 31. The following table sets forth the changes to the projected benefit obligations ("PBO") and plan assets for the years ended December 31, 2019 and 2018 and the funded status and amounts recognized in the accompanying consolidated balance sheets at December 31, 2019 and 2018 for our defined benefit pension plans:

	Year Ended December 31,	
	2019	2018
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 583.7	\$ 636.9
Service cost	7.2	8.8
Interest cost	13.1	13.1
Participant contributions	1.2	1.3
Actuarial losses (gains), net	60.9	(3.3)
Plan curtailments, settlements and special termination benefits	(7.1)	(19.4)
Benefits paid	(22.5)	(25.6)
Business combinations and other adjustments	(0.1)	0.7
Foreign currency translation	4.3	(28.8)
Projected benefit obligation at end of year	<u>640.7</u>	<u>583.7</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	332.3	365.0
Actual return on plan assets	28.3	(1.4)
Employer contributions	16.9	24.6
Participant contributions	1.2	1.3
Benefits paid	(22.5)	(25.6)
Settlements	(7.4)	(12.5)
Business combinations and other adjustments	(0.1)	(0.1)
Foreign currency translation	8.2	(19.0)
Fair value of plan assets at end of year	<u>356.9</u>	<u>332.3</u>
Funded status, net	<u>\$ (283.8)</u>	<u>\$ (251.4)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Other assets	\$ 13.0	\$ 22.0
Other accrued liabilities	(11.6)	(11.5)
Accrued pensions	(285.2)	(261.9)
Net amount recognized	<u>\$ (283.8)</u>	<u>\$ (251.4)</u>

The PBO is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation ("ABO") is the actuarial present value of benefits attributable to employee service rendered to date but does not include the effects of estimated future pay increases.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The following table reflects the ABO for all defined benefit pension plans as of December 31, 2019 and 2018. Further, the table reflects the aggregate PBO, ABO and fair value of plan assets for pension plans with PBO in excess of plan assets and for pension plans with ABO in excess of plan assets.

	Year Ended December 31,	
	2019	2018
ABO	\$ 613.5	\$ 559.9
Plans with PBO in excess of plan assets:		
PBO	\$ 401.0	\$ 375.6
ABO	\$ 374.2	\$ 352.0
Fair value plan assets	\$ 104.2	\$ 102.2
Plans with ABO in excess of plan assets:		
PBO	\$ 401.0	\$ 370.2
ABO	\$ 374.2	\$ 349.1
Fair value plan assets	\$ 104.2	\$ 99.3

The pre-tax amounts not yet reflected in net periodic benefit cost and included in AOCI include the following related to defined benefit plans:

	Year Ended December 31,	
	2019	2018
Accumulated net actuarial losses	\$ (97.9)	\$ (51.8)
Accumulated prior service credit	1.5	1.6
Total	\$ (96.4)	\$ (50.2)

The accumulated net actuarial losses for pensions relate primarily to differences between the actual net periodic expense and the expected net periodic expense resulting from differences in the significant assumptions, including return on assets, discount rates and compensation trends, used in these estimates. For individual plans in which the accumulated net actuarial gains or losses exceed 10% of the higher of the fair value of plan assets or the PBO at the beginning of the year, amortization of such excess has been included in net periodic benefit costs. The amortization period is the average remaining service period of active employees expected to receive benefits unless a plan is mostly inactive in which case the amortization period is the average remaining life expectancy of the plan participants. Accumulated prior service credit is amortized over the future service periods of those employees who are active at the dates of the plan amendments and who are expected to receive benefits.

The estimated pre-tax amounts that are expected to be amortized from AOCI into the consolidated statements of operations as net periodic benefit cost during 2020 for the defined benefit plans is as follows:

	2020
Amortization of net actuarial losses, net	\$ (3.5)
Amortization of prior service credit, net	0.1
Total	\$ (3.4)

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Components of Net Periodic Benefit Cost

The following table sets forth the pre-tax components of net periodic benefit costs for our defined benefit plans for the years ended December 31, 2019, 2018 and 2017.

	Year Ended December 31,		
	2019	2018	2017
Components of net periodic benefit cost and amounts recognized in comprehensive (income) loss:			
Net periodic benefit cost:			
Service cost	\$ 7.2	\$ 8.8	\$ 9.0
Interest cost	13.1	13.1	13.8
Expected return on plan assets	(13.9)	(16.1)	(15.0)
Amortization of actuarial loss, net	1.9	1.3	1.4
Amortization of prior service credit	(0.1)	(0.1)	—
Curtailement gain	(2.3)	(0.7)	—
Settlement loss	1.1	0.6	0.2
Special termination benefit loss	0.3	—	1.0
Net periodic benefit cost	<u>7.3</u>	<u>6.9</u>	<u>10.4</u>
Changes in plan assets and benefit obligations recognized in other comprehensive loss (income):			
Net actuarial loss (gain), net	46.7	6.7	(20.6)
Amortization of actuarial loss, net	(1.9)	(1.3)	(1.4)
Prior service cost (credit)	—	0.8	(1.2)
Amortization of prior service credit	0.1	0.1	—
Curtailement gain	2.3	0.7	—
Settlement loss	(1.1)	(0.6)	(0.2)
Other adjustments	—	—	(7.9)
Total loss (gain) recognized in other comprehensive loss (income)	<u>46.1</u>	<u>6.4</u>	<u>(31.3)</u>
Total recognized in comprehensive loss (income)	<u>\$ 53.4</u>	<u>\$ 13.3</u>	<u>\$ (20.9)</u>

Included in the other adjustments recognized in other comprehensive (income) loss for the year ended December 31, 2017 was a pension plan adjustment related to the deconsolidation of our Venezuelan subsidiary and the corresponding write-off of the accumulated actuarial loss on our Venezuela pension plan. This resulted in a decrease of \$8.5 million in AOCI (\$5.9 million, net of tax), as discussed further in Note 22.

Assumptions

We used the following assumptions in determining the benefit obligations and net periodic benefit cost of our defined benefit plans:

	2019	2018	2017
Weighted-average assumptions:			
Discount rate to determine benefit obligation	1.58%	2.27%	2.13%
Discount rate to determine net cost	2.27%	2.13%	2.52%
Rate of future compensation increases to determine benefit obligation	2.73%	2.68%	2.69%
Rate of future compensation increases to determine net cost	2.68%	2.69%	3.07%
Rate of return on plan assets to determine net cost	4.21%	4.47%	4.73%

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The discount rates used reflect the expected future cash flow based on plan provisions, participant data and the currencies in which the expected future cash flows will occur. For the majority of our defined benefit pension obligations, we utilize prevailing long-term high quality corporate bond indices applicable to the respective country at the measurement date. In countries where established corporate bond markets do not exist, we utilize other index movement and duration analysis to determine discount rates. The long-term rate of return on plan assets assumptions reflect economic assumptions applicable to each country and assumptions related to the preliminary assessments regarding the type of investments to be held by the respective plans.

Estimated future benefit payments

The following reflects the total benefit payments expected to be paid for defined benefits:

Year ended December 31,	Benefits
2020	\$ 32.6
2021	\$ 27.8
2022	\$ 29.3
2023	\$ 32.1
2024	\$ 36.2
2025—2029	\$ 181.7

Plan Assets

The defined benefit pension plans for our subsidiaries represent single-employer plans and the related plan assets are invested within separate trusts. Each of the single-employer plans is managed in accordance with the requirements of local laws and regulations governing defined benefit pension plans for the exclusive purpose of providing pension benefits to participants and their beneficiaries. Pension plan assets are typically held in a trust by financial institutions. Our established asset allocation targets are intended to achieve the plan's investment strategies.

Equity securities include varying market capitalization levels. U.S. equity securities are primarily large-cap companies. Fixed income investments include corporate issued, government issued, and asset backed securities. Corporate debt securities include a range of credit risk and industry diversification. Other investments include real estate and private market securities such as insurance contracts, interests in private equity, and venture capital partnerships. Pension trust liabilities relate to an over funding by DuPont, as defined in Item 1. Business included elsewhere in this Annual Report on Form 10-K, into a pension trust managed by Axalta in conjunction with the Acquisition, as defined in Item 1. Business included elsewhere in this Annual Report on Form 10-K. The assets continued to be invested and managed by Axalta until required regulatory approvals were received in 2019, at which time the over-funded assets were transferred back to the trust managed by DuPont. Assets measured using the net asset value per share practical expedient ("NAV") include debt asset backed securities, hedge funds, and real estate funds. Debt asset backed securities primarily consist of collateralized debt obligations. The market values for these assets are based on the NAV multiplied by the number of shares owned.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although we believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company's investment strategy in pension plan assets is to generate earnings over an extended time to help fund the cost of benefits while maintaining an adequate level of diversification for a prudent level of risk. The table below summarizes the weighted average actual and target pension plan asset allocations at December 31st for all funded Axalta defined benefit plans.

Asset Category	2019	2018	Target Allocation
Equity securities	20-25%	15-20%	20-25%
Debt securities	30-35%	25-30%	30-35%
Real estate	0-5%	0-5%	0-5%
Other	40-45%	45-50%	40-45%

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The table below presents the fair values of the defined benefit pension plan assets by level within the fair value hierarchy, as described in Note 1, at December 31, 2019 and 2018, respectively. Defined benefit pension plan assets measured using NAV have not been categorized in the fair value hierarchy.

Asset Category:	Fair value measurements at			
	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 4.0	\$ 4.0	\$ —	\$ —
U.S. equity securities	36.0	35.7	—	0.3
Non-U.S. equity securities	45.8	42.9	0.4	2.5
Debt securities—government issued	69.6	45.0	19.9	4.7
Debt securities—corporate issued	40.2	28.3	9.4	2.5
Private market securities and other	125.8	1.0	0.7	124.1
Total carried at fair value	\$ 321.4	\$ 156.9	\$ 30.4	\$ 134.1
Investments measured at NAV	35.5			
Total	\$ 356.9			

Asset Category:	Fair value measurements at			
	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 4.5	\$ 4.4	\$ 0.1	\$ —
U.S. equity securities	23.7	23.4	—	0.3
Non-U.S. equity securities	42.9	39.9	1.0	2.0
Debt—government issued	70.9	41.1	23.3	6.5
Debt—corporate issued	29.1	19.7	7.0	2.4
Private market securities and other	129.6	1.2	1.5	126.9
Real estate investments	13.6	—	—	13.6
Total carried at fair value	\$ 314.3	\$ 129.7	\$ 32.9	\$ 151.7
Investments measured at NAV	19.5			
Pension trust liability	(1.5)			
Total	\$ 332.3			

Level 3 assets are primarily insurance contracts pledged on behalf of employees with benefits in certain countries, ownership interests in investment partnerships, trusts that own private market securities, and other debt and equity investments. The fair values of our insurance contracts are determined based on the cash surrender value or the present value of the expected future benefits to be paid under the contract, discounted at a rate consistent with the related benefit obligation. Debt and equity securities consist primarily of small investments in other investments that are valued at different frequencies based on the value of the underlying investments. The table below presents a roll forward of activity for these assets for the years ended December 31, 2019 and 2018.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

	Level 3 assets			
	Total	Private market securities	Debt and equity	Real estate investments
Ending balance at December 31, 2017	\$ 158.0	\$ 135.7	\$ 8.8	\$ 13.5
Change in unrealized gain	(4.2)	(4.4)	(0.2)	0.4
Purchases, sales, issues and settlements	(2.1)	(4.4)	2.6	(0.3)
Ending balance at December 31, 2018	\$ 151.7	\$ 126.9	\$ 11.2	\$ 13.6
Change in unrealized gain	2.5	1.5	0.7	0.3
Purchases, sales, issues and settlements	(8.6)	(4.6)	(1.9)	(2.1)
Transfers out of Level 3	(11.5)	—	—	(11.5)
Ending balance at December 31, 2019	\$ 134.1	\$ 123.8	\$ 10.0	\$ 0.3

Assumptions and Sensitivities

The discount rate is determined as of each measurement date, based on a review of yield rates associated with long-term, high-quality corporate bonds. The calculation separately discounts benefit payments using the spot rates from a long-term, high-quality corporate bond yield curve.

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses and the potential to outperform market index returns. For 2020, the expected long-term rate of return is 3.71%.

Anticipated Contributions to Defined Benefit Plan

For funded pension plans, our funding policy is to fund amounts for pension plans sufficient to meet minimum requirements set forth in applicable benefit laws and local tax laws. Based on the same assumptions used to measure our benefit obligations at December 31, 2019, we expect to contribute \$5.8 million to our defined benefit plans during 2020. No plan assets are expected to be returned to the Company in 2020.

Defined Contribution Plans

The Company sponsors defined contribution plans in both its U.S. and non-U.S. subsidiaries, under which salaried and certain hourly employees may defer a portion of their compensation. Eligible participants may contribute to the plan up to the allowable amount as determined by the plan of their regular compensation before taxes. All contributions and Company matches are invested at the direction of the employee. Company matching contributions vest immediately and aggregated to \$48.7 million, \$43.8 million and \$45.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

(9) STOCK-BASED COMPENSATION

During the years ended December 31, 2019, 2018 and 2017, we recognized \$15.7 million, \$37.3 million and \$38.5 million, respectively, in stock-based compensation expense, which was allocated between costs of goods sold and selling, general and administrative expenses on the consolidated statements of operations. We recognized tax benefits on stock-based compensation of \$0.3 million, \$6.7 million and \$12.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Description of Equity Incentive Plan

In 2013, Axalta's Board of Directors approved the Axalta Coating Systems Ltd. 2013 Incentive Award Plan (the "2013 Plan") which reserved shares of common stock of the Company for issuance to employees, directors and consultants. The 2013 Plan provided for the issuance of stock options, restricted stock or other stock-based awards. No further awards may be granted pursuant to the 2013 Plan.

In 2014, Axalta's Board of Directors approved the Axalta Coating Systems Ltd. 2014 Incentive Award Plan, as amended and restated (the "2014 Plan"), which reserved additional shares of common stock of the Company for issuance to employees, directors and consultants. The 2014 Plan provides for the issuance of stock options, restricted stock or other stock-based awards. All awards granted pursuant to the 2014 Plan must be authorized by the Board of Directors of Axalta or a designated committee thereof. Our Board of Directors has generally delegated responsibility for administering the 2014 Plan to our Compensation Committee.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The terms of the stock options may vary with each grant and are determined by the Compensation Committee within the guidelines of the 2013 and 2014 Plans. Option life cannot exceed ten years and the Company may settle option exercises by issuing new shares, treasury shares or shares purchased on the open market.

During 2019, we granted non-qualified service-based stock options, restricted stock units and performance share units to certain employees and directors. All awards were granted under the 2014 Plan. The performance share units are subject to certain performance and market conditions, in addition to the service-based vesting conditions.

Stock Options

The Black-Scholes option pricing model was used to estimate fair values of the options as of the date of the grant. The weighted average fair values of options granted in 2019, 2018 and 2017 were \$6.98, \$6.78 and \$7.69 per share, respectively. A majority of these awards vest ratably over three years. Principal weighted average assumptions used in applying the Black-Scholes model were as follows:

	2019 Grants	2018 Grants	2017 Grants
Expected Term	6.0 years	6.0 years	6.0 years
Volatility	20.25%	20.27%	21.75%
Dividend Yield	—	—	—
Discount Rate	2.47%	2.66%	2.03%

The expected term assumptions used for the grants mentioned in the above table were determined using the simplified method. We do not anticipate paying cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero. Volatility for outstanding grants was based upon our industry peer group since we have a limited history as a public company. The discount rate was derived from the U.S. Treasury yield curve.

A summary of stock option award activity as of and for the year ended December 31, 2019 is presented below:

	Awards (in millions)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2018	7.2	\$ 19.32		
Granted	0.8	\$ 26.91		
Exercised	(3.9)	\$ 12.92		
Forfeited	(1.1)	\$ 29.41		
Outstanding at December 31, 2019	3.0	\$ 25.92		
Vested and expected to vest at December 31, 2019	3.0	\$ 25.92	\$ 15.1	5.85
Exercisable at December 31, 2019	2.0	\$ 24.86	\$ 12.6	4.49

Cash received by the Company upon exercise of options in 2019 was \$50.3 million. Tax benefits on these exercises were \$11.6 million. For the years ended December 31, 2019, 2018 and 2017, the intrinsic value of options exercised was \$56.6 million, \$33.6 million and \$42.2 million, respectively.

The fair value of shares vested during 2019, 2018 and 2017 was \$5.4 million, \$6.8 million and \$5.2 million, respectively.

At December 31, 2019, there was \$2.8 million of unrecognized compensation cost relating to outstanding unvested stock options expected to be recognized over the weighted average period of 1.5 years.

Restricted Stock Awards and Restricted Stock Units

During the year ended December 31, 2019, we issued 0.7 million shares of restricted stock units. A majority of these awards vest ratably over three years. The other awards granted cliff vest over a period of four years or less.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

A summary of restricted stock and restricted stock unit award activity as of December 31, 2019 is presented below:

	Awards (in millions)		Weighted-Average Fair Value
Outstanding at December 31, 2018	1.6	\$	29.12
Granted	0.7	\$	26.99
Vested	(0.7)	\$	28.43
Forfeited	(0.4)	\$	28.51
Outstanding at December 31, 2019	1.2	\$	28.45

At December 31, 2019, there was \$11.9 million of unamortized expense relating to unvested restricted stock awards and restricted stock units that is expected to be amortized over a weighted average period of 1.4 years.

The intrinsic value of awards vested during 2019, 2018 and 2017 was \$19.7 million, \$36.2 million and \$30.1 million, respectively. The total fair value of awards vested during 2019, 2018 and 2017 was \$20.9 million, \$35.3 million and \$29.4 million, respectively. Tax shortfalls on these exercises were \$0.2 million.

Performance Stock Awards and Performance Share Units

During the year ended December 31, 2019, the Company granted performance share units ("PSUs") to certain employees of the Company as part of their annual equity compensation award. During the years prior to December 31, 2019, the Company granted performance share awards and performance share units (collectively referred to as "PSAs").

PSAs granted prior to 2019 are tied to the Company's total shareholder return ("TSR") relative to the TSR of a selected industry peer group or S&P 500. Each award vests over its applicable service period and covers a TSR performance cycle of three years starting at the beginning of the fiscal year in which the shares were granted. The actual number of shares awarded will be between zero and 200% of the target award amount. TSR relative to peers is considered a market condition under applicable authoritative guidance.

PSUs granted in 2019 are subject to the same service conditions, but also include performance conditions related to internal profitability and return on invested capital metrics over a cumulative performance period of three years, as well as three individual one-year performance periods. At the end of the three-year performance period, the number of PSUs earned based on performance relative to the profitability and invested capital metrics are subject to a market condition in the form of a positive or negative TSR modifier relative to the S&P 500 over the same three-year performance period. The actual number of shares awarded will be between zero and 200% of the target award amount.

A summary of PSA and PSU activity as of December 31, 2019 is presented below:

	Awards (in millions)		Weighted-Average Fair Value
Outstanding at December 31, 2018	0.8	\$	31.82
Granted	0.3	\$	29.10
Vested	—	\$	—
Forfeited	(0.6)	\$	30.38
Outstanding at December 31, 2019	0.5	\$	32.11

At December 31, 2019, there was \$6.9 million of unamortized expense relating to unvested PSAs that are expected to be amortized over a weighted average period of 1.9 years. The forfeitures include performance stock awards and performance share units granted in 2016 that did not meet the performance target required for vesting.

(10) OTHER (INCOME) EXPENSE, NET

	Year Ended December 31,		
	2019	2018	2017
Foreign exchange losses, net	\$ 8.3	\$ 9.2	\$ 7.4
Non-operational asset impairment charges	—	—	7.6
Debt extinguishment and refinancing related costs	0.2	9.5	13.4
Other miscellaneous income, net	(12.9)	(3.7)	(1.3)
Total	\$ (4.4)	\$ 15.0	\$ 27.1

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Prior to deconsolidation, during the year ended December 31, 2017, our Venezuelan subsidiary, which was a U.S. dollar functional entity, contributed \$1.8 million in foreign exchange losses. See Note 22 for further information on the deconsolidation of our Venezuelan subsidiary.

During the year ended December 31, 2017, we recorded non-operational impairment losses of \$7.6 million. These impairment losses related to actions to reduce operational costs through activities to rationalize our manufacturing footprint resulting in write-downs of manufacturing facilities identified for closure, as well as a write-down of the carrying value of a real estate investment, which were based on market price estimates.

Debt extinguishment and refinancing related costs include third-party fees and the losses on extinguishment associated with the write-off of unamortized deferred financing costs and original issue discounts previously capitalized in conjunction with the restructuring and refinancing of the Term Loans and Senior Notes during the years ended December 31, 2018 and 2017 and the Revolving Credit Facility during the year ended December 31, 2019, as discussed further in Note 18.

(11) INCOME TAXES

On December 22, 2017, the U.S. TCJA legislation, as defined herein, was enacted into law, which significantly revised the Internal Revenue Code of 1986, as amended. The U.S. TCJA included, among other items, (1) permanent reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%; (2) limitations on the tax deduction for net interest expense to 30% of adjusted earnings; (3) a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (4) a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with certain rules designed to prevent erosion of the U.S. income tax base); and (5) modifying or repealing many other business deductions and credits (including modifications to annual foreign tax credit limitations).

For the year-ended December 31, 2017 we recorded a provisional non-cash net tax charge of \$107.8 million related to the impacts of the U.S. TCJA. This provisional tax charge included a one-time \$81.1 million remeasurement of the net U.S. deferred tax assets to the lower enacted U.S. corporate tax rate of 21%, the establishment of a valuation allowance of \$26.1 million on certain interest and foreign tax credit carryforwards and \$0.6 million of withholding tax on unremitted earnings. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, the Company has completed the analysis based on legislative updates relating to the U.S. TCJA currently available and recorded an additional tax benefit of \$12.5 million for the year ended December 31, 2018. While we have completed our accounting of the income tax effects of the U.S. TCJA under SAB 118, the related tax impacts may differ, possibly materially, due to changes in interpretations and assumptions that we have made, additional guidance that may be issued by regulatory bodies, and actions and related accounting policy decisions we may take as a result of the new legislation.

Domestic and Foreign Components of Income Before Income Taxes

	Year Ended December 31,		
	2019	2018	2017
Domestic	\$ 223.4	\$ 194.8	\$ 41.8
Foreign	106.6	72.7	147.8
Total	<u>\$ 330.0</u>	<u>\$ 267.5</u>	<u>\$ 189.6</u>

Provision (Benefit) for Income Taxes

	Year Ended December 31, 2019			Year Ended December 31, 2018			Year Ended December 31, 2017		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
U.S. federal	\$ 8.3	\$ 27.1	\$ 35.4	\$ 7.2	\$ 6.8	\$ 14.0	\$ 4.6	\$ 102.8	\$ 107.4
U.S. state and local	5.3	(9.2)	(3.9)	2.7	12.8	15.5	1.7	0.4	2.1
Foreign	48.1	(2.2)	45.9	38.2	(13.5)	24.7	43.9	(11.5)	32.4
Total	<u>\$ 61.7</u>	<u>\$ 15.7</u>	<u>\$ 77.4</u>	<u>\$ 48.1</u>	<u>\$ 6.1</u>	<u>\$ 54.2</u>	<u>\$ 50.2</u>	<u>\$ 91.7</u>	<u>\$ 141.9</u>

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Reconciliation to U.S. Statutory Rate

	Year Ended December 31,					
	2019		2018		2017	
Statutory U.S. federal income tax rate ⁽¹⁾	\$ 69.3	21.0 %	\$ 56.2	21.0 %	\$ 66.4	35.0 %
Earnings generated in jurisdictions where the statutory rate is different from the U.S. Federal rate	(16.3)	(4.9)	(26.8)	(10.0)	(80.3)	(42.4)
Changes in valuation allowances	18.8	5.7	(37.5)	(14.0)	45.3	23.9
Foreign exchange gain (loss), net	(2.8)	(0.8)	26.7	10.0	6.4	3.4
Unrecognized tax benefits	11.2	3.4	18.9	7.1	3.1	1.6
Foreign taxes	21.4	6.5	6.7	2.5	4.1	2.2
Non-deductible interest	0.3	0.1	4.8	1.8	9.8	5.2
Non-deductible expenses	3.8	1.2	3.8	1.4	4.6	2.4
Tax credits	(3.9)	(1.2)	(6.6)	(2.4)	(4.2)	(2.2)
Excess tax benefits relating to stock-based compensation	(11.4)	(3.5)	(6.6)	(2.4)	(13.1)	(6.9)
U.S. tax reform ⁽²⁾	—	—	(12.5)	(4.7)	107.8	56.8
Base erosion and anti-abuse tax	4.3	1.3	2.7	1.0	—	—
Venezuela deconsolidation and impairment	—	—	—	—	(2.0)	(1.0)
U.S. state and local taxes, net	6.6	2.0	1.8	0.7	1.3	0.7
Other - net ⁽³⁾	(23.9)	(7.3)	22.6	8.3	(7.3)	(4.0)
Total income tax provision / effective tax rate	\$ 77.4	23.5 %	\$ 54.2	20.3 %	\$ 141.9	74.7 %

(1) The U.S. statutory rate has been used as management believes it is more meaningful to the Company.

(2) Tax effect of the U.S. TCJA recorded under SAB 118.

(3) In 2019, the Company recorded a tax benefit of \$24.9 million in Luxembourg related to a local statutory impairment, which is fully offset by a tax expense of \$24.9 million for the increase to the valuation allowance.

Deferred Tax Balances

	Year Ended December 31,	
	2019	2018
Deferred tax asset		
Tax loss, credit and interest carryforwards	\$ 245.3	\$ 238.5
Compensation and employee benefits	80.8	80.1
Accruals and other reserves	17.2	25.5
Research and development capitalization	6.5	7.7
Equity investment and other securities	28.3	20.1
Finance leases	19.1	—
Other	3.7	3.0
Total deferred tax assets	400.9	374.9
Less: valuation allowance	(178.3)	(159.0)
Total deferred tax assets, net of valuation allowance	222.6	215.9
Deferred tax liabilities		
Goodwill and intangibles	(20.8)	(17.4)
Property, plant and equipment	(147.7)	(144.7)
Unremitted earnings	(6.0)	(7.4)
Long-term debt	(1.3)	(2.4)
Total deferred tax liabilities	(175.8)	(171.9)
Net deferred tax asset	\$ 46.8	\$ 44.0
Non-current assets	\$ 162.3	\$ 184.8
Non-current liability	(115.5)	(140.8)
Net deferred tax asset	\$ 46.8	\$ 44.0

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Tax loss, tax credit and interest carryforwards

	Year Ended December 31,	
	2019	2018
Tax loss carryforwards (tax effected) ⁽¹⁾		
Expire within 10 years	\$ 75.9	\$ 53.3
Expire after 10 years or indefinite carryforward	106.7	121.6
Tax credit carryforwards		
Expire within 10 years	1.9	17.3
Expire after 10 years or indefinite carryforward	24.4	20.9
Interest carryforwards ⁽¹⁾		
Expire within 10 years	1.2	2.2
Expire after 10 years or indefinite carryforward	35.2	23.2
Total tax loss, tax credit and interest carryforwards	<u>\$ 245.3</u>	<u>\$ 238.5</u>

(1) Net of unrecognized tax benefits

Utilization of our tax loss, tax credit and interest carryforwards may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state and foreign provisions. Such annual limitations could result in the expiration of the tax loss, tax credit and interest carryforwards before their utilization.

Valuation allowance

	Year Ended December 31,	
	2019	2018
Non-U.S.	\$ 175.8	\$ 133.8
U.S.	2.5	25.2
Total valuation allowance	<u>\$ 178.3</u>	<u>\$ 159.0</u>

Valuation allowances relate primarily to the tax loss and tax credit carryforwards, as well as equity investment in foreign jurisdictions, where the Company does not believe the associated net deferred tax assets will be realized, due to expiration, limitation or insufficient future taxable income. The non-U.S. valuation allowance primarily relates to tax loss carryforwards from operations in Luxembourg and Netherlands, of \$151.5 million and \$113.6 million at December 31, 2019 and 2018, respectively. The U.S. valuation allowance relates to state net deferred tax assets.

Total Gross Unrecognized Tax Benefits

	Year Ended December 31,		
	2019	2018	2017
Total gross unrecognized tax benefits at January 1	\$ 37.0	\$ 17.2	\$ 12.3
Increases related to positions taken on items from prior years	3.9	3.4	1.9
Decreases related to positions taken on items from prior years	(1.0)	(1.8)	—
Increases related to positions taken in the current year	5.5	18.2	3.0
Settlement of uncertain tax positions with tax authorities	(0.1)	—	—
Total gross unrecognized tax benefits at December 31	45.3	37.0	17.2
Total accrual for interest and penalties associated with unrecognized tax benefits ⁽¹⁾	5.0	3.1	1.2
Total gross unrecognized tax benefits at December 31, including interest and penalties	<u>\$ 50.3</u>	<u>\$ 40.1</u>	<u>\$ 18.4</u>
Total unrecognized tax benefits that, if recognized, would impact the effective tax rate	\$ 31.7	\$ 25.2	\$ 9.7
Interest and penalties included as components of the Provision (benefit) for income taxes	\$ 1.9	\$ 1.9	\$ 0.1

(1) Accrued interest and penalties are included within the related tax liability line in the balance sheet.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The Company is subject to income tax in approximately 46 jurisdictions outside the U.S. The Company's significant operations outside the U.S. are located in Belgium, Brazil, China, Germany, Mexico and Switzerland. The statute of limitations varies by jurisdiction with 2009 being the oldest tax year still open in the material jurisdictions. Certain of our German subsidiaries are under tax examination for calendar years 2010 to 2017. The Company is also under audit in other jurisdictions outside of Germany for tax years under responsibility of the predecessor, as well as tax periods under the Company's ownership. Pursuant to the acquisition agreement, all tax liabilities related to tax years prior to 2013 will be indemnified by DuPont. The result of all open examinations may lead to ordinary course adjustments or proposed adjustments to our taxes or our net operating losses with respect to years under examination as well as subsequent periods that could be material.

Due to the high degree of uncertainty regarding future timing of cash flows associated with these liabilities, we are unable to estimate the years in which settlement will occur with the respective taxing authorities.

(12) NET INCOME PER COMMON SHARE

Basic net income per common share excludes the dilutive impact of potentially dilutive securities and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted net income per common share includes the effect of potential dilution from the hypothetical exercise of outstanding stock options and vesting of restricted shares and performance shares. A reconciliation of our basic and diluted net income per common share is as follows:

(In millions, except per share data)	Year Ended December 31,		
	2019	2018	2017
Net income to common shareholders	\$ 249.0	\$ 207.1	\$ 36.7
Basic weighted average shares outstanding	233.9	239.0	240.4
Diluted weighted average shares outstanding	235.8	242.9	246.1
Net income per common share:			
Basic net income per share	\$ 1.06	\$ 0.87	\$ 0.15
Diluted net income per share	\$ 1.06	\$ 0.85	\$ 0.15

The number of anti-dilutive shares that have been excluded in the computation of diluted net income per share for the years ended December 31, 2019, 2018 and 2017 were 2.6 million, 2.6 million and 1.8 million, respectively.

(13) ACCOUNTS AND NOTES RECEIVABLE, NET

	Year Ended December 31,	
	2019	2018
Accounts receivable—trade, net ⁽¹⁾	\$ 718.4	\$ 739.9
Notes receivable	24.7	36.1
Other	87.0	84.8
Total	\$ 830.1	\$ 860.8

(1) Allowance for doubtful accounts was \$16.0 million and \$15.4 million at December 31, 2019 and 2018, respectively.

Bad debt expense of \$5.5 million, \$2.3 million and \$3.5 million was included within selling, general and administrative expenses for the years ended December 31, 2019, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(14) INVENTORIES

	Year Ended December 31,	
	2019	2018
Finished products	\$ 327.4	\$ 334.0
Semi-finished products	109.9	108.0
Raw materials	133.7	149.9
Stores and supplies	20.6	21.1
Total	\$ 591.6	\$ 613.0

(15) PROPERTY, PLANT AND EQUIPMENT, NET

	Useful Lives (years)	Year Ended December 31,	
		2019	2018
Land		\$ 84.5	\$ 85.7
Buildings and improvements	5 - 25	541.6	522.4
Machinery and equipment	5 - 25	1,324.1	1,333.2
Software	5 - 7	128.3	159.5
Other	3 - 20	71.5	45.7
Construction in progress		81.9	72.3
Total		2,231.9	2,218.8
Accumulated depreciation		(1,008.9)	(920.6)
Property, plant and equipment, net		\$ 1,223.0	\$ 1,298.2

Depreciation amounted to \$169.9 million, \$183.4 million and \$176.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

We capitalized interest of \$2.0 million, \$4.0 million and \$3.7 million for the years ended December 31, 2019, 2018 and 2017, respectively.

(16) OTHER ASSETS

	Year Ended December 31,	
	2019	2018
Available for sale securities	\$ 1.6	\$ 1.7
Deferred income taxes—non-current	162.3	184.8
Business incentive payment assets	191.2	190.8
Operating lease ROU assets ⁽¹⁾	95.6	—
Other assets ⁽²⁾	138.1	111.8
Total	\$ 588.8	\$ 489.1

(1) As a result of adopting ASU 2016-02, operating lease ROU assets were recognized beginning January 1, 2019. See Note 7 for further information on the adoption of ASU 2016-02.

(2) Includes other upfront incentives made in conjunction with long-term customer commitments of \$71.0 million and 49.8 million at December 31, 2019 and 2018, respectively, which will be repaid in future periods.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(17) ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

	Year Ended December 31,	
	2019	2018
Accounts Payable		
Trade payables	\$ 442.0	\$ 477.8
Non-income taxes	20.5	21.4
Other	21.2	23.6
Total	\$ 483.7	\$ 522.8
Other Accrued Liabilities		
Compensation and other employee-related costs	\$ 188.2	\$ 163.2
Restructuring—current	76.5	60.3
Discounts, rebates, and warranties	148.2	157.8
Operating lease liabilities ⁽¹⁾	29.3	—
Income taxes payable	16.4	15.2
Other	86.7	79.1
Total	\$ 545.3	\$ 475.6

(1) As a result of adopting ASU 2016-02, operating lease liabilities were recognized beginning January 1, 2019. See Note 7 for further information on the adoption of ASU 2016-02.

(18) BORROWINGS

Borrowings are summarized as follows:

	Year Ended December 31,	
	2019	2018
2024 Dollar Term Loans	\$ 2,387.5	\$ 2,411.8
2024 Dollar Senior Notes	500.0	500.0
2024 Euro Senior Notes	375.2	383.3
2025 Euro Senior Notes	504.0	514.9
Short-term and other borrowings	109.0	103.8
Unamortized original issue discount	(10.5)	(12.6)
Unamortized deferred financing costs	(31.1)	(37.2)
Total borrowings	3,834.1	3,864.0
Less:		
Short-term borrowings	19.6	17.9
Current portion of long-term borrowings	24.3	24.3
Long-term debt	\$ 3,790.2	\$ 3,821.8

Senior Secured Credit Facilities, as amended

On December 15, 2016, Axalta Coating Systems Dutch Holdings B B.V. ("Dutch B B.V.") and its indirect 100% owned subsidiary, Axalta Coating Systems U.S. Holdings, Inc. ("Axalta US Holdings") executed the fourth amendment (the "Fourth Amendment") to the credit agreement (the "Credit Agreement") governing our Senior Secured Credit Facilities. The Fourth Amendment (i) converted all of the outstanding U.S. Dollar term loans (\$1,775.3 million) into a new tranche of term loans issued at par with principal of \$1,545.0 million (the "2023 Dollar Term Loans"), (ii) converted all of the outstanding Euro term loans (€199.0 million) into a new tranche of term loans issued at par with principal of €400.0 million (the "2023 Euro Term Loans" and, together with the 2023 Dollar Term Loans, the "2023 Term Loans").

On June 1, 2017, Dutch B B.V. and Axalta US Holdings executed the fifth amendment to the Credit Agreement (the "Fifth Amendment"). The Fifth Amendment converted all of the outstanding 2023 Dollar Term Loans (\$1,541.1 million) into a new upsized tranche of term loans with principal of \$2,000.0 million (the "2024 Dollar Term Loans"). The 2024 Dollar Term Loans were issued at 99.875% of par, or a \$2.5 million discount.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

On April 11, 2018, Dutch B.B.V. and Axalta US Holdings executed the sixth amendment to the Credit Agreement (the "Sixth Amendment"). The Sixth Amendment repriced the 2024 Dollar Term Loans and increased the aggregate principal balance by \$475.0 million to \$2,430.0 million. The increased principal balance of the 2024 Dollar Term Loans under the Sixth Amendment was issued at 99.75% of par or a \$6.0 million discount. Proceeds from the Sixth Amendment, along with cash on the balance sheet, were used to extinguish the existing 2023 Euro Term Loans. The 2024 Dollar Term Loans together with the Revolving Credit Facility, as defined herein, are referred to as the "Senior Secured Credit Facilities."

On October 31, 2018, Dutch B.B.V. and Axalta US Holdings, the Company, and certain other subsidiaries of the Company as guarantors entered into the seventh amendment to the Credit Agreement (the "Seventh Amendment"). The Seventh Amendment amended the Credit Agreement to, among other things, (i) allow for the Company and certain wholly owned subsidiaries of the Company to be added as guarantors under the Credit Agreement, (ii) provide that (A) the covenants in the Credit Agreement generally apply to the Company and its restricted subsidiaries and (B) upon election at any time thereafter, a successor holdings guarantor may be designated and, upon the effectiveness of the guarantee of such successor parent guarantor, the covenants in the Credit Agreement will generally apply to such successor holdings guarantor and its restricted subsidiaries, (iii) otherwise amend the Credit Agreement in order to effect certain corporate transactions as part of a potential internal reorganization of certain of the Company's subsidiaries and certain potential future reorganizations involving the Company and (iv) update guarantee limitations for certain of the guarantors.

Interest was and is payable quarterly on both the 2023 Term Loans and the 2024 Dollar Term Loans.

The 2024 Dollar Term Loans are subject to a floor of zero plus an applicable rate of 1.75% per annum for Eurocurrency Rate Loans as defined in the Credit Agreement and 0.75% per annum for Base Rate Loans as defined in the Credit Agreement.

Prior to the Sixth Amendment, interest on the 2024 Dollar Term Loans was subject to a floor of zero, plus an applicable rate. The applicable rate for such 2024 Dollar Term Loans was 2.00% per annum for Eurocurrency Rate Loans as defined in the Credit Agreement and 1.00% per annum for Base Rate Loans as defined in the Credit Agreement.

Any indebtedness under the Senior Secured Credit Facilities may be voluntarily prepaid in whole or in part, in minimum amounts, subject to the provisions set forth in the Credit Agreement. Such indebtedness is subject to mandatory prepayments amounting to the proceeds of asset sales over \$75.0 million annually, proceeds from certain debt issuances not otherwise permitted under the Credit Agreement and 50% (subject to a step-down to 25.0% or 0% if the First Lien Leverage Ratio falls below 4.25:1.00 or 3.50:1.00, respectively) of Excess Cash Flow.

The Senior Secured Credit Facilities are secured by substantially all assets of the Company and the other guarantors. The 2024 Dollar Term Loans mature on June 1, 2024. Principal is paid quarterly based on 1% per annum of the original principal amount outstanding on the most recent amendment date with the unpaid balance due at maturity.

We are subject to customary negative covenants in addition to the First Lien Leverage Ratio financial covenant for purposes of determining any Excess Cash Flow mandatory payment. Further, the Senior Secured Credit Facilities, among other things, include customary restrictions (subject to certain exceptions) on the Company's ability to incur certain indebtedness, grant certain liens, make certain investments, declare or pay certain dividends, or repurchase shares of the Company's common stock. As of December 31, 2019, the Company is in compliance with all covenants under the Senior Secured Credit Facilities.

Revolving Credit Facility

On June 28, 2019, (the "Eighth Amendment Effective Date"), Dutch B.B.V. and Axalta US Holdings executed the eighth amendment to the Credit Agreement (the "Eighth Amendment") which impacted the Revolving Credit Facility by (i) extending the maturity date to the earlier of March 2, 2024, the date of termination in whole of the Revolving Credit Facility, or the date that is 91 days prior to the maturity of the term loans borrowed under the Credit Agreement, and (ii) reducing the applicable interest margins on any outstanding borrowings.

Under the Eighth Amendment, interest on any outstanding borrowings under the Revolving Credit Facility is subject to an interest margin of 1.50% for loans based on the Adjusted Eurocurrency Rate and 0.50% for loans based on the Base Rate with, in each case, a 0.25% increase when its First Lien Net Leverage Ratio is greater than or equal to 1.25:1.00 but less than or equal to 2.25:1.00 and another 0.25% increase when its First Lien Net Leverage Ratio is greater than 2.25:1.00. At December 31, 2019, the financial covenant is not applicable as there were no borrowings.

Prior to the Eighth Amendment, interest on any outstanding borrowings under the Revolving Credit Facility was subject to a floor of zero for Adjusted Eurocurrency Rate Loans plus an applicable rate of 2.75% (previously 3.50%) subject to an additional step-down to 2.50% or 2.25%, if the First Lien Net Leverage Ratio falls below 3.00:1.00 or 2.50:1.00, respectively. For Base Rate Loans, the interest was subject to a floor of the greater of the federal funds rate plus 0.50%, the Prime Lending Rate or an Adjusted Eurocurrency Rate plus 1%, plus an applicable rate of 1.75% (previously 2.50%), subject to an additional step-down to 1.50% or 1.25%, if the First Lien Net Leverage Ratio were to fall below 3.00:1.00 and 2.50:1.00, respectively.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

On August 1, 2016, Dutch B B.V. and Axalta US Holdings executed the third amendment to the Credit Agreement (the "Third Amendment"). The Third Amendment impacted the revolving credit facility under the Senior Secured Credit Facilities (the "Revolving Credit Facility") by (i) decreasing the applicable interest margins and (ii) amending the financial covenant applicable to the Revolving Credit Facility to be applicable only when greater than 30% (previously 25%) of the Revolving Credit Facility (including letters of credit not cash collateralized to at least 103%) is outstanding at the end of the fiscal quarter. If such conditions are met, the First Lien Net Leverage Ratio (as defined by the Credit Agreement) at the end of the quarter is required to be greater than 5.50:1.00.

Under circumstances described in the Credit Agreement, we may increase available revolving or term facility borrowings by up to \$700.0 million plus an additional amount subject to the Company not exceeding a maximum first lien leverage ratio described in the Credit Agreement.

There have been no borrowings on the Revolving Credit Facility since the issuance of the Senior Secured Credit Facilities. At December 31, 2019 and December 31, 2018, letters of credit issued under the Revolving Credit Facility totaled \$38.8 million and \$44.8 million, respectively, which reduced the availability under the Revolving Credit Facility. Availability under the Revolving Credit Facility was \$361.2 million and \$355.2 million at December 31, 2019 and December 31, 2018, respectively.

Significant Transactions

In January 2020, we voluntarily prepaid \$300.0 million of the outstanding 2024 Dollar Term Loans. See Note 24 for further detail.

During the year ended December 31, 2019, in connection with the Eighth Amendment discussed above, we recorded \$1.8 million of incremental deferred financing costs directly associated with the modification of the Revolving Credit Facility.

During the year ended December 31, 2018, in connection with the Sixth Amendment discussed above, we recorded a loss on extinguishment and other financing-related costs of \$8.4 million, of which \$2.9 million related to the 2023 Euro Term Loan and \$5.5 million related to the 2024 Dollar Term Loans. The loss was comprised of the write off of unamortized deferred financing costs and original issue discounts of \$3.1 million and \$0.7 million, respectively, and other fees directly associated with the Sixth Amendment of \$4.6 million. In addition, in connection with the Seventh Amendment discussed above, we recorded a loss of \$0.7 million.

During the year ended December 31, 2017, in connection with the Fifth Amendment discussed above, we recorded a loss on extinguishment of \$13.0 million. In addition, we voluntarily prepaid \$30.0 million in principal of the outstanding 2024 Dollar Term Loans, resulting in a loss of \$0.4 million, consisting of the write-off of unamortized deferred financing costs and original issue discounts.

Significant Terms of the Senior Notes

On August 16, 2016, Axalta Coating Systems, LLC ("U.S. Issuer"), issued \$500.0 million in aggregate principal amount of 4.875% senior unsecured notes (the "2024 Dollar Senior Notes") and €335.0 million in aggregate principal amount of 4.250% senior unsecured notes (the "2024 Euro Senior Notes"), each due August 2024 (collectively, the "2024 Senior Notes").

On September 27, 2016, Dutch B B.V. ("the Dutch Issuer" and together with the U.S. Issuer, "the Issuers"), issued €450.0 million in aggregate principal amount of 3.750% Euro Senior Unsecured Notes due January 2025 (the "2025 Euro Senior Notes" and together with the 2024 Senior Notes, "the Senior Notes").

The indentures governing the Senior Notes contain covenants that restrict the ability of the Issuers and their subsidiaries to, among other things, incur additional debt, make certain payments including payment of dividends or repurchase equity interest of the Issuers, make loans or acquisitions or capital contributions and certain investments, incur certain liens, sell assets, merge or consolidate or liquidate other entities, and enter into transactions with affiliates.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

On October 26, 2018, the U.S. Issuer and the party thereto entered into a seventh supplemental indenture (the “2024 Seventh Supplemental Indenture”) to the 2024 Senior Notes. In addition, on October 26, 2018, the Dutch Issuer and the new guarantors party thereto entered into a seventh supplemental indenture (the “2025 Seventh Supplemental Indenture”) and, together with the 2024 Seventh Supplemental Indenture, the “October 2018 Supplemental Indentures”) to the 2025 Euro Senior Notes. The October 2018 Supplemental Indentures permit the Company and its subsidiaries to effect certain corporate transactions as part of a potential internal reorganization of certain of the Company's subsidiaries (the "Proposed Restructuring") and certain potential future reorganizations involving the Company. Each of the October 2018 Supplemental Indentures amended the applicable indenture in order to, among other things, (i) add the Company and certain wholly owned subsidiaries of the Company as guarantors of the applicable New Senior Notes, (ii) provide that (A) the covenants of the applicable Indenture generally apply to the Company and its restricted subsidiaries and (B) upon an election by the relevant Issuer at any time thereafter, a successor parent guarantor may be designated and, upon the effectiveness of the guarantee of such successor parent guarantor, the covenants of the applicable Indenture will generally apply to such successor parent guarantor and its restricted subsidiaries, (iii) otherwise amend the applicable Indenture in order to effect the Proposed Restructuring (as defined below) and (iv) update guarantee limitations for certain of the guarantors.

In connection with the October 2018 Supplemental Indentures above, the Company became the parent guarantor of the Senior Notes. Additionally, we recorded a loss of \$0.4 million comprised of fees directly associated with the indentures. No deferred financing costs or original issue discounts were written off as a result of the October 2018 Supplemental Indentures.

(i) *2024 Dollar Senior Notes*

The 2024 Dollar Senior Notes were issued at 99.951% of par, or \$2.0 million discount, and are due August 15, 2024. The 2024 Dollar Senior Notes bear interest at 4.875% which is payable semi-annually on February 15th and August 15th. We have the option to redeem all or part of the 2024 Dollar Senior Notes at the following redemption prices (expressed as percentages of principal amount) on or after August 15th of the years indicated:

Period	2024 Dollar Senior Notes Percentage
2019	103.656%
2020	102.438%
2021	101.219%
2022 and thereafter	100.000%

Upon the occurrence of certain events constituting a change of control, holders of the 2024 Dollar Senior Notes have the right to require us to repurchase all or any part of the 2024 Dollar Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the repurchase date.

The 2024 Dollar Senior Notes, subject to local law limitations, are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its existing and future direct and indirect subsidiaries that is a borrower under or that guarantees the Senior Secured Credit Facilities. Under certain circumstances, the guarantors may be released from their guarantees without the consent of the holders of the applicable series of notes.

The indebtedness issued through the 2024 Dollar Senior Notes is senior unsecured indebtedness of the U.S. Issuer, is senior in right of payment to all future subordinated indebtedness of the U.S. Issuer and guarantors and is equal in right of payment to all existing and future senior indebtedness of the U.S. Issuer and guarantors. The 2024 Dollar Senior Notes are effectively subordinated to any secured indebtedness of the U.S. Issuer and guarantors (including indebtedness outstanding under the Senior Secured Credit Facilities) to the extent of the value of the assets securing such indebtedness.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(ii) *2024 Euro Senior Notes*

The 2024 Euro Senior Notes were issued at par and are due August 15, 2024. The 2024 Euro Senior Notes bear interest at 4.250% which is payable semi-annually on February 15th and August 15th. We have the option to redeem all or part of the 2024 Euro Senior Notes at the following redemption prices (expressed as percentages of principal amount) on or after August 15th of the years indicated:

Period	2024 Euro Senior Notes Percentage
2019	103.188%
2020	102.125%
2021	101.063%
2022 and thereafter	100.000%

Upon the occurrence of certain events constituting a change of control, holders of the 2024 Euro Senior Notes have the right to require us to repurchase all or any part of the 2024 Euro Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the repurchase date.

The 2024 Euro Senior Notes, subject to local law limitations, are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its existing and future direct and indirect subsidiaries that is a borrower under or that guarantees the Senior Secured Credit Facilities. Under certain circumstances, the guarantors may be released from their guarantees without the consent of the holders of the applicable series of notes.

The indebtedness issued through the 2024 Euro Senior Notes is senior unsecured indebtedness of the U.S. Issuer, is senior in right of payment to all future subordinated indebtedness of the U.S. Issuer and guarantors and is equal in right of payment to all existing and future senior indebtedness of the U.S. Issuer and guarantors. The 2024 Euro Senior Notes are effectively subordinated to any secured indebtedness of the U.S. Issuer and guarantors (including indebtedness outstanding under the Senior Secured Credit Facilities) to the extent of the value of the assets securing such indebtedness.

(iii) *2025 Euro Senior Notes*

The 2025 Euro Senior Notes were issued at par and are due January 15, 2025. The 2025 Euro Senior Notes bear interest at 3.750% which is payable semi-annually on January 15th and July 15th. We have the option to redeem all or part of the 2025 Euro Senior Notes at the following redemption prices (expressed as percentages of principal amount) on or after January 15th of the years indicated:

Period	2025 Euro Senior Notes Percentage
2020	102.813%
2021	101.875%
2022	100.938%
2023 and thereafter	100.000%

Notwithstanding the foregoing, at any time and from time to time prior to January 15, 2020, we may at our option redeem in the aggregate up to 40% of the original aggregate principal amount of the 2025 Euro Senior Notes with the net cash proceeds of one or more Equity Offerings (as defined in the indenture governing the 2025 Euro Senior Notes) at a redemption price of 103.750% plus accrued and unpaid interest, if any, to the redemption date. At least 50% of the original aggregate principal of the notes must remain outstanding after each such redemption. We have not exercised this option.

Upon the occurrence of certain events constituting a change of control, holders of the 2025 Euro Senior Notes have the right to require us to repurchase all or any part of the 2025 Euro Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to the repurchase date.

The 2025 Euro Senior Notes, subject to local law limitations, are jointly and severally guaranteed on a senior unsecured basis by the Company and each of its existing and future direct and indirect subsidiaries that is a borrower under or that guarantees the Senior Secured Credit Facilities (other than the Dutch Issuer). Under certain circumstances, the guarantors may be released from their guarantees without the consent of the holders of the applicable series of notes.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The indebtedness issued through the 2025 Euro Senior Notes is senior unsecured indebtedness of the Dutch Issuer, is senior in right of payment to all future subordinated indebtedness of the Dutch Issuer and guarantors and is equal in right of payment to all existing and future senior indebtedness of the Dutch Issuer and guarantors. The 2025 Euro Senior Notes are effectively subordinated to any secured indebtedness of the Dutch Issuer and guarantors (including indebtedness outstanding under the Senior Secured Credit Facilities) to the extent of the value of the assets securing such indebtedness.

Future repayments

Below is a schedule of required future repayments of all borrowings outstanding at December 31, 2019.

2020	\$	43.9
2021		26.7
2022		54.2
2023		27.1
2024		3,168.5
Thereafter		555.3
Total	\$	<u>3,875.7</u>

(19) FINANCIAL INSTRUMENTS, HEDGING ACTIVITIES AND FAIR VALUE MEASUREMENTS

Fair value of financial instruments

Equity securities with readily determinable fair values - Balances of equity securities are recorded within other assets, with any changes in fair value recorded within other (income) expense, net. The fair values of equity securities are based upon quoted market prices, which are considered Level 1 inputs.

Long-term borrowings - The estimated fair values of these borrowings are based on recent trades, as reported by a third-party pricing service. Due to the infrequency of trades, these inputs are considered to be Level 2 inputs.

Derivative instruments - The Company's interest rate caps, interest rate swaps and cross-currency swaps are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are included in the Level 2 hierarchy.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The table below presents the fair values of our financial instruments measured on a recurring basis by level within the fair value hierarchy at December 31, 2019 and December 31, 2018.

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Prepaid expenses and other current assets:								
Interest rate caps ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4.5	\$ —	\$ 4.5
Cross-currency swaps ⁽²⁾	—	14.4	—	14.4	—	14.1	—	14.1
Other assets:								
Interest rate caps ⁽¹⁾	—	—	—	—	—	1.4	—	1.4
Cross-currency swaps ⁽²⁾	—	8.0	—	8.0	—	—	—	—
Investments in equity securities	0.6	—	—	0.6	0.7	—	—	0.7
Liabilities								
Other accrued liabilities:								
Interest rate caps ⁽¹⁾	—	1.3	—	1.3	—	—	—	—
Interest rate swaps ⁽¹⁾	—	8.9	—	8.9	—	—	—	—
Other liabilities:								
Interest rate caps ⁽¹⁾	—	1.2	—	1.2	—	—	—	—
Interest rate swaps ⁽¹⁾	—	20.5	—	20.5	—	2.9	—	2.9
Cross-currency swaps ⁽²⁾	—	—	—	—	—	8.8	—	8.8
Long-term borrowings:								
2024 Dollar Senior Notes	—	520.2	—	520.2	—	474.9	—	474.9
2024 Euro Senior Notes	—	388.2	—	388.2	—	381.1	—	381.1
2025 Euro Senior Notes	—	520.7	—	520.7	—	497.5	—	497.5
2024 Dollar Term Loans	—	2,396.5	—	2,396.5	—	2,276.1	—	2,276.1

(1) Cash flow hedge

(2) Net investment hedge

Derivative Financial Instruments

We selectively use derivative instruments to reduce market risk associated with changes in foreign currency exchange rates and interest rates. The use of derivatives is intended for hedging purposes only, and we do not enter into derivative instruments for speculative purposes. A description of each type of derivative used to manage risk is included in the following paragraphs.

Derivative Instruments Qualifying and Designated as Cash Flow and Net Investment Hedges

Interest Rate Caps Designated as Cash Flow Hedges

During the year ended December 31, 2017, we entered into four 1.5% interest rate caps with aggregate notional amounts totaling \$850.0 million to hedge the variable interest rate exposures on our 2024 Dollar Term Loans. Three of these interest rate caps, comprising \$600.0 million of the notional value, expired December 31, 2019 and had a deferred premium of \$8.6 million at inception. The fourth interest rate cap, comprising the remaining \$250.0 million of the notional value, expires December 31, 2021 and had a deferred premium of \$8.1 million at inception. All deferred premiums are paid quarterly over the term of the respective interest rate caps. These interest rate caps are marked to market at each reporting date and any unrealized gains or losses are included in accumulated other comprehensive loss ("AOCI") and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Interest Rate Swaps Designated as Cash Flow Hedges

During the three months ended June 30, 2018, we entered into three interest rate swaps with aggregate notional amounts totaling \$475.0 million to hedge interest rate exposures related to variable rate borrowings under the 2024 Dollar Term Loans. Under the terms of the interest rate swap agreements, the Company is required to pay the counter-parties a stream of fixed interest payments at a rate of 2.72% and in turn, receives variable interest payments based on 3-month LIBOR from the counter-parties. The interest rate swaps are designated as cash flow hedges and expire on March 31, 2023. These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in AOCI and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

During the three months ended March 31, 2019, we entered into two interest rate swaps with aggregate notional amounts totaling \$500.0 million, effective December 31, 2019, to hedge interest rate exposure associated with the 2024 Dollar Term Loans. Under the terms of the interest rate swap agreements, the Company is required to pay the counter-parties a stream of fixed interest payments at a rate of 2.59% and in turn, receives variable interest payments based on 3-month LIBOR from the counter-parties. The interest rate swaps are designated as cash flow hedges and expire on December 31, 2022. These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in AOCI and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

In January 2020, we executed an interest rate swap to hedge \$200.0 million of notional on our variable 2024 Dollar Term Loan. See Note 24 for further detail.

Cross-Currency Swaps Designated as Net Investment Hedges

During the three months ended June 30, 2018, we entered into three fixed-for-fixed cross-currency swaps with aggregate notional amounts totaling \$475.0 million to hedge the variability of exchange rate impacts between the U.S. Dollar and Euro. Under the terms of the cross-currency swap agreements, the Company has notionally exchanged \$475.0 million at a weighted average interest rate of 4.47% for €387.2 million at a weighted average interest rate of 1.95%. The cross-currency swaps are designated as net investment hedges and expire on March 31, 2023. These cross-currency swaps are marked to market at each reporting date and any unrealized gains or losses are included in unrealized currency translation adjustments, within AOCI.

During the three months ended December 31, 2018, we settled three fixed-for-fixed cross-currency swaps previously executed in 2018 resulting in cash proceeds of \$22.5 million. Concurrently, we notionally exchanged \$475.0 million at a weighted average interest rate of 4.47% for €416.6 million at a weighted average interest rate of 1.44%. The cross-currency swaps are designated as net investment hedges and expire on March 31, 2023. These cross-currency swaps are marked to market at each reporting date and any unrealized gains or losses are included in unrealized currency translation adjustments, within AOCI.

The following table presents the fair values of derivative instruments that qualify and have been designated as cash flow and net investment hedges included in AOCI:

	December 31,	
	2019	2018
AOCI:		
Interest rate caps (cash flow hedges)	\$ 3.5	\$ (3.4)
Interest rate swaps (cash flow hedges)	29.4	3.0
Cross-currency swaps (net investment hedges)	(22.4)	(27.7)
Total	<u>\$ 10.5</u>	<u>\$ (28.1)</u>

Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The following tables set forth the locations and amounts recognized during the year ended December 31, 2019, 2018 and 2017 for these cash flow and net investment hedges.

Derivatives in Cash Flow and Net Investment Hedges	Location of (Gain) Loss Recognized in Income on Derivatives	Year Ended December 31,					
		2019		2018		2017	
		Net Amount of (Gain) Loss Recognized in OCI on Derivatives	Amount of (Gain) Loss Recognized in Income	Net Amount of (Gain) Loss Recognized in OCI on Derivatives	Amount of (Gain) Loss Recognized in Income	Net Amount of (Gain) Loss Recognized in OCI on Derivatives	Amount of (Gain) Loss Recognized in Income
Interest rate caps	Interest expense, net	\$ 6.2	\$ (0.7)	\$ (7.3)	\$ (1.9)	\$ 1.8	\$ (2.7)
Interest rate swaps	Interest expense, net	27.7	1.3	4.3	1.3	—	—
Cross-currency swaps	Interest expense, net	(31.9)	(14.7)	(37.1)	(9.4)	—	—

Over the next 12 months, we expect losses of \$10.6 million pertaining to cash flow hedges to be reclassified from AOCI into earnings, related to our interest rate caps and interest rate swaps.

Derivative Instruments Not Designated as Cash Flow Hedges

We periodically enter into foreign currency forward and option contracts to reduce market risk and hedge our balance sheet exposures and cash flows for subsidiaries with exposures denominated in currencies different from the functional currency of the relevant subsidiary. These contracts have not been designated as hedges and all gains and losses are marked to market through other (income) expense, net in the consolidated statement of operations.

During the year ended December 31, 2017, we purchased a 1.25% interest rate cap with a notional amount of €388.0 million to hedge the variable interest rate exposures on our 2023 Euro Term Loans. We paid a premium equal to \$0.6 million for the interest rate cap which was effective through December 31, 2019. Changes in the fair value of the derivative instrument are recorded in current period earnings and are included in interest expense.

Fair value gains and losses of derivative contracts, as determined using Level 2 inputs, that have not been designated for hedge accounting treatment are recorded in earnings as follows:

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of (Gain) Loss Recognized in Income on Derivatives	Year Ended December 31,		
		2019	2018	2017
Foreign currency forward contracts	Other (income) expense, net	\$ 2.8	\$ (7.9)	\$ 11.2
Interest rate cap	Interest expense, net	—	—	0.6
Total		\$ 2.8	\$ (7.9)	\$ 11.8

(20) SEGMENTS

The Company identifies an operating segment as a component: (i) that engages in business activities from which it may earn revenues and incur expenses; (ii) whose operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance; and (iii) that has available discrete financial information.

We have two operating segments, which are also our reportable segments: Performance Coatings and Transportation Coatings. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Our CODM is identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Our segments are based on the type and concentration of customers served, service requirements, methods of distribution and major product lines.

Through our Performance Coatings segment, we provide high-quality liquid and powder coatings solutions to a fragmented and local customer base. We are one of only a few suppliers with the technology to provide precise color matching and highly durable coatings systems. The end-markets within this segment are refinishing and industrial.

Through our Transportation Coatings segment, we provide advanced coating technologies to OEMs of light and commercial vehicles. These increasingly global customers require a high level of technical support coupled with cost-effective, environmentally responsible coatings systems that can be applied with a high degree of precision, consistency and speed. The end-markets within this segment are light vehicle and commercial vehicle.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

During the year ended December 31, 2019, Axalta transitioned to using Adjusted EBIT as the primary measure to evaluate financial performance of the operating segments and allocate resources. Asset information is not reviewed or included with our internal management reporting. Therefore, the Company has not disclosed asset information for each reportable segment. The following table presents relevant information of our reportable segments.

	Year Ended December 31,		
	2019	2018 ⁽²⁾	2017 ⁽²⁾
Net sales ⁽¹⁾ :			
Refinish	\$ 1,760.4	\$ 1,759.6	\$ 1,651.6
Industrial	1,163.0	1,273.5	1,031.7
Total Net sales Performance Coatings	2,923.4	3,033.1	2,683.3
Light Vehicle	1,208.4	1,307.2	1,337.1
Commercial Vehicle	350.4	355.7	356.6
Total Net sales Transportation Coatings	1,558.8	1,662.9	1,693.7
Total Net sales	\$ 4,482.2	\$ 4,696.0	\$ 4,377.0
Equity in earnings in unconsolidated affiliates:			
Performance Coatings	\$ 0.4	\$ 0.4	\$ 0.3
Transportation Coatings	(0.1)	(0.1)	0.7
Total	\$ 0.3	\$ 0.3	\$ 1.0
	December 31, 2019	December 31, 2018	December 31, 2017
Investment in unconsolidated affiliates:			
Performance Coatings	\$ 2.4	\$ 2.7	\$ 2.9
Transportation Coatings	12.7	12.7	12.6
Total	\$ 15.1	\$ 15.4	\$ 15.5

(1) The Company has no intercompany sales between segments.

(2) Net sales by segment for the years ended December 31, 2018 and 2017 were recast to include amounts previously classified as other revenue. See Note 1 for further information on the reclassification.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

The following table reconciles our segment operating performance to income before income taxes for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
Segment Adjusted EBIT ⁽¹⁾ :			
Performance Coatings	\$ 449.1	\$ 399.5	\$ 309.3
Transportation Coatings	137.4	134.9	190.8
Total ⁽²⁾	586.5	534.4	500.1
Interest expense, net	162.6	159.6	147.0
Debt extinguishment and refinancing related costs ^(a)	0.2	9.5	13.4
Termination benefits and other employee related costs ^(b)	35.2	81.7	35.2
Strategic review and retention costs ^(c)	13.4	—	—
Offering and transactional costs ^(d)	1.0	1.0	26.1
Loss on divestiture, impairment and deconsolidation ^(e)	21.1	—	77.9
Pension special events ^(f)	(0.9)	—	1.2
Accelerated depreciation ^(g)	24.3	10.3	6.0
Indemnity (income) losses ^(h)	(0.4)	4.3	(0.1)
Change in fair value of equity investments ⁽ⁱ⁾	—	0.5	—
Step-up inventory ^(j)	—	—	3.8
Income before income taxes	<u>\$ 330.0</u>	<u>\$ 267.5</u>	<u>\$ 189.6</u>

- (1) The primary measure of segment operating performance is Adjusted EBIT, which is defined as net income before interest, taxes and select other items impacting operating results. These other items impacting operating results are items that management has concluded are (1) non-cash items included within net income, (2) items the Company does not believe are indicative of ongoing operating performance or (3) non-recurring, unusual or infrequent items that have not occurred within the last two years or we believe are not reasonably likely to recur within the next two years. Adjusted EBIT is a key metric that is used by management to evaluate business performance in comparison to budgets, forecasts and prior year financial results, providing a measure that management believes reflects the Company's core operating performance, which represents Adjusted EBIT adjusted for the select items referred to above.
- (2) Does not represent Axalta's Adjusted EBIT referenced elsewhere by the Company.
- (a) Represents expenses related to the restructuring and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.
- (b) Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.
- (c) Represents costs for legal, tax and other advisory fees pertaining to our previously announced comprehensive review of strategic alternatives, as well as retention awards for certain employees. These amounts are not considered indicative of our ongoing performance.
- (d) Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance. For the year ended December 31, 2017, the amount includes \$7.7 million of integration costs and associated changes to estimates related to the 2017 acquisition of the Industrial Wood business that was a carve-out business from Valspar.
- (e) Represents the impacts recognized on the sale of our interest in a joint venture business, deconsolidation of a subsidiary, and the impairments of certain manufacturing facilities (see Note 5 for further information) which are not considered indicative of our ongoing operating performance. The amount for the year ended December 31, 2017 includes \$7.6 million of impairments recorded to other (income) expense, net in the consolidated statements of operations. See Note 10 for further information.
- (f) Represents pension charges incurred from our manufacturing footprint assessments, which we do not consider indicative of our ongoing operating performance.
- (g) Represents incremental depreciation expense resulting from truncated useful lives of the assets impacted by our manufacturing footprint assessments, which we do not consider indicative of our ongoing operating performance.
- (h) Represents indemnity (income) losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, which we do not consider indicative of our ongoing operating performance.
- (i) Represents mark to market impacts of our equity investments, which we do not consider to be indicative of our ongoing operating performance.
- (j) Represents costs for non-cash fair value inventory adjustments associated with our business combinations, which we do not consider indicative of ongoing operating performance.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

Geographic Area Information:

The information within the following tables provides disaggregated information related to our net sales and long-lived assets.

Net sales by region were as follows:

	Year Ended December 31,		
	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
North America	\$ 1,795.1	\$ 1,787.0	\$ 1,610.5
EMEA	1,577.2	1,677.5	1,555.1
Asia Pacific	653.5	759.6	750.4
Latin America ⁽²⁾	456.4	471.9	461.0
Total ⁽³⁾	\$ 4,482.2	\$ 4,696.0	\$ 4,377.0

Net long-lived assets by region were as follows:

	Year Ended December 31,	
	2019	2018
North America	\$ 480.8	\$ 477.4
EMEA	403.1	439.1
Asia Pacific	209.2	246.1
Latin America ⁽²⁾	129.9	135.6
Total ⁽⁴⁾	\$ 1,223.0	\$ 1,298.2

- (1) Net sales by region for the years ended December 31, 2018 and 2017 were recast to include amounts previously classified as other revenue. See Note 1 for further information on the reclassification.
- (2) Includes Mexico
- (3) Net Sales are attributed to countries based on location of the customer. Sales to external customers in China represented approximately 9%, 11% and 12% of the total for the years ended December 31, 2019, 2018 and 2017, respectively. Sales to external customers in Germany represented approximately 8% of the total for the years ended December 31, 2019, 2018 and 2017, respectively. Mexico represented 6% of the total for the years ended December 31, 2019, 2018 and 2017. Canada, which is included in the North America region, represents approximately 4% of total net sales for the years ended December 31, 2019, 2018 and 2017, respectively.
- (4) Long-lived assets consist of property, plant and equipment, net. Germany long-lived assets amounted to approximately \$233.6 million and \$243.6 million in the years ended December 31, 2019 and 2018, respectively. China long-lived assets amounted to \$171.0 million and \$203.8 million in the years ended December 31, 2019 and 2018, respectively. Brazil long-lived assets amounted to approximately \$51.9 million and \$58.0 million in the years ended December 31, 2019 and 2018, respectively. Canada long-lived assets, which are included in the North America region, amounted to approximately \$25.0 million and \$25.1 million in the years ended December 31, 2019 and 2018, respectively.

(21) ACCUMULATED OTHER COMPREHENSIVE LOSS

	Unrealized Currency Translation Adjustments	Pension Plan Adjustments	Unrealized Gain on Securities	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive Loss
Balance, December 31, 2018	\$ (299.4)	\$ (36.4)	\$ —	\$ (0.3)	\$ (336.1)
Current year deferrals to AOCI	(0.2)	(33.2)	—	(28.8)	(62.2)
Reclassifications from AOCI to Net income	2.6	(0.3)	—	0.5	2.8
Net Change	2.4	(33.5)	—	(28.3)	(59.4)
Balance, December 31, 2019	\$ (297.0)	\$ (69.9)	\$ —	\$ (28.6)	\$ (395.5)

The cumulative income tax benefit related to the adjustments for pension benefits at December 31, 2019 was \$27.0 million. The cumulative income tax benefit related to the adjustments for unrealized gain on derivatives at December 31, 2019 was \$4.3 million.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

	Unrealized Currency Translation Adjustments	Pension Plan Adjustments	Unrealized Gain on Securities	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive Loss
Balance, December 31, 2017	\$ (208.8)	\$ (31.4)	\$ 0.8	\$ (1.6)	\$ (241.0)
Cumulative effect of an accounting change	—	—	(0.8)	—	(0.8)
Balance at January 1, 2018	(208.8)	(31.4)	—	(1.6)	(241.8)
Current year deferrals to AOCI	(90.6)	(5.8)	—	1.7	(94.7)
Reclassifications from AOCI to Net income	—	0.8	—	(0.4)	0.4
Net Change	(90.6)	(5.0)	—	1.3	(94.3)
Balance, December 31, 2018	\$ (299.4)	\$ (36.4)	\$ —	\$ (0.3)	\$ (336.1)

The cumulative income tax benefit related to the adjustments for pension benefits at December 31, 2018 was \$14.4 million. The cumulative income tax expense related to the adjustments for unrealized gain on derivatives at December 31, 2018 was \$0.5 million.

	Unrealized Currency Translation Adjustments	Pension Plan Adjustments	Unrealized Gain on Securities	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive Loss
Balance, December 31, 2016	\$ (292.2)	\$ (56.6)	\$ 0.4	\$ (2.0)	\$ (350.4)
Current year deferrals to AOCI	83.4	17.1	0.4	(1.6)	99.3
Reclassifications from AOCI to Net income	—	8.1	—	2.0	10.1
Net Change	83.4	25.2	0.4	0.4	109.4
Balance, December 31, 2017	\$ (208.8)	\$ (31.4)	\$ 0.8	\$ (1.6)	\$ (241.0)

Included in the reclassification from AOCI to net income was a pension plan adjustment related to the deconsolidation of our Venezuelan subsidiary and the corresponding write-off of the accumulated actuarial loss on our Venezuela pension plan. This resulted in a decrease of \$5.9 million in AOCI, inclusive of \$2.6 million of tax benefits, and is discussed further in Note 22.

The cumulative income tax benefit related to pension plan adjustments at December 31, 2017 was \$13.0 million. The cumulative income tax benefit related to the adjustments for unrealized gain on derivatives at December 31, 2017 were \$0.6 million.

(22) VENEZUELA

Due to the challenging economic conditions and political unrest in Venezuela, which have resulted in increasingly restrictive foreign exchange control regulations and reduced access to U.S. dollars through official currency exchange markets, during the year ended December 31, 2017, we concluded there was an other-than-temporary lack of exchangeability between the Venezuelan bolivar and the U.S. dollar. This lack of exchangeability restricted our Venezuelan subsidiary's ability to pay dividends or settle intercompany obligations, which severely limited our ability to realize the benefits from earnings of our Venezuelan operations and access the resulting liquidity provided by those earnings.

Based on this lack of exchangeability, the continued political unrest, the recent drop in demand for our business and the losses incurred, we concluded that we no longer met the accounting criteria of control in order to continue consolidating our Venezuelan operations and accounted for our investments in our Venezuelan subsidiary under the cost method of accounting. As a result of this change, we recorded a loss of \$70.9 million on our consolidated statement of operations within other operating charges during the year ended December 31, 2017. This loss was comprised of the subsidiary's net assets for \$30.0 million, counterparty intercompany receivables with our Venezuela subsidiary for \$35.0 million and unrealized actuarial losses associated with pension plans in accumulated other comprehensive income of \$5.9 million. The value of the cost investment and all previous intercompany balances were recorded at zero as of December 31, 2017 and remain as such as of December 31, 2019. Further, our consolidated balance sheet and statement of operations excludes the results of our Venezuelan operations. We will recognize income only to the extent that we are paid for inventory we sell or receive cash dividends from our Venezuelan legal entity.

Prior to deconsolidation, for the year ended December 31, 2017, our Venezuelan subsidiary's net sales represented \$2.5 million of our consolidated net sales, represented a loss of \$2.8 million of our consolidated income from operations, and represented net losses of \$5.8 million of our consolidated net income.

Notes to Consolidated Financial Statements
(In millions, unless otherwise noted)

(23) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2019 and 2018, respectively:

(In millions, except per share data)

2019	March 31	June 30	September 30	December 31	Full Year
Net sales	\$ 1,119.3	\$ 1,157.5	\$ 1,107.0	\$ 1,098.4	\$ 4,482.2
Cost of goods sold	751.3	748.4	707.4	710.8	2,917.9
Income from operations	98.6	157.9	123.0	108.7	488.2
Net income	44.1	99.9	66.4	42.2	252.6
Net income attributable to controlling interests	43.4	98.4	65.5	41.7	249.0
Basic net income per share	\$ 0.19	\$ 0.42	\$ 0.28	\$ 0.18	\$ 1.06
Diluted net income per share	\$ 0.18	\$ 0.42	\$ 0.28	\$ 0.18	\$ 1.06
2018	March 31	June 30	September 30⁽¹⁾	December 31	Full Year
Net sales	\$ 1,172.0	\$ 1,212.2	\$ 1,146.0	\$ 1,165.8	\$ 4,696.0
Cost of goods sold	776.0	793.8	759.1	777.4	3,106.3
Income from operations	120.0	146.5	47.8	127.8	442.1
Net income (loss)	71.0	77.1	(11.6)	76.8	213.3
Net income (loss) attributable to controlling interests	69.9	74.9	(13.1)	75.4	207.1
Basic net income (loss) per share	\$ 0.29	\$ 0.31	\$ (0.05)	\$ 0.32	\$ 0.87
Diluted net income (loss) per share	\$ 0.28	\$ 0.31	\$ (0.05)	\$ 0.32	\$ 0.85

(1) During the three months ended September 30, 2018, the Company announced the closure of the Mechelen, Belgium manufacturing facility and recorded severance costs of \$70.6 million. See further discussion in Note 5.

(24) SUBSEQUENT EVENTS

2024 Dollar Term Loans Prepayment and Interest Rate Swap

In January 2020, we voluntarily prepaid \$300.0 million of the outstanding principal on our 2024 Dollar Term Loans. As a result of the prepayment, we will record a loss on extinguishment of debt of \$2.7 million. Concurrent with the prepayment, we executed an interest rate swap to hedge \$200.0 million of notional on our variable 2024 Dollar Term Loans at a fixed interest rate of 1.61%, which matures in December 2022.

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

As required by Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. No matter how well designed and operated, disclosure controls and procedures can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2019.

Management's report on internal control over financial reporting

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).

Management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework* (2013). Based on this assessment, management concluded that, as of December 31, 2019, the Company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information about the Company's directors required by Item 10 and not otherwise set forth below is contained under the caption "Proposal No. 1: Election of Directors" in Axalta's definitive Proxy Statement for the 2020 Annual General Meeting of Members (the "Proxy Statement") which the Company anticipates filing with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the Company's fiscal year, and is incorporated herein by reference.

Information regarding the Company's Audit Committee, code of ethics, and compliance with Section 16(a) of the Exchange Act is included in the Proxy Statement under the captions "Corporate Governance Matters and Committees of the Board of Directors", and "Delinquent Section 16(a) Reports", respectively and is incorporated herein by reference.

The executive officers of the Company are appointed by the Board of Directors. The information required by this item is set forth below.

The following table provides information regarding our executive officers:

Name	Age*	Position
Robert W. Bryant	51	Chief Executive Officer and President
Steven R. Markevich	60	Executive Vice President and President, Transportation Coatings and Greater China
Sean M. Lannon	41	Senior Vice President and Chief Financial Officer
Brian A. Berube	57	Senior Vice President, General Counsel and Corporate Secretary

*As of February 19, 2020

Robert W. Bryant

Mr. Bryant has served as our Chief Executive Officer and President since October 7, 2018. Prior to that Mr. Bryant served as our Executive Vice President and Chief Financial Officer from February 2013 until October 2018. Previously, Mr. Bryant served as the Senior Vice President and Chief Financial Officer of Roll Global LLC. Before joining Roll Global in 2007, he was the Executive Vice President of Strategy, New Business Development, and Information Technology at Grupo Industrial Saltillo, S.A.B. de C.V. Prior to joining Grupo Industrial Saltillo in 2004, Mr. Bryant was President of Bryant & Company, which he founded in 2001. Prior positions included serving as Managing Principal with Texas Pacific Group's Newbridge Latin America, L.P., a Senior Associate with Booz Allen & Hamilton Inc. and an Assistant Investment Officer with the International Finance Corporation (IFC). Mr. Bryant began his career at Credit Suisse First Boston in the Mergers & Acquisitions Group. Mr. Bryant graduated summa cum laude and Phi Beta Kappa with a B.A. in Economics from the University of Florida and received his M.B.A. from the Harvard Business School.

Steven R. Markevich

Mr. Markevich has served as our Executive Vice President and President, Transportation Coatings and Greater China since September 30, 2015. Prior to that Mr. Markevich served as our Senior Vice President and President, Transportation from July 2015 until September 30, 2015, and Senior Vice President and President, OEM from June 2013 until July 2015. Previously, Mr. Markevich was Chief Executive Officer of GKN Driveline from October 2012 to June 2013. Prior to that role, from July 2010 to October 2012, he was President, GKN Sinter Metals, responsible for global operations. From October 2007 to July 2010, Mr. Markevich was President, North American Operations for GKN Sinter Metals, and began his tenure with GKN in 2007 as Vice President, Sales & Marketing. At Siegel-Robert Automotive, he led the company's commercial strategy, sales, account and program management initiatives. While at Guardian Automotive, Mr. Markevich served in numerous leadership roles and was responsible for all senior level customer relationships. His career began at Deloitte & Touche consulting and the National Steel Corporation. Mr. Markevich holds a finance degree from the University of Michigan's Ross School of Business and is a Certified Public Accountant as well as being certified in Production & Inventory Management (CPIM). He has completed the Global Senior Leadership Program at UCLA and holds memberships in the Society of Automotive Engineers (SAE), Original Equipment Suppliers Association (OESA) and American Powder Metallurgy Institute International (APMI).

Sean M. Lannon

Mr. Lannon has served as our Senior Vice President and Chief Financial Officer since October 12, 2018. Prior to that Mr. Lannon served as Vice President, Corporate Finance and Global Controller of Axalta since 2016, and was Vice President and Global Controller from 2013 until that promotion. Previously, Mr. Lannon served as the Vice President, Global Controller of Trinseo. Prior to joining Trinseo in 2011, he was the Senior Manager, Financial Reporting at Endo Pharmaceuticals. Mr. Lannon began his career at PricewaterhouseCoopers where he spent more than nine years within the organization's Assurance Practice. Mr. Lannon graduated summa cum laude with a B.A. in Accounting from Philadelphia University.

Brian A. Berube

Brian A. Berube, age 57, has served as our Senior Vice President, General Counsel and Corporate Secretary since June 2019. Previously, Mr. Berube was Senior Vice President and General Counsel of Cabot Corporation, a position he held from March 2003 until June 2019. Prior to this appointment, Mr. Berube held various roles at Cabot, which he joined in 1994. Prior to joining Cabot, Mr. Berube was a corporate attorney at Choate, Hall & Stewart, a Boston law firm, and a law clerk with the New Hampshire Supreme Court. He earned his B.A. in Political Science from the College of the Holy Cross and a J.D. from Boston College Law School.

Information regarding the Company's Audit Committee, code of ethics, and compliance with Section 16(a) of the Exchange Act is included in the Proxy Statement under the captions "Corporate Governance Matters and Committees of the Board of Directors", and "Delinquent Section 16(a) Reports", respectively and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is contained in the Proxy Statement under the captions "Compensation Discussion and Analysis", "Executive Compensation" and "Compensation Committee Report" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by Item 12 is contained in the Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is contained in the Proxy Statement under the captions "Director Independence" and "Certain Relationships and Related Transactions" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is contained in the Proxy Statement under the caption "Proposal No. 2: Appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm and Auditor" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) The Company's 2019 Consolidated Financial Statements and Reports of Independent Registered Public Accounting Firm are included in Part II, Item 8 of this Annual Report on Form 10-K.

(a)(2) The following Consolidated Financial Statement Schedule for the years ended December 31, 2019, 2018 and 2017 should be read in conjunction with the previously referenced financial statements:

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Allowance for Doubtful Accounts for the years ended December 31:

(in millions)	Balance at Beginning of Year	Additions	Deductions ⁽¹⁾	Balance at End of Year
2019	\$ 15.4	5.5	(4.9)	\$ 16.0
2018	\$ 15.9	2.3	(2.8)	\$ 15.4
2017	\$ 13.7	3.5	(1.3)	\$ 15.9

(1) Deductions include uncollectible accounts written off and foreign currency translation impact.

Deferred tax asset valuation allowances for the years ended December 31:

(in millions)	Balance at Beginning of Year	Additions ⁽¹⁾	Deductions ⁽¹⁾	Balance at End of Year
2019	\$ 159.0	44.9	(25.6)	\$ 178.3
2018	\$ 214.2	11.9	(67.1)	\$ 159.0
2017	\$ 135.4	78.8	—	\$ 214.2

(1) Additions and deductions include charges to goodwill and foreign currency translation impact.

(a)(3) The following exhibits are filed as a part of, or incorporated by reference into, this Form 10-K.

EXHIBIT NO.	DESCRIPTION OF EXHIBITS
2.1*	Purchase Agreement, dated as of August 30, 2012, by and between E. I. du Pont de Nemours and Company and Flash Bermuda Co. Ltd. (n/k/a Axalta Coating Systems Ltd.) (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271) originally filed with the SEC on August 20, 2014)
2.2*	Amendment to Purchase Agreement, dated as of January 31, 2013, by and between E. I. du Pont de Nemours and Company and Flash Bermuda Co. Ltd. (n/k/a Axalta Coating Systems Ltd.) (incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), originally filed with the SEC on August 20, 2014)
3.1*	Memorandum of Association of Axalta Coating Systems Ltd. (incorporated by reference to Exhibit 3.1 of Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 14, 2014)
3.2*	Second Amended and Restated Bye-laws of Axalta Coating Systems Ltd. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on May 3, 2018)
4.1*	Specimen Common Share Certificate (incorporated by reference to Exhibit 4.21 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-198271), filed with the SEC on October 30, 2014)
4.2*	Indenture, dated as of August 16, 2016, by and among Axalta Coating Systems, LLC, as the issuer, the guarantors named therein, Wilmington Trust, National Association, as trustee, Citigroup Global Markets Deutschland AG, as euro notes registrar, and Citibank N.A., London Branch, as euro notes paying agent and euro notes authenticating agent (including form of Dollar Note and form of Euro Note) (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733), filed with the SEC on August 17, 2016)

- 4.3* [Indenture, dated as of September 27, 2016, by and among Axalta Coating Systems Dutch Holding B B.V., as the issuer, the guarantors named therein, Wilmington Trust, National Association, as trustee, Citigroup Global Markets Deutschland AG, as registrar, and Citibank N.A., London Branch, as paying agent and authenticating agent \(including form of Note\) \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), originally filed with the SEC on September 27, 2016\)](#)
- 4.4* [Seventh Supplemental Indenture, dated as of October 26, 2018, by and among Axalta Coating Systems, LLC, as issuer, the new guarantors party thereto and Wilmington Trust, National Association, as trustee, to the Indenture, dated as of August 16, 2016, by and among the Axalta Coating Systems, LLC, as issuer, the guarantors party thereto, Wilmington Trust National Association, as trustee, Citigroup Global Markets Deutschland AG, as registrar, and Citibank N.A., London Branch, as paying agent and authenticating agent \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on November 1, 2018\)](#)
- 4.5* [Seventh Supplemental Indenture, dated as of October 26, 2018, by and among Axalta Coating Systems Dutch Holding B B.V., as issuer, the new guarantors party thereto and Wilmington Trust, National Association, as trustee, to the Indenture, dated as of September 27, 2016, by and among the Axalta Coating Systems Dutch Holding B B.V., as issuer, the guarantors party thereto, Wilmington Trust National Association, as trustee, Citigroup Global Markets Deutschland AG, as registrar, and Citibank N.A., London Branch, as paying agent and authenticating agent \(incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on November 1, 2018\)](#)
- 4.6 [Description of the Axalta Coating Systems Ltd.'s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934](#)
- 10.1* [Credit Agreement, dated as of February 1, 2013, among Flash Dutch 2 B.V. \(n/k/a Axalta Coating Systems Dutch Holding B B.V.\) and U.S. Coatings Acquisition Inc. \(n/k/a Axalta Coating Systems U.S. Holdings, Inc.\), as borrowers, Flash Dutch 1 B.V. \(n/k/a Axalta Coating Systems Dutch Holding A B.V.\), Coatings Co. U.S. Inc. \(n/k/a Axalta Coating Systems U.S., Inc.\), Barclays Bank PLC, as administrative agent, collateral agent, swing line lender and L/C issuer, and the other lenders party thereto \(incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.2* [Amendment No. 1 Agreement to the Credit Agreement, dated as of May 24, 2013, among Flash Dutch 2 B.V. \(n/k/a Axalta Coating Systems Dutch Holding B B.V.\), as Dutch borrower, Axalta Coating Systems U.S. Holdings, Inc., as U.S. borrower, and Barclays Bank PLC, as administrative agent \(incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.3* [Second Amendment to Credit Agreement, dated as of February 3, 2014, by and among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc. \(f/k/a Coatings Co. U.S. Inc.\), Axalta Coating Systems Dutch Holding A B.V., and Barclays Bank PLC, as administrative agent, collateral agent and designated 2014 Specified Refinancing Term Lender \(incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.4* [Amendment No. 3 to the Credit Agreement, dated as of August 1, 2016, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on August 2, 2016\)](#)
- 10.5* [Amendment No. 4 to the Credit Agreement, dated as of December 15, 2016, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on December 15, 2016\)](#)
- 10.6* [Amendment No. 5 to the Credit Agreement, dated as of June 1, 2017, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on June 1, 2017\)](#)

- 10.7* [Amendment No. 6 to the Credit Agreement, dated as of April 11, 2018, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on April 11, 2018\)](#)
- 10.8* [Amendment No. 7 to the Credit Agreement, dated as of October 31, 2018, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Dutch Holding A B.V., the several banks and other financial institutions or entities from time to time parties thereto as lenders, Barclays Bank PLC, as administrative agent and collateral agent, and the other agents and arrangers party thereto \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\), filed with the SEC on November 1, 2018\)](#)
- 10.9* [Security Agreement, dated February 1, 2013, among the grantors referred to therein and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.10* [Intellectual Property Security Agreement, dated February 1, 2013, between U.S. Coatings IP Co. LLC \(n/k/a Axalta Coating Systems USA IP Co. LLC\) and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.11* [Subsidiary Guaranty, dated as of February 1, 2013, among the guarantors named therein, the additional guarantors referred to therein and Barclays Bank PLC, as administrative agent \(incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.12* [Holdings Guaranty, dated as of February 1, 2013, between Flash Dutch 1 B.V. \(n/k/a Axalta Coating Systems Dutch Holding A B.V.\) and Barclays Bank PLC, as administrative agent \(incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.13* [First Lien Intercreditor Agreement, dated as of February 1, 2013, among Barclays Bank PLC as bank collateral agent under the Credit Agreement, and as notes foreign collateral agent under the Indenture, Wilmington Trust, National Association, as notes collateral agent under the Indenture, each Grantor party thereto and each Additional Agent from time to time party thereto \(incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.14* [Share Pledge Agreement in respect of shares in DuPont Performance Coatings Belgium BVBA \(n/k/a Axalta Coating Systems Belgium BVBA\), dated 1 February 2013, between Coatings Co \(UK\) Limited \(n/k/a Axalta Coating Systems UK Holding Limited\), Teodur B.V. and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.15* [Bank Accounts Pledge Agreement, entered into September 17, 2013, among Axalta Coating Systems Brasil Ltda., Wilmington Trust, National Association, as Notes Collateral Agent, and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.16* [Quota Pledge Agreement, entered into September 17, 2013, among Brazil Coatings Co. Participações Ltda., Axalta Coating Systems Dutch Holding 2 B.V., Barclays Bank PLC, as collateral agent, and Wilmington Trust, National Association, as notes collateral agent \(incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.17* [Security Agreement, dated as of May 10, 2013, between Axalta Coating Systems Canada Company \(f/k/a DuPont Performance Coatings Canada Company\), Flash Lux Co S.à r.l. \(n/k/a Axalta Coating Systems Luxembourg Holding S.à r.l.\), the additional grantors from time to time party thereto, and Barclays Bank PLC, as collateral agent for the secured parties \(incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)

- 10.18* [Securities Account Pledge Agreement in relation to the shares issued by France Coatings Co. \(n/k/a Axalta Coating Systems France Holding SAS\), dated 26 April 2013, between Flash Lux Co S.à r.l. \(n/k/a Axalta Coating Systems Luxembourg Holding S.à r.l.\), Barclays Bank PLC, as notes foreign collateral agent, and France Coatings Co. \(n/k/a Axalta Coating Systems France Holding SAS\) \(incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.19* [Pledge of Receivables Agreement, dated 26 April 2013, between Lux FinCo Coatings S.à r.l. \(n/k/a Axalta Coating Systems Finance 1 S.à r.l.\) and Barclays Bank PLC, as notes foreign collateral agent \(incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.20* [Securities Account Pledge Agreement in relation to the shares issued by DuPont Performance Coatings France SAS \(n/k/a Axalta Coating Systems France SAS\), dated 26 April 2013, between France Coatings Co. \(n/k/a Axalta Coating Systems France Holding SAS\), Barclays Bank PLC, as notes foreign collateral agent, and DuPont Performance Coatings France SAS \(n/k/a Axalta Coating Systems France SAS\) \(incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.21* [Account Pledge Agreement, made on 29 July 2013, between Axalta Coating Systems Verwaltungs GmbH \(f/k/a Flash German Co. GmbH\), Axalta Coating Systems Deutschland Holding GmbH & Co. KG \(f/k/a Germany Coatings GmbH & Co. KG\), Axalta Coating Systems Beteiligungs GmbH \(f/k/a Germany Coatings Co GmbH\), Stadox GmbH, Spies Hecker GmbH, Axalta Coating Systems Germany GmbH \(f/k/a DuPont Performance Coatings GmbH\), Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association, as notes collateral agent under the EUR Notes Indenture \(incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.22* [Global Assignment Agreement, made on 29 July 2013, between Axalta Coating Systems Deutschland Holding GmbH & Co. KG \(f/k/a Germany Coatings GmbH & Co. KG\) and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.23* [Global Assignment Agreement, made on 29 July 2013, between Axalta Coating Systems Germany GmbH \(f/k/a DuPont Performance Coatings GmbH\) and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.24* [Global Assignment Agreement, made on 29 July 2013, between Spies Hecker GmbH and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.25* [Global Assignment Agreement, made on 29 July 2013, between Stadox GmbH and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.26* [Partnership Interest Pledge Agreement, made on 29 July 2013, between Axalta Coating Systems Luxembourg Holding 2 S.à r.l. \(f/k/a Luxembourg Coatings S.à r.l.\), Axalta Coating Systems Verwaltungs GmbH \(f/k/a Flash German Co. GmbH\), Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association, as notes collateral agent under the EUR Notes Indenture \(incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.27* [Security Purpose Agreement, made on 29 July 2013, between Axalta Coating Systems Germany GmbH \(f/k/a DuPont Performance Coatings GmbH\) and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.28* [Security Transfer Agreement, made on 29 July 2013, between Axalta Coating Systems Germany GmbH \(f/k/a DuPont Performance Coatings GmbH\) and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.29* [Global Assignment Agreement, made on 1 July 2014, between Axalta Coating Systems Logistik Germany GmbH & Co. KG and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)

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- 10.30* [Partnership Interest Pledge Agreement, made on 1 July 2014, between Axalta Coating Systems Germany GmbH, Axalta Coating Systems Verwaltungs GmbH \(f/k/a Flash German Co. GmbH\), Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association as collateral agent under the EUR Note Indenture \(incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.31* [Account Pledge Agreement, made on 1 July 2014, between Axalta Coating Systems Logistik Germany GmbH & Co. KG, Barclays Bank PLC, as collateral agent under the Credit Agreement, and Wilmington Trust, National Association, as collateral agent under the EUR Notes Indenture \(incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.32* [Security Transfer Agreement, made on 1 July 2014, between Axalta Coating Systems Logistik Germany GmbH & Co. KG and Barclays Bank PLC, as collateral agent and collateral sub-agent \(incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.33* [Pledge Agreement without Transfer of Possession, dated September 18, 2013, between Axalta Coating Systems México, S. de R.L. de C.V. \(f/k/a/ DuPont Performance Coatings México, S. de R.L. de C.V.\) and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.34* [Pledge Agreement without Transfer of Possession, dated September 18, 2013, between Axalta Coating Systems Servicios México, S. de R.L. de C.V. \(f/k/a/ DuPont Performance Coatings Servicios México, S. de R.L. de C.V.\) and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.35* [Equity Interest Pledge Agreement, dated September 18, 2013, among Axalta Coating Systems LA Holding II B.V. \(f/k/a DuPont Performance Coatings LA Holding II B.V.\), Axalta Coating Systems México, S. de R.L. de C.V. \(f/k/a/ DuPont Performance Coatings México, S. de R.L. de C.V.\), Axalta Coating Systems Servicios México, S. de R.L. de C.V. \(f/k/a/ DuPont Performance Coatings Servicios México, S. de R.L. de C.V.\) and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.36* [Equity Interest Pledge Agreement, dated September 18, 2013, among Axalta Coating Systems LA Holding II B.V. \(f/k/a DuPont Performance Coatings LA Holding II B.V.\), Axalta Coating Systems Servicios México, S. de R.L. de C.V. \(f/k/a/ DuPont Performance Coatings Servicios México, S. de R.L. de C.V.\), Axalta Coating Systems México, S. de R.L. de C.V. \(f/k/a/ DuPont Performance Coatings México, S. de R.L. de C.V.\) and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.37* [Share Pledge Agreement, dated September 18, 2013, between Axalta Powder Coating Systems USA, Inc. \(f/k/a DuPont Powder Coatings USA, Inc.\), Axalta Powder Coating Systems México, S.A. de C.V. \(f/k/a DuPont Powder Coatings de México, S.A. de C.V.\) and Barclays Bank PLC, as collateral agent \(incorporated by reference to Exhibit 10.38 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.38* [Debenture, dated 1 February 2013, by Coatings Co \(UK\) Limited \(n/k/a Axalta Coating Systems UK Holding Limited\), DuPont Performance Coatings \(U.K.\) Limited \(n/k/a Axalta Coating Systems UK Limited\) and DuPont Powder Coatings UK Limited \(n/k/a Axalta Powder Coating Systems UK Limited\), in favor of Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement \(incorporated by reference to Exhibit 10.40 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.39* [Security Over Shares Agreement, dated 1 February 2013, between Flash Lux Co S.à r.l. \(n/k/a Axalta Coating Systems Luxembourg Holding S.à r.l.\) and Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement \(incorporated by reference to Exhibit 10.42 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.40* [Debenture, dated 25 March 2014, by Axalta Coating Systems U.K. \(2\) Limited in favor of Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement \(incorporated by reference to Exhibit 10.44 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)

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- 10.41* [Security Over Shares Agreement, dated 25 March 2014, between Axalta Coating Systems Belgium BVBA and Barclays Bank PLC, as collateral agent appointed pursuant to the Credit Agreement \(incorporated by reference to Exhibit 10.46 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), originally filed with the SEC on August 20, 2014\)](#)
- 10.42* [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.48 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 30, 2014\)](#)
- 10.43* [Axalta Coating Systems Bermuda Co., Ltd. 2013 Equity Incentive Plan \(incorporated by reference to Exhibit 10.54 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 14, 2014\)](#)
- 10.44* [Form of Stock Option Agreement under the Axalta Coating Systems Bermuda Co., Ltd. 2013 Equity Incentive Plan \(incorporated by reference to Exhibit 10.55 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 14, 2014\)](#)
- 10.45* [Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.56 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 30, 2014\)](#)
- 10.46* [Form of Stock Option Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.57 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 30, 2014\)](#)
- 10.47* [Form of Restricted Stock Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.58 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 30, 2014\)](#)
- 10.48* [Form of Restricted Stock Unit Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.59 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 30, 2014\)](#)
- 10.49* [Form of Stock Option Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.61 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 28, 2016\)](#)
- 10.50* [Form of Restricted Stock Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.62 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 28, 2016\)](#)
- 10.51* [Form of Restricted Stock Unit Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 28, 2016\)](#)
- 10.52* [Form of Performance Stock Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.64 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 28, 2016\)](#)
- 10.53* [Form of Performance Share Unit Award Agreement under the Axalta Coating Systems Ltd. 2014 Equity Incentive Plan \(incorporated by reference to Exhibit 10.65 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 28, 2016\)](#)
- 10.54* [Axalta Coating Systems LLC Retirement Savings Restoration Plan \(incorporated by reference to Exhibit 10.60 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 14, 2014\)](#)
- 10.55* [Axalta Coating Systems, LLC Nonqualified Deferred Compensation Plan \(incorporated by reference to Exhibit 10.61 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 \(File No. 333-198271\), filed with the SEC on October 14, 2014\)](#)
- 10.56* [Registration Rights Agreement by and among Axalta Coating Systems Ltd. and Government Employees Insurance Company \(incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\) filed with the SEC on May 6, 2015\)](#)
- 10.57* [Asset Purchase Agreement by and between The Valspar Corporation, Axalta Coating Systems Ltd. and, solely for purposes of Section 5.1\(a\), 5.1\(b\), 5.3, 5.8, 5.13 and 10.13, The Sherwin-Williams Company, dated as of April 11, 2017 \(incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\) filed with the SEC on April 12, 2017\)](#)

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- 10.58* [Amendment to Asset Purchase Agreement, dated as of May 31, 2017, by and between The Valspar Corporation, Axalta Coating Systems Ltd. and, solely for purposes of Section 5.1\(a\), 5.1\(b\), 5.3, 5.8, 5.13 and 10.13, The Sherwin-Williams Company \(incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\) filed with the SEC on August 3, 2017\)](#)
- 10.59* [Form of Second Amended and Restated Executive Restrictive Covenant and Severance Agreement \(incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K \(File No. 001-36733\), filed with the SEC on February 22, 2018\)](#)
- 10.60* [Form of Stock Option Agreement for U.S. Employees \(incorporated by reference to Exhibit 10.58 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.61* [Form of Restricted Stock Agreement for U.S. Employees \(incorporated by reference to Exhibit 10.59 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.62* [Form of Restricted Stock Unit Agreement for U.S. Employees \(incorporated by reference to Exhibit 10.60 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.63* [Form of Performance Stock Agreement for U.S. Employees \(incorporated by reference to Exhibit 10.61 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.64* [Form of Performance Share Agreement for U.S. Employees \(incorporated by reference to Exhibit 10.62 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.65* [Form of Stock Option Agreement for non-U.S. Employees \(incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.66* [Form of Restricted Stock Unit Agreement for non-U.S. Employees \(incorporated by reference to Exhibit 10.64 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.67* [Form of Performance Share Agreement for non-U.S. Employees \(incorporated by reference to Exhibit 10.65 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.68* [Form of Restricted Stock Unit Agreement for Directors \(incorporated by reference to Exhibit 10.66 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on April 25, 2018\)](#)
- 10.69* [Axalta Coating Systems Ltd. Amended and Restated 2014 Incentive Award Plan \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-36733\) filed with the SEC on May 3, 2018\)](#)
- 10.70* [Form of Indemnification and Advancement Agreement \(incorporated by reference to Exhibit 10.67 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on July 26, 2018\)](#)
- 10.71* [Amendment to Second Amended and Restated Executive Restrictive Covenant and Severance Agreement among the Company, Axalta Coating Systems, LLC and Charles W. Shaver, dated as of July 25, 2018 \(incorporated by reference to Exhibit 10.68 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on October 25, 2018\)](#)
- 10.72* [Offer Letter between the Company and Terrence S. Hahn, dated as of July 25, 2018 \(incorporated by reference to Exhibit 10.69 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-36733\), filed with the SEC on October 25, 2018\)](#)

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10.73*	Consulting Agreement between the Company and Michael F. Finn, dated as of November 15, 2018 (incorporated by reference to Exhibit 10.73 to the Registrant's Annual Report on Form 10-K (File No. 001-36733), filed with the SEC on February 26, 2019)
10.74*	Employment Separation Agreement and Mutual General Release between the Company and Terrence S. Hahn, dated as of November 20, 2018 (incorporated by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K (File No. 001-36733), filed with the SEC on February 26, 2019)
10.75*	Form of Performance Share Unit Agreement for U.S. Employees (incorporated by reference to Exhibit 10.58 to the Registrant's Quarterly Report on Form 10Q (File No. 001-36733) filed with the SEC on April 25, 2019)
10.76*	Form of Performance Share Unit Agreement for Non - U.S. Employees (incorporated by reference to Exhibit 10.59 to the Registrant's Quarterly Report on Form 10Q (File No. 001-36733) filed with the SEC on April 25, 2019)
10.77*	Amendment No. 8 to the Credit Agreement, dated as of June 28, 2019, among Axalta Coating Systems Dutch Holding B B.V. and Axalta Coating Systems U.S. Holdings, Inc., as Borrowers, Axalta Coating Systems U.S., Inc., Axalta Coating Systems Ltd., the several banks and other financial institutions or entities from time to time parties thereto as Lenders, Barclays Bank PLC, as Administrative Agent and Collateral Agent, and the other agents and arrangers party thereto. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733) filed with the SEC on June 28, 2019)
10.78*	Form of Retention Award Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733) filed with the SEC on September 12, 2019)
21.1	List of Subsidiaries
23.1	Consent of PricewaterhouseCoopers LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	INS - Inline XBRL Instance Document. The document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101	SCH - Inline XBRL Taxonomy Extension Schema Document
101	CAL - Inline XBRL Taxonomy Extension Calculation Linkbase Document
101	DEF - Inline XBRL Taxonomy Extension Definition Linkbase Document
101	LAB - Inline XBRL Taxonomy Extension Label Linkbase Document
101	PRE - Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Previously filed.
†	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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 February 19, 2020.

AXALTA COATING SYSTEMS LTD.

By: /s/ Robert W. Bryant

Robert W. Bryant
Chief Executive Officer and President

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert W. Bryant</u> Robert W. Bryant	Chief Executive Officer and President (Principal Executive Officer)	February 19, 2020
<u>/s/ Sean M. Lannon</u> Sean M. Lannon	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 19, 2020
<u>/s/ Anthony Massey</u> Anthony Massey	Vice President and Global Controller (Principal Accounting Officer)	February 19, 2020
<u>/s/ Mark Garrett</u> Mark Garrett	Chairman of the Board and Director	February 19, 2020
<u>/s/ William Cook</u> William Cook	Director	February 19, 2020
<u>/s/ Deborah J. Kissire</u> Deborah J. Kissire	Director	February 19, 2020
<u>/s/ Elizabeth C. Lempres</u> Elizabeth C. Lempres	Director	February 19, 2020
<u>/s/ Robert M. McLaughlin</u> Robert M. McLaughlin	Director	February 19, 2020
<u>/s/ Samuel L. Smolik</u> Samuel L. Smolik	Director	February 19, 2020

**DESCRIPTION OF SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Unless we indicate otherwise or the context requires, references to the “Company,” “we,” “our,” “ours,” and “us” refer to Axalta Coating Systems Ltd. Words denoting the masculine gender include the feminine and neuter genders.)

Our common shares are registered under Section 12(b) of the Securities Exchange Act of 1934 (the “Exchange Act”). We have registered no other securities under Section 12 of the Exchange Act.

DESCRIPTION OF COMMON SHARES

The following description summarizes the most important terms of our common shares. Because it is only a summary, it does not contain all the information that may be important to you and is qualified in its entirety by reference to our memorandum of association and our second amended and restated bye-laws (the “Bye-Laws”), which are included as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2019.

Overview

We have an authorized share capital divided into common shares, par value \$1.00 per share, and undesignated shares, par value \$1.00 per share, that our Board of Directors is authorized to designate from time to time as common shares or as preference shares. Pursuant to our Bye-Laws, subject to the requirements of the New York Stock Exchange (the “NYSE”) and to any resolution of the shareholders to the contrary, our Board of Directors is authorized to issue any of our authorized but unissued shares. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote our shares.

Holders of common shares have no pre-emptive, redemption, conversion or sinking fund rights. Holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares. Unless a different majority is required by law or by our Bye-Laws, resolutions to be approved by holders of common shares require approval by a simple majority of votes cast at a meeting at which a quorum is present.

In the event of our liquidation, dissolution or winding up, the holders of common shares are entitled to share equally and ratably in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

Our common shares are listed on the NYSE under the symbol “AXTA”.

Dividend Rights

Under Bermuda law, a company may not declare or pay dividends if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of its assets would thereby be less than its liabilities. Under our Bye-Laws, each common share is entitled to dividends if, as and when dividends are declared by our Board of Directors, subject to any preferred dividend right of the holders of any preference shares.

Variation of Rights

If at any time we have more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either: (i) with the consent in writing of the holders of 75% of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of the votes cast at a general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing one-third of the issued shares of the relevant class is present. Our Bye-Laws specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing shares. In addition, the creation or issue of preference shares ranking prior to common shares will not be deemed to vary the rights attached to common shares or, subject to the terms of any other class or series of preference shares, to vary the rights attached to any other class or series of preference shares.

Meetings of Shareholders

Bermuda law provides that a special general meeting of shareholders may be called by the Board of Directors of a company and must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote at general meetings. Bermuda law also requires that shareholders be given at least five days’ advance notice of a general

meeting, but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. Our Bye-Laws provide that our Board of Directors may convene an annual general meeting and the chairman or a majority of our directors then in office may convene a special general meeting. Under our Bye-Laws, at least 14 days' notice of an annual general meeting or ten days' notice of a special general meeting must be given to each shareholder entitled to vote at such meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed: (i) in the case of an annual general meeting, by all of the shareholders entitled to attend and vote at such meeting; or (ii) in the case of a special general meeting, by a majority in number of the shareholders entitled to attend and vote at the meeting holding not less than 95% in nominal value of the shares entitled to vote at such meeting. Subject to the rules of the NYSE, the quorum required for a general meeting of shareholders is two or more persons present in person at the start of the meeting and representing in person or by proxy in excess of 50% of all issued and outstanding common shares.

Election and Removal of Directors

Our Bye-Laws provide that our Board of Directors shall consist of such number of directors as the Board of Directors may determine. Prior to the 2021 Annual General Meeting of Members, our Board of Directors is divided into three classes designated Class I, Class II and Class III that are, as nearly as possible, of equal size. The Class I directors who were elected at the 2018 Annual General Meeting of Members will serve for a three year term of office. The Class II directors who were elected at the 2019 Annual General Meeting of Members will serve for a two year term of office. At the 2020 Annual General Meeting of Members, the term of office of the Class III directors shall expire and the Class III directors will be elected for a one year term of office. Effective as of our 2021 Annual General Meeting of Members, the classification of the directors shall expire, and at such meeting, and each annual general meeting thereafter, all of the directors so elected at any such meeting will hold office for a one year term. A director shall hold office until the annual general meeting for the year in which such director's term expires and until such director's successor has been duly elected or appointed, subject to such director's office being vacated pursuant to the Bye-Laws.

A shareholder holding not less than 10% in nominal value of the common shares in issue may propose for election as a director someone who is not an existing director or is not proposed by our Board of Directors. Where a director is to be elected at an annual general meeting, notice of any such proposal for election must be given not less than 90 days nor more than 120 days before the anniversary of the last annual general meeting prior to the giving of the notice or, in the event the annual general meeting is called for a date that is not less than 30 days before or after such anniversary the notice must be given not later than ten days following the earlier of the date on which notice of the annual general meeting was posted to shareholders or the date on which public disclosure of the date of the annual general meeting was made. Where a director is to be elected at a special general meeting, the notice must be given not later than 7 days following the earlier of the date on which notice of the special general meeting was posted to shareholders or the date on which public disclosure of the date of the special general meeting was made.

A director may be removed, only with cause (as defined in the Bye-Laws), by the shareholders, provided notice of the special general meeting convened to remove the director is given to the director. The notice must contain a statement of the intention to remove the director and a summary of the facts justifying the removal and must be served on the director not less than 14 days before the meeting. The director is entitled to attend the meeting and be heard on the motion for such director's removal.

Amendment of Memorandum of Association and Bye-Laws

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders. Our Bye-Laws provide that no bye-law shall be rescinded, altered or amended, and no new bye-law shall be made, unless it shall have been approved by a resolution of our Board of Directors and by a resolution of our shareholders including the affirmative vote of a majority of all votes entitled to be cast on the resolution.

Under Bermuda law, the holders of an aggregate of not less than 20% in nominal value of a company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment that alters or reduces a company's share capital as provided in the Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Supreme Court of Bermuda. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favor of the amendment.

Amalgamations and Mergers

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation or merger agreement to be approved by the company's Board of Directors and by its shareholders.

Unless the company's bye-laws provide otherwise (which the Bye-laws do not), the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation or merger agreement, and the quorum for such meeting must be two or more persons holding or representing more than one-third of the issued shares of the company.

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the shareholders meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

Registrar or Transfer Agent

A register of holders of the common shares is maintained by Codan Services Limited in Bermuda, and a branch register is maintained in the United States by American Stock Transfer & Trust Company, LLC, which serves as branch registrar and transfer agent.

Certain Provisions of Bermuda Law

We have been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to U.S. residents who are holders of our common shares.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of all of the common shares that are the subject of this offering to and between residents and non-residents of Bermuda for exchange control purposes, provided our shares remain listed on an appointed stock exchange, which includes the NYSE. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this prospectus. Certain issues and transfers of common shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

Subsidiaries of the Registrant

Axalta Coating Systems Belgium BVBA	Belgium
Axalta Coating Systems Deutschland Holding GmbH & Co. KG	Germany
Axalta Coating Systems Dutch Holding A B.V.	Netherlands
Axalta Coating Systems Dutch Holding B B.V.	Netherlands
Axalta Coating Systems Germany GmbH & Co. KG	Germany
Axalta Coating Systems Luxembourg Holding 2 S.a r.l.	Luxembourg
Axalta Coating Systems Luxembourg Holding S.a r.l.	Luxembourg
Axalta Coating Systems Luxembourg Top S.a r.l.	Luxembourg
Axalta Coating Systems U. S. Holdings, Inc.	Delaware (USA)
Axalta Coating Systems U. S. Inc.	Delaware (USA)
Axalta Coating Systems U.S.A., LLC	Delaware (USA)
Axalta Coating Systems, LLC	Delaware (USA)
Axalta Coating Systems Finance 2 S.a r.l.	Luxembourg
Axalta Coating Systems Mexico, S. de R.L. de C.V.	Mexico
Axalta Coating Systems France SAS	France
Axalta Coating Systems (Changchun) Co. Ltd.	China
Axalta Coating Systems Canada Company	Canada
Axalta Coating Systems Asia Holding B.V.	Netherlands
Axalta Coating Systems LA Holding II B.V.	Netherlands
Axalta Coating Systems Singapore Holding Pte Ltd.	Singapore
Axalta Coating Systems France Holding SAS	France
Axalta China Holding Co., Ltd.	China
Axalta Coating Systems EMEA Holding B.V.	Netherlands

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-224647 and No. 333-200229) and Form S-3 (No. 333-211556) of Axalta Coating Systems Ltd. of our report dated February 19, 2020 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 19, 2020

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert W. Bryant, certify that:

1. I have reviewed this Annual Report on Form 10-K of Axalta Coating Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2020

By: /s/ Robert W. Bryant
Name: Robert W. Bryant
Title: Chief Executive Officer and President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Sean M. Lannon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Axalta Coating Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2020

By: /s/ Sean M. Lannon
Name: Sean M. Lannon
Title: Senior Vice President and Chief Financial Officer

**Certification of CEO Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Robert W. Bryant, Chief Executive Officer of Axalta Coating Systems, Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Annual Report on Form 10-K (the "Report") of the Company for the annual period ended December 31, 2019 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2020

By: /s/ Robert W. Bryant
Name: Robert W. Bryant
Title: Chief Executive Officer and President

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CFO Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Sean M. Lannon, Senior Vice President and Chief Financial Officer of Axalta Coating Systems Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Annual Report on Form 10-K (the "Report") of the Company for the annual period ended December 31, 2019 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2020

By: /s/ Sean M. Lannon
Name: Sean M. Lannon
Title: Senior Vice President and Chief Financial Officer

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Corporate Information

Board of Directors

Mark Garrett (Chair)

*Chief Executive Officer
Marquard-Bahls AG*

Robert Bryant

*Chief Executive Officer
Axalta Coating Systems Ltd.*

William Cook

*Executive Chairman (Retired)
Donaldson Company, Inc.*

Deborah Kissire

*Vice Chair and Regional Managing
Partner (Retired)
Ernst & Young LLP*

Elizabeth Lempres

*Senior Partner (Retired)
McKinsey & Company*

Robert M. McLaughlin

*Senior Vice President and Chief
Financial Officer (Retired)
Airgas, Inc.*

Samuel Smolik

*Senior Vice President Americas
Manufacturing (Retired)
LyondellBasell Industries*

Management Group

Robert Bryant

Chief Executive Officer

Brian Berube

*Senior Vice President, General
Counsel and Corporate Secretary*

Nigel Budden

President of the Americas

David Heflin

*Vice President, Global Industrial
Liquid Coatings*

Ashish Jawadiwar

*Vice President and Chief
Information & Digital Officer*

Yves Kerstens

*Vice President and President,
Europe, Middle East & Africa*

Sean Lannon

*Senior Vice President and Chief
Financial Officer*

Steven R. Markevich

*Executive Vice President and
President, Transportation Coatings
and Greater China*

Eduardo Nardinelli

*President, Global Light Vehicle
Coatings*

Tabitha Oman

*Vice President, Deputy General
Counsel and Chief Compliance Officer*

Robert Roop

*Vice President and Chief Technology
Officer*

Barry Snyder

*Senior Vice President and Chief
Operations and Supply Chain Officer*

Lynne Sprinkle

*Senior Vice President and Chief
Human Resources Officer*

Troy Weaver

Vice President, Global Refinish

Willie Wu

President, Greater China

Common Shares

The common shares of Axalta Coating Systems Ltd. trade on the New York Stock Exchange under the symbol AXTA.

Common Shares

American Stock Transfer & Trust Company, LLC
Operation Center
6201 15th Avenue
Brooklyn, New York 11219
800-937-5449

Independent Auditors

PricewaterhouseCoopers LLP
2001 Market Street
Suite 1800
Philadelphia, PA 19103



Axalta Coating Systems
2001 Market Street
Suite 3600
Philadelphia, PA 19103
USA

For more information about Axalta visit www.axalta.com

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